Minutes No.4

Southwest Power Pool
REGIONAL ENTITY TRUSTEES
October 31, 2007
Doubletree Hotel at Warren Place, Tulsa, OK

• M I N U T E S •

Agenda Item 1 – Administrative Items
John Meyer called the meeting to order at 8:04 p.m. Other members in attendance were: Dave Christiano and Gerry Burrows. Staff in attendance included Ron Ciesiel, Michael Desselle, Charles Yeung, Alison Hayes, and Stacy Duckett (secretary). Guests included Jessica Collins (Xcel Energy).

Mr. Meyer referred to draft minutes for the August 20, 2007 meeting and asked for corrections or a motion for approval (RET Minutes 8/20/07 – Attachment 1). Gerry Burrows moved to approve the minutes as presented. Dave Christiano seconded the motion, which passed unanimously.

Agenda Item 2 – Past Action Items
Stacy Duckett reported on Action Items in accordance with the Status Report (Attachment 2).

Agenda Item 3 – Quarterly Activity Report
Ron Ciesiel reviewed the activity report, except for confidential portions, which were covered in Executive Session (Activity Report – Attachment 3). The Trustees discussed participating as observers at upcoming audits. Following discussion, the group determined that there were too many potential conflicts, so they will not pursue audit observation. The committee asked Mr. Ciesiel to review the audit/report and penalty assessment processes. Mr. Ciesiel reviewed the status of pre-June 18 violations. All violations are to be resolved by December 31, 2007 except one, which has an early 2008 completion date. No extensions will be granted for pre-June violations.

Staff received very positive feedback on the Compliance Workshop. There were 115 participants. The next workshop is the week of January 21, 2008 with final dates to be announced.

Agenda Item 4 – Standards Development Report
The process for development of standards has been initiated (SPP Standards Development Process Manual – Attachment 4). The Under Frequency Load Shedding Standard was assigned by the Market and Operations Policy Committee (MOPC) to the System Protection and Control Working Group. Required notices and postings are in process. Charles Yeung reviewed changes in the Standards Development Process since last meeting. Mr. Yeung and Alison Hayes are working with Corporate Communications to finalize posting and notice processes. There are three additional regional standards that are not yet active, pending direction from NERC. The process will be reviewed at the Organizational Group Chairs and Secretaries Workshop in November.

Agenda Item 5 – ERO/RE Budget Order
Michael Desselle reviewed the recent FERC order on the NERC and Regional Entity budgets (2008 Budget Order & 2008 Business Plan/Budget – Attachment 5). FERC approved the budgets, but does require a compliance filing on December 14. There was discussion regarding requirements set out in paragraphs 68 - 70. Mr. Meyer requested to see a draft of the filing before submission to NERC. The filing schedule is pending.

Mr. Meyer requested a budget variance reporting going forward. The Trustees will receive a monthly report via email and review reports quarterly at regular meetings.
Regional Entity Trustees Meeting  
October 31, 2007

Agenda Item 6 – Regional Entity Representation on NERC Committees  
Stacy Duckett reviewed the roster of NERC committees and representation (NERC Committee Representation – Attachment 6). The group discussed whether any changes should be recommended based on the RE and RTO roles. The group identified the following NERC groups as directly related to the RE function:

- Members Representatives Committee
- Adequacy Assessment Task Force
- Reliability Assessment Subcommittee
- Transmission Availability Data System Task Force

There are no recommended changes to representation on these groups at this time. NERC is forming a legal group; Alison Hayes will participate for SPP.

Agenda Item 7 – Annual Assessment Process  
Stacy Duckett reviewed SPP’s Annual Assessment Process for organizational groups (Annual Assessment & Survey Process – Attachment 7). The Trustees have not participated in the 2007 process since they only initiated activities in July. John Meyer and Alison Hayes will attend the November workshop for chairs and secretaries. The RE will discuss and determine whether and how to approach an annual stakeholder satisfaction survey for the RE. The group asked to conduct the assessment process in early January for discussion at the January meeting as an interim check.

Agenda Item 8 – FERC Meeting Follow-up  
Resource Adequacy  
The group discussed whether the RE has a role in resource adequacy. This led to a broader discussion of duties and responsibilities of the RE as compared to duties of the Regional Reliability Organization. NERC has certain expectations for the RE’s role in various areas. Michael Desselle will launch a project to review internal processes to ensure appropriate coordination occurs.

Situation Awareness  
NERC/FERC are discussing situation awareness and what it will encompass and how it will be implemented. Internal process will also be developed to ensure that appropriate reporting occurs.

Organization and Staffing  
The Regional Entity Trustees’ Secretary needs to be updated on the Organizational Group chart on the website. There is a request to add a separate "staff" box on the organizational chart for the RE. The group will discuss other staffing considerations in Executive Session.

Agenda Item 9 – Review Action Items  
Stacy Duckett reviewed New Action items:

- Expand interim reporting to include report from Counsel.
- Provide budget variance reporting each month, and in regular quarterly reporting.
- Charles Yeung is to provide sample time tracking sheet to Trustees.
- Report on NERC/RE Committee plan project
- Determine whether and how to approach an annual stakeholder survey for the Regional Entity.
- Develop processes for communication between RE and RTO for reporting events.
- Complete Organizational Group Survey and Assessments in early January for discussion at the January meeting.
- Michael Desselle will launch a project to review internal processes.
- Update/revise the Organizational Group Chart for Trustees.

Agenda Item 10 - Future Meetings  
The next Regional Entity Trustees meeting will be January 30 in Austin, Texas (Future Meetings – Attachment 8).
Regional Entity Trustees Meeting  
October 31, 2007

**Other**
Stacy Duckett noted that this was her last meeting with the group, and concludes her tenure as interim Secretary. Alison Hayes will assume Secretary duties effective immediately. John Meyer thanked Ms. Duckett for her support.

With no further business, the meeting was adjourned to Executive Session for review of post June 18 violations, penalty assessments and staffing.

Respectfully Submitted,

Stacy Duckett
Secretary
Southwest Power Pool
REGIONAL ENTITY TRUSTEES MEETING
October 31, 2007
Double Tree Hotel at Warren Place – Tulsa, OK

• A G E N D A •

8:00 a.m. – 3:00 p.m. CDT

1. Call to Order and Administrative Items ................................................................. Mr. John Meyer
2. Action Items Status Report ................................................................................... Ms. Stacy Duckett
3. Quarterly Activity Report ........................................................................................ Mr. Ron Ciesiel
   a. Fine Calculation Tool Update
4. Standards Development Report ........................................................................... Mr. Charles Yeung
5. ERO/RE Budget Order ...................................................................................... Mr. Michael Desselle
6. Regional Entity Representation on NERC Committees ........................................ Ms. Stacy Duckett
7. Annual Assessment Process ................................................................................ Ms. Stacy Duckett
8. FERC Meeting Follow-up .................................................................................. Mr. John Meyer
   a. Resource Adequacy
   b. Situation Awareness
   c. Organization and Staffing
9. Review New Action Items .................................................................................... Ms. Stacy Duckett
10. Future Meetings ........................................................................................................ Mr. John Meyer
Southwest Power Pool
REGIONAL ENTITY TRUSTEES
August 20, 2007
Southwest Power Pool Offices, Little Rock, AR

• M I N U T E S •

Agenda Item 1 – Administrative Items
John Meyer called the meeting to order at 1:04 p.m. Other members in attendance were: Dave Christiano and Gerry Burrows. Staff in attendance included Ron Ciesiel, Michael Desselle, Charles Yeung, Kevin Goolsby, Shon Austin, and Stacy Duckett (secretary).

Mr. Meyer referred to draft minutes for the July 25 meeting and asked for corrections or a motion for approval (RET Minutes 7/25/07– Attachment 1). Gerry Burrows moved to approve the minutes as presented. Dave Christiano seconded the motion, which passed unanimously.

Agenda Item 2 – Past Action Items
Stacy Duckett reported on Action Items in accordance with the Status Report (Attachment 2).

Agenda Item 3 – Agenda for August 21 FERC Meeting
Michael Desselle reviewed the agenda and informational materials for the August 21 meeting with FERC Staff. The group also discussed feedback from other regions following their meetings. The committee heard summaries of the presentations to be made by SPP staff.

As part of the discussion, it was determined that the Regional Entity Trustees will be responsible for developing and providing the annual performance evaluation for the Executive Director position to further establish the independence of the Regional Entity function within SPP.

The Trustees have requested that some interim reporting mechanism be developed to keep them apprised of violations found through the Compliance Monitoring and Enforcement Program.

Agenda Item 4 – Delegation Agreement Review
Stacy Duckett briefly reviewed the terms of the Delegation Agreement, as previously requested by the Trustees (Delegation Agreement – Attachment 3).

Agenda Item 5 – Counsel Update
Michael Desselle reported that six resumes have been received to date for the Counsel position. Mr. Desselle and Ms. Duckett will review the resumes and begin the preliminary interview process.

Agenda Item 6 – Compliance Monitoring and Enforcement Program Review
Hearing and Settlement Procedures
Ron Ciesiel provided details of the presentations overview for the August 21 meeting with FERC (Compliance Monitoring and Enforcement Program Manual – Attachment 4).

Fine Calculation Software
Ron Ciesiel and Kevin Goolsby demonstrated a software tool available to Regional Entities for calculating fines, using a sample case. Some regions have committed to use this tool on a trial basis but are not required to use it, or bound by the results of its calculation. The Trustees will continue to receive updates on the tool and its possible uses to determine whether SPP may/may not implement it and if so, how.
Regional Entity Trustees Meeting  
August 20, 2007

**Agenda Item 7 – Review Action Items**  
Stacy Duckett reviewed New Action items:
- Ron Ciesiel is to develop an interim reporting mechanism for violations.
- Follow up with NERC regarding direction/support for use of the fine calculation tool.

**Agenda Item 8 - Future Meetings**  
Trustees will participate in SPP Board of Directors/Members Committee meetings as follows:

All – October 2007  
Dave Christiano – April 2008  
Gerry Burrows – July 2008  
All – October 2008

The Trustees will have a special meeting in late May 2008 to address the annual budget, which is due to NERC by June 1 each year (Future Meetings – Attachment 5).

**Other**  
The dates for the next Compliance Workshop have changed to October 10 -11; the location remains Tulsa.

With no further business, the meeting was adjourned at 6:25 p.m.

Respectfully Submitted,

Stacy Duckett  
Secretary
<table>
<thead>
<tr>
<th>Action Item</th>
<th>Date Originated</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Ciesiel to review detailed fine process</td>
<td>7/25/07</td>
<td>Completed</td>
<td>Discussed at August 20 meeting</td>
</tr>
<tr>
<td>Detailed review of Hearing and Settlement procedures</td>
<td>7/25/07</td>
<td>Completed</td>
<td>Discussed at August 20 meeting</td>
</tr>
<tr>
<td>Detailed review of Delegation Agreement</td>
<td>7/25/07</td>
<td>Completed</td>
<td>Discussed at August 20 meeting</td>
</tr>
<tr>
<td>M. Desselle to provide background information in advance of Aug 21 meeting</td>
<td>7/25/07</td>
<td>Completed</td>
<td>Discussed at August 20 meeting</td>
</tr>
<tr>
<td>Trustees to determine Board meeting attendance schedule</td>
<td>7/25/07</td>
<td>Completed</td>
<td>Determined at August 20 meeting</td>
</tr>
<tr>
<td>R. Ciesiel to develop reporting process for advising Trustees of violations between quarterly meetings</td>
<td>8/20/07</td>
<td>Completed</td>
<td>R. Ciesiel is providing bi-weekly status reports to the Trustees</td>
</tr>
<tr>
<td>R. Ciesiel to follow-up with NERC regarding use of fine calculation tool</td>
<td>8/20/07</td>
<td>Pending</td>
<td>October 31 agenda item</td>
</tr>
</tbody>
</table>
NEW ACTIVITIES

1. There have been no self-reports or other non-compliance findings reported during the period [beginning October 15th to present].
2. The SPP RE Staff attended or spoke at the following events during this period:
   a. SPP Markets & Operations Policy Committee [~50 in attendance]
   b. NERC Board of Trustees Compliance Committee
   c. NERC Audit Observation Team meeting
3. The 2008 SPP RE Compliance Monitoring & Enforcement Plan has been forwarded to NERC as required by the NERC implementation schedule [the plan was introduced at the Fall 2007 SPP RE Compliance Workshop].
4. The SPP Reliability Coordinator was the subject of a Compliance Audit under the Regional Entity Program. The Audit was conducted from October 29th through October 31st. NERC Staff were assigned leadership roles, supported by consultants from Power Decisions Consulting and SERC staff, with the SPP RE staff available for advisory purposes.

OLD BUSINESS

Pre-June 18th Violations

1. Pre-June 18th violations- We are continuing to monitor the mitigation plans from the registered entities. All completion dates are still listed in the 2007 calendar year, with the exception of one plan that has a 2008 in-service date. As of the date of this report, SPP RE is tracking 139 pre-June 18th open violations.

ENTITY REGISTRATION

1. Nothing significant to report. There has been some minor activity as a result of the recent workshops. We expect several generator owners to register during the next week. We also expect at least one LSE/DP to drop out of the registration because it falls below the minimum load threshold.

COMPLIANCE AUDITS AND READINESS EVALUATIONS

1. As discussed above, the SPP Reliability Coordinator was the subject of an on-site compliance audit during the report period.
2. There were no Readiness Evaluations performed during this period.
REGIONAL ENTITY

PERSONNEL

1. Alison Hayes joined the Regional Entity Staff on October 16th as the Legal Counsel.

OTHER ACTIVITIES

1. Nothing to report in this category.

Respectfully submitted by:

Ronald W. Ciesiel
Executive Director of Compliance
SPP Regional Entity
October 31, 2007
SPP REGIONAL ENTITY STAFF ASSIGNMENTS FOR SPP WORKING GROUPS
AS OF OCTOBER 23, 2007

High Activity Working Groups/Committees

Markets & Operations Policy Committee -- Ron Ciesiel

Operating Reliability Working Group – Ron Ciesiel

Transmission Working Group – Kevin Goolsby

System Protection and Control Working Group – Kevin Goolsby

Critical Infrastructure Working Group – Shon Austin

Generation Working Group – Shon Austin

Low Activity Working Groups/Committees

Operations Training Working Group – Team Coverage

Model Development Working Group – Kevin Goolsby
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I. Introduction

This manual defines the fair and open process for adoption, approval, revision, reaffirmation, and deletion of a regional reliability standard (Standard) by Southwest Power Pool, a regional entity (RE). Standards provide for the reliable regional and sub-regional planning and operation of the Bulk Power System (BPS), consistent with Good Utility Practice within an RE's geographical footprint.

Due process is the key to ensuring that Standards are developed in an environment that is equitable, accessible and responsive to the requirements of all interested and affected parties. An open and fair process ensures that all interested and affected parties have an opportunity to participate in a Standard's development.

Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the Bulk Power System has a right to participate by: a) expressing a position and its basis, b) having that position considered, c) voting on a proposed regional reliability standard through a segment weighted balanced process, and d) having the right to appeal.
II. Background

An RE may develop, through its own processes, separate Standards that go beyond, add detail to, or implement NERC reliability standards, or otherwise address issues that are not addressed in NERC reliability standards.

NERC reliability standards and the RE's Standards are all to be included within the RE's Compliance Program.

RE Standards are developed consistent with the following philosophies and according to the process defined in this manual:

- A fair and open process that provides an opportunity for all interested parties to participate;
- Avoid any impact on commerce that is not necessary for reliability;
- Provide a level of BPS reliability that is adequate to protect public health, safety, welfare, and national security and do not have a significant adverse impact on reliability; and
- A justifiable difference between regions or between sub-regions within the Regional geographic area.

The NERC Board of Trustees has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are fundamental to reliability and the market interface, and provide a constant beacon to guide the development of reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards. Persons and committees that are responsible for the RE Standards process shall consider these NERC principles in the execution of those duties.

NERC reliability standards are based on certain reliability principles that define the foundation of reliability for the North American BPS. Each Standard shall enable or support one or more of the reliability principles, thereby ensuring that it serves a purpose in support of reliability of the North American BPS. Each Standard shall also be consistent with all of the reliability principles, thereby ensuring that no Standard undermines reliability through an unintended consequence.

While NERC reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that BPS reliability and electricity markets are inseparable and mutually interdependent, all Standards shall be consistent with the market interface principles. Consideration of the market interface principles is intended to ensure that Standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.
III. Regional Reliability Standard Definition, Characteristics, and Elements

A. Definition of a Regional Reliability Standard

A NERC reliability standard defines certain obligations or requirements of entities that operate, plan, and use the Bulk Power Systems of North America. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the stated reliability principles and shall be consistent with all of the stated reliability and market interface principles in the NERC Standards Process Manual.

SPP RE may develop, through the process described in this manual, separate SPP Regional Reliability Standards (Standard) that go beyond, add detail to, or implement NERC reliability standards, or that cover matters not addressed in NERC continent-wide reliability standards. SPP Regional Reliability Standards may be developed and exist separately from NERC continent-wide reliability standards, or may be proposed as NERC reliability standards. Standards that exist separately from NERC reliability standards shall be more stringent than a NERC continent-wide reliability standard, including a regional difference that addresses matters that the NERC continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. These regional reliability standards, if approved by the RE Trustees, are forwarded to NERC for review and submittal to FERC for approval.

B. Definition of SPP Criteria

SPP Criteria are those requirements used by SPP members that are for purposes others than those specified for SPP Regional Reliability Standards (Standards). SPP Criteria are enforceable only under the terms and conditions of the SPP Membership Agreement. SPP Criteria may be developed in accordance with SPP Bylaws outside the process described within this manual since these criteria are not intended to be used by the SPP Regional Entity for compliance and enforcement under the authority delegated under the NERC – SPP Regional Delegation Agreement.

C. Characteristics of a Regional Reliability Standard

Standards define obligations or requirements for the operation and planning of interconnected systems and market interface practices that will be enforceable under the authority of the SPP RE. The format and process defined by this manual applies to all Standards.

A Standard shall have the following characteristics:

- **Material to Reliability** - A Standard shall be material to the reliability of bulk power systems of the RE’s region. If the reliability of the bulk power systems could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.

- **Measurable** - A Standard shall establish technical or performance requirements that can be practically measured.
- **Relative to NERC Reliability Standards** - A Standard must go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards.

D. **Elements of a Regional Reliability Standard**

An RE Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Standards. This discipline is necessary to achieve standards that are measurable, enforceable, and consistent. The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each Standard. Supporting documents to aid in the implementation of a Standard may be referenced by the Standard but are not part of the Standard itself. All mandatory requirements of a Standard shall be within an element of the standard.

**Performance Elements of a Regional Reliability Standard**

<table>
<thead>
<tr>
<th>Identification Number</th>
<th>A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference RE documentation. Format for Regional Standard Request will be: RSR-000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>A brief, descriptive phrase identifying the topic of the Standard.</td>
</tr>
<tr>
<td>Effective Date and Status</td>
<td>The effective date of the Standard or, prior to adoption of the Standard by the RE through its own processes, the proposed effective date. The status of the standard will be indicated as active or by reference to one of the numbered steps in the standards process.</td>
</tr>
<tr>
<td>Purpose</td>
<td>The purpose of the Standard. The purpose shall explicitly state what outcome will be achieved or is expected by this Standard. The purpose is agreed to early in the process as a step toward obtaining approval to proceed with the development of the standard. The purpose should link the standard to the relevant principle(s).</td>
</tr>
<tr>
<td>Requirement(s)</td>
<td>Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies the responsible entity and the action to be performed or outcome to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory such as background or explanatory information should be placed in a separate document and referenced. (See Supporting References).</td>
</tr>
<tr>
<td><strong>Applicability</strong></td>
<td>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire SPP area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.</td>
</tr>
</tbody>
</table>

| **Risk Factor(s)** | The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition. A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system. |
Measure(s) | Each requirement shall be addressed by one or more measurements. Measurements will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies and the expected level of performance or outcomes required to demonstrate compliance. Each measurement shall be tangible, practical, and as objective as is practical. Measures are proxies to assess required performance or outcomes. Achieving the measures should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirements(s) to which it applies.

Compliance Elements of a Regional Reliability Standard

| Compliance Monitoring Process | The following compliance elements, which are part of the standard and are balloted with the standard are developed for each measure in a standard by the NERC compliance program in coordination with the standard drafting team:

- The specific data or information required to measure performance or outcomes.
- The entity responsible for providing the data or information for measuring performance or outcomes.
- The process used to evaluate data or information for the purpose of assessing performance or outcomes.
- The entity responsible for evaluating data or information to assess performance or outcomes.
- The time period in which performance or outcomes is measured, evaluated, and then reset.
- Measurement data retention requirements and assignment of responsibility for data archiving. |

Violation Severity Levels | Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the NERC compliance program in coordination with the standard drafting team.
**Supporting Information Elements**

<table>
<thead>
<tr>
<th><strong>Interpretations</strong></th>
<th>Formally approved interpretations of the reliability standard. Interpretations are temporary, as the standard should be revised to incorporate the interpretation. Interpretations are developed and approved through a process described in the section Interpretations of Standards.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementation Plan</strong></td>
<td>Each standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.</td>
</tr>
</tbody>
</table>
| **Supporting References** | This section references related documents that support reasons for, or otherwise provide additional information related to, the Standard. Examples include, but are not limited to:  
  • Development history of the Standard and prior versions  
  • Notes pertaining to implementation or compliance  
  • Standard references  
  • Standard supplements  
  • Procedures  
  • Practices  
  • Training references  
  • Technical references  
  • White papers  
  • Internet links to related information |
IV. Roles in the Regional Reliability Standards Development Process

Any member of NERC, including any member of a regional reliability organization, regional entity, or group within NERC shall be allowed to request that a Standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) who is directly and materially affected by the reliability of the North American Bulk Power Systems shall be allowed to request a Standard be developed, modified, or withdrawn.

**Originator** - Any entity (person, organization, company, governmental agency, individual, etc.) that is directly and materially affected by the operation of an RE's BPS, is allowed to request a Standard be developed or an existing Standard be modified, or deleted.

**Registered ballot body** — The registered ballot body comprises all entities or individuals that qualify for one of the voting segments and are registered with SPP as a ballot participant in the voting of a proposed standard. Membership in SPP is not a requirement for registration. Registration in a ballot body must be done via the SPP website by close of business the day prior to the day voting begins on the standard. [Each standard action has its own registered ballot body. ] The representation model of the registered ballot body is provided in Sec V. B. Regional Reliability Standards Development Process Steps, Step 5 – Open Voting.] The outcome of the vote of the registered ballot body is forwarded to the RE Trustees regardless of advisory voting outcomes at the MOPC or SPP Board level.

**SPP Regional Entity Trustees (RE Trustees)** – The SPP Regional Entity Trustees shall act on any proposed Standard that has gone through the process contained in this manual. Upon approval by the RE Trustees, the Standard will be submitted to NERC for approval under the ERO. RE Trustees are notified of all proposed regional reliability standards requests and receive progress reports from the RE Staff. They also receive notice of the outcome of votes by the ballot body and any recommendations and reports on proposed standards made by the SDT, MOPC and SPP Board.

**Regional Entity Staff (RE Staff)**- RE Staff shall support the RE Trustees in their oversight authority over the Standards Development Process and any other function or responsibility ascribed to them in the NERC- Southwest Power Pool, Inc. Delegation Agreement.

**SPP Markets and Operations Policy Committee (MOPC)** - The SPP Markets and Operations Policy Committee will assign Standards to a Standards Development Team for development or revision

**SPP Board of Directors and Members Committee (BOD/MC)** – The SPP Board of Directors in conjunction with the Members Committee provides advisory votes to the RE Trustees on reliability matters as they pertain to the RE. The BOD/MC votes on proposed regional standards or changes to regional standards for the sole purpose of providing an additional stakeholder forum for review, and valuable input to the RE Trustees decision on a regional standard based on the groups expertise on reliability, operations and market matters as well as its wide diverse representation of the SPP membership.
**Compliance Director** – The RE office responsible for the administration of the SPP Compliance Program. The duties of this office includes but are not limited to, providing inputs and comments during the standards development process to ensure the measures will be effective and can be practically implemented.

**Standard Drafting Team (SDT)** – Usually an existing SPP Working Group or Task Force that is comprised of technical experts. Any interested party may attend meetings, provide input and comments, and vote under provisions of the SPP Regional Standards Process Manual.
V. Regional Reliability Standards Development Process

A. Assumptions and Prerequisites

The process for developing and approving Standards is similar to procedures accredited by the American National Standards Institute (ANSI), like that employed by the North American Energy Standards Board (NAESB). The Standards development process has the following characteristics:

- **Inclusive** - Any entity (person, organization, company, governmental agency, individual, etc.) representing an organization with a direct and material interest has a right to participate by:
  a) Expressing an opinion and its basis,
  b) Having that position considered,
  c) Voting on a proposed regional reliability standard through a segment weighted balanced process, and
  d) Appealing any negative decision

- **Openness** - Participation is open to all organizations that are directly and materially affected by the RE's BPS reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in the RE, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of SDT’s are open to all interested parties and are noticed on the SPP website at least 15 days in advance. Since pre-existing SPP committees, working groups, or task forces may be assigned the responsibilities of a SDT, the agenda for meetings will note that an SDT activity is being undertaken to distinguish such activity from other non-SDT related agenda items. The openness provisions of this manual apply only and explicitly to the SDT activities. Meetings of subcommittees and working groups serving as a SDT shall follow the SPP Bylaws Sec 3.5 Meetings.

**Balance** - The RE Standards development process strives to have an appropriate balance of interests. The process prevents any two voting sectors from dominating voting outcomes and no single voting sectors from defeating a proposed reliability standard.

- **Due Process** – The SPP Regional Reliability Standards Development Process provides reasonable notice and opportunity for public comment. At the minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

- **Transparent** – All actions material to the development of a SPP regional reliability standard shall be transparent. All standards development meetings shall be open and publicly noticed on the SPP website.

B. Regional Reliability Standards Development Process Steps

**Note:** The term “days” below refers to calendar days.
Step 1 – Request to Develop, Revise or Delete a Regional Reliability Standard

Any individual representing an organization (Originator) that is directly or materially impacted by the operation of the BPS within the geographical footprint of the RE may submit a request to the Markets and Operations Policy Committee (MOPC) for the development, modification, or deletion of an RE Standard. Any such request shall be submitted to the MOPC Chairman, or his/her designee, or by another process as otherwise posted on the SPP website. The request should be made using the SPP Regional Standard Request Form (RSR) in Appendix B.

The MOPC or a designee will work with the Originator to develop a description of the proposed Standard subject matter containing sufficient detail to clearly define the purpose, scope, impacted parties, and other relevant information related to the proposed Standard.

Step 2 – Notification to Regional Entity Trustees & Public Notice

The Chairman of the MOPC or his/her designee will forward the request to the RE Trustees. SPP staff will also post the request on the SPP website for public notice and may utilize any appropriate SPP email distribution lists within 30 days. The request is not to be judged as appropriate or useful at this stage.

The MOPC will assign the drafting and scoping responsibility to an appropriate SPP Working Group or Task Force. This group will become the Standards Drafting Team (SDT) for this particular Standard request. The assignment will include any necessary deadlines and due dates for the Standard.

Any documentation of the deliberations of the SDT concerning the Standard shall be made available in accordance with the SPP Bylaws requirements for meeting and organizational groups then in effect. Meetings of the SDT are open to any interested party. Meeting dates and actions on the regional reliability standard are publicly noticed on SPP’s public Web site.

The SDT shall provide a report to the RE Trustees and the MOPC on a periodic basis (at least at every regularly scheduled meeting) noting the status of the Standard that has been assigned to it for consideration.

Step 3 – Scoping and Drafting

The SDT will draft the language of the Standard per the Standard description provided by the MOPC and the Originator. The SDT may recommend changes to the scope, purpose, need or other relevant aspects of the Standard through consultation with the MOPC.

The SDT develops a work plan for completing the Standard development work, including the establishment of milestones for completing critical elements of the work in sufficient detail to ensure that the SDT will meet the date objective in the assignment, or an alternative date. This plan will be provided to the RE Trustees and the MOPC.

The SDT may meet in person or via electronic means as necessary; may establish sub-work teams (made up of members of the SDT) as necessary; and perform other activities to address the parameters of the Standard and the established milestone date(s).
The SDT should consider:

- The impact of the Standard on neighboring regions, and seek appropriate input from the neighboring regions if the Standard is determined to have such an impact.
- An implementation plan, including the nature, extent and duration of field-testing, if any.
- The need for any existing Standard to be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard.
- Technical reports, white papers and/or work papers that provide technical support for the draft Standard under consideration.
- Documenting the perceived reliability impact should the Standard be approved.

The SDT will regularly (at least at every regularly scheduled meeting) report to the RE Trustees and the MOPC on its progress in meeting a timely completion of the draft Standard. The SDT may request consideration of scope changes of the Standard at any point in the Standard development process.

The RE Trustees or the MOPC may, at any time direct the SDT move to Step 4 and post for comment the current work product, or to terminate the activity if there is no further need for the Standard. If the activity is terminated RE Staff will notify the Originator and the RE Trustees within 30 days.

If there are competing drafts all will be posted on the SPP website for comment. The MOPC may take this step at any time after a SDT has been commissioned to develop the Standard.

For Standards in progress, the MOPC must take action to move to Step 4. Public Comments, or to reject the proposal. If the MOPC votes to terminate the activity, the RE Trustees must be notified with supporting reasons provided to them. The proposed standard would then go directly to Step 11. (See Step 11. RE Trustees Action)

**Step 4 – Post Draft for 30 Day Public Comments**

RE Staff will post the draft Standard on the SPP website, along with any supporting documents, for a 30-day comment period. RE Staff shall also inform registered entities and other potentially interested stakeholders of the posting using available SPP communication resources, or by other means deemed appropriate. Comments may be submitted using the RSR Comment Form in Appendix B available on the SPP internet website.

Within 30 days of the conclusion of 30-day comment posting period the SDT shall convene and consider changes to the draft Standard, the implementation plan and/or supporting technical documents. The SDT may elect to return to Step 3. Scoping and Drafting to revise the draft Standard, and/or any supporting documentation. The SDT shall summarize the comments received and any changes made as a result. This summary will be and posted on the SPP website when completed.
Step 5 – Open Voting

The SDT shall direct the RE Staff to post the revised draft Standard and other relevant documents including, implementation plan, supporting technical documentation, and summary of comments.

RE Staff will schedule a vote by interested parties to commence no sooner than 15 days and no later than 30 days following the posting of the revised draft.

Members of the ballot body shall be allowed to vote over a period of 15 days. Voting will be through electronic means or other means provided by SPP.

SPP Segment Weighted Voting

Registration in a ballot body created for a specific proposed regional standard is required to vote. Registration for a proposed Standard is noticed on the SPP website and through a Standards email exploder for a period of 15 days prior to the start of the ballot (subscription to the Standards email exploder is open to any interested party through the SPP website). All interested parties who register with the ballot body may vote on the proposed new Standard, Standard revision or Standard deletion. An interested party may only register in one segment.

The five SPP voting segments for Regional Reliability Standards are:
1) Transmission
2) Generation
3) Marketer/Broker
4) Distribution/Load Serving Entity
5) End User and Public Interest

RE Staff will accept votes any time during the 15-day ballot period for the Standard. Votes will be counted by voting segment. Each voting segment will receive 20% of the vote. A weighted vote of 2/3 affirmative of those voting will pass a Standard for further consideration (Step 7). If the vote fails to achieve a 2/3 majority of those voting, the Standard will be returned to the SDT for consideration for future action (Step 3). The SDT may: revise the Standard; post the Standard again for comments; reballot the Standard; ask the RE Trustees to terminate the request; or any other action it deems appropriate.

The RE Trustees are notified of the outcome of the vote and any actions taken by the SDT as a result of the vote. The RE Trustees will determine any additional action to be taken. (See Step 11. RE Trustees Action)

Step 6 – Prepare Consensus Draft & Minority Report

When a Standard is approved, the SDT will prepare a consensus draft representing the version of the Standard to be presented to the MOPC and the BOD/MC before final action by the RE Trustees.

Minority Report and Appeals
A minority report will be prepared if there are significant issues that cannot be resolved within the SDT during the drafting phase (Step 3) or from the public comments (Step 4).

A minority report will include any appeals from interested parties that the SPP Standards Procedure Manual was violated in the development of the Standard.

The minority report remains a part of the record of the Standard and is available to any interested party during any subsequent steps.

The consensus draft and any minority reports are presented to the MOPC for its consideration and an advisory vote.

**Step 7 – Post Draft Standard for Action on the MOPC Agenda**

A recommended Standard is noticed for consideration on the MOPC agenda. The agenda materials are made available per the SPP Bylaws, Section 3.5.

If a Standard requires consideration by the MOPC prior to a regularly scheduled meeting, the RE Staff will notify the MOPC Chairman who will notice a special meeting in accordance with the SPP Bylaws.

**Step 8 – MOPC Review**

The MOPC will provide an advisory vote on the Standard under the governance provisions of the SPP Bylaws, Section 3.9 Voting.

If the MOPC opposes the Standard, the MOPC may request revision of the Standard or termination of further activity on the Standard. If the Standard is terminated, notice is provided (described in Step 9) to the RE Trustees for further action (Step 11).

If the MOPC concurs with the Standard, the Standard proceeds to the SPP Board of Directors and Members Committee for review (Step 9).

The RE Trustees are notified of the outcome of the MOPC review.

**Step 9 – SPP Board of Directors/Members Committee Review**

A draft Standard submitted to the SPP Board of Directors/Members Committee (BOD/MC) for review must be publicly posted at least 10 days prior to consideration by the BOD/MC. The BOD/MC may consider the Standard at a regularly scheduled meeting, or as determined by the Chairman of the BOD/MC.

The BOD/MC shall be provided:

- The consensus draft Standard and any modification or deletion of other related existing Standard(s)
- Implementation Plan (including recommended field testing and effective dates)
• Technical Documentation supporting the draft Standard
• A summary of the registered ballot body vote and summary of the comments and responses that accompanied the votes including a Minority Report if applicable.
• The results of the MOPC advisory vote and any comments
• Any other information relevant to the Standard

The BOD/MC will:

• Provide an advisory vote to the RE Trustees on the Standard (Step 10); or
• Return the Standard to the MOPC with comments

In the case of a second return of a Standard, the proposed Standard is forwarded to the RE Trustees for action. (The proposed Standard would go directly to Step 11).

**Step 10 – Presentation to RE Trustees**

A draft Standard submitted to the RE Trustees for action must be publicly posted at least 10 days prior to consideration by the RE Trustees.

The RE Trustees shall be provided:

• The consensus draft Standard and any modification or deletion of other related existing Standard(s)
• Implementation Plan (including recommended field testing and effective dates)
• Technical Documentation supporting the draft Standard
• A summary of the registered ballot body vote and summary of the comments and responses that accompanied the vote including a Minority Report if applicable
• The results of the MOPC advisory vote and any comments
• The results of the BOD/MC advisory vote and any comments
• Any other information relevant to the Standard

**Step 11 - RE Trustees Action**

The RE Trustees will:

• Recommend NERC approve the Standard through the NERC process; or
• Remand the Standard to the SDT through the MOPC with comments and instructions; or
• Determine there is no need for the Standard and terminate any future activity.

The RE Trustees may consider the Standard at a regularly scheduled meeting, or as determined by the Chairman of the RE Trustees.

If a Standard is forwarded to the RE Trustees for action as a result of an opposing MOPC vote (Step 8), or if automatically forwarded to them as a result of two or more returns by the MOPC
or SPP Board (Step 9), the RE Trustees will take definitive action, including initiating the process from Step 3, Scoping and Drafting. The RE Trustees may not submit a Standard to NERC for approval without a positive outcome from open and balanced voting in Step 5.

Advisory votes of the MOPC and the BOD/MC do not impact the RE Trustees’ authority to submit a Standard to NERC.

**Step 12 – Submit to NERC for Approval as Regional Standard**

RE Staff will notify interested parties of submission of Standard to NERC by the RE Trustees through the normal and customary communication procedures and processes then in effect.

The RE Staff will publicly notice any further steps necessary to have a Standard reviewed and/or approved through the NERC or any successor organization standards process.

C. **Filing of Regional Reliability Standards with Regulatory Agencies**

The development of Standards must be administered in coordination with the NERC Standards Development Procedure. At the discretion of the NERC Board of Trustees, adopted Standards may be filed with applicable regulatory agencies in the United States, Canada, and Mexico. Regional Reliability Standards once approved by FERC, are made part of the NERC standards and shall be enforced accordingly.
Appendix A


Any interested party may propose changes to this Manual. Such Process Manual change requests will follow all the steps of the Regional Reliability Standards Process outlined in Section V., Part B of this Manual.

II. Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a Standard shall have the right to appeal. This appeals process applies only to the Standards process as defined in this procedure.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The appeal will be addressed by the RE Trustees. The appeal is included in a Minority Report of the Standard which remains a part of the record for the Standard throughout the SPP Regional Standards Procedure.

The final decisions of any appeal shall be documented in writing and made public.

A complaint will be noted in a Minority Report including the substantive or procedural action or inaction associated with a reliability standard or the standards process. The complaint should describe the actual or potential adverse impact to the appellant. The RE Trustees will provide a written response to the complaint. The appellants response to the RE Trustees determination will be included in the Minority Report.

The RE Trustees shall provide a response to any remaining open complaints.
## Appendix B: SPP Regional Standard Request Form

<table>
<thead>
<tr>
<th>RSR Number</th>
<th>RSR Title</th>
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**SPP Regional Standard Name**  
(include Section No., Title, and existing Standard Version if any)  

**Requested Resolution Date (if applicable)**  

**Description**  

**Reliability Need or Purpose**  
Try to identify if known: Technical requirements, reliability risk factor, measurements (refer to SPP Standards Process Manual for descriptions).  

**Tariff Implications or Changes**  
(Yes or No; If yes include a summary of impact and/or specific changes)  

**Criteria Implications or Changes**  
(Yes or No; If yes include a summary of impact and/or specific changes)  

**NERC Standard Implications**  
(Yes or No, and summary of impact)
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<th>Sponsor</th>
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<tbody>
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<td>Name</td>
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| Proposed Regional Standard Language |
Appendix C: SPP Regional Standard Request Comment Form

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<th>RSR Title</th>
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## Submitter’s Information

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<th>Fax Number</th>
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Comment Form Instructions (please delete before submitting comments):

Comments are to be submitted electronically and are due by close of business of the comment due date. Please follow this file naming convention: ###PRR <Company Name> Comments<date>.doc.

## Comments

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<th>Revised Regional Standard Language</th>
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Appendix D: SPP Standards Development Procedure
ORDER CONDITIONALLY ACCEPTING 2008 BUSINESS PLAN AND BUDGET OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION AND ORDERING COMPLIANCE FILINGS

(Issued October 18, 2007)

1. On August 24, 2007, as corrected on August 31, 2007, NERC, the Commission-certified Electric Reliability Organization (ERO), filed its 2008 Business Plan and Budget as well as the 2008 Business Plan and Budget of each Regional Entity. We will conditionally accept the NERC and Regional Entity business plans and budgets and order NERC to make compliance filings on or before December 14, 2007 and April 1, 2008, as discussed below. NERC is authorized to issue billing invoices to fund the fiscal year 2008 operations of the Regional Entities, Western Interconnection Regional Advisory Body (WIRAB) and itself.

I. Background

A. Regulatory History

2. The Energy Policy Act of 2005 added a new section 215 to the Federal Power Act (FPA), which requires a Commission-certified ERO to develop mandatory and enforceable Reliability Standards, subject to Commission review and approval. Section

1 The North American Electric Reliability Corporation (NERC) Application.


215(c)(2)(B) of the FPA provides that the ERO must have rules that “allocate equitably reasonable dues, fees and other charges among end users for all activities under this section.”

3. On February 3, 2006, the Commission issued Order No. 672 to implement the requirements of section 215 of the FPA. Order No. 672, among other things, sets forth requirements for funding the ERO and the approval of an ERO business plan and budget. The Commission’s regulations require the ERO to file with the Commission its proposed annual budget for statutory and non-statutory activities 130 days before the beginning of its fiscal year. This filing must also contain the annual budgets of each Regional Entity for statutory and non-statutory activities, and include supporting materials, including the ERO's and each Regional Entity's complete business plan and organization chart, and explanation of the proposed collection of all dues, fees and charges and the proposed expenditure of funds collected.

4. In an October 2006 Order, the Commission conditionally accepted NERC’s first budget and business plan. In that order, the Commission provided NERC guidance on future budget and business plan submissions.

B. NERC’s 2008 ERO Business Plan and Budget Application

5. The NERC Application contains NERC’s proposed ERO business plan and budget for the year ending December 31, 2008. It also includes proposed business plans and budgets for the year ending December 31, 2008, for each of NERC’s eight Regional Entities: Texas Regional Entity (TRE), a Division of Electric Reliability Council of Texas, Inc. (ERCOT); Florida Reliability Coordinating Council (FRCC); Midwest Reliability Organization (MRO); Northeast Power Coordinating Council (NPCC); Reliability First Corporation (RFC); Southeastern Reliability Council (SERC); Western


6 Id. at P 197; 18 C.F.R. § 39.4 (2007).


Electricity Coordinating Council (WECC), and Southwest Power Pool, Inc. (SPP). The WECC budget includes the funding request for WIRAB, a regional advisory body established pursuant to section 215(j) of the FPA.

6. The total funding requirement for 2008 allocable under section 215 of the FPA to end users in the United States for which NERC seeks Commission approval is $82,587,129. This amount includes $22,780,492 for NERC funding, $59,402,602 for Regional Entity funding and $404,035 for WIRAB funding.

7. NERC states that funding among end users will continue to be allocated in each country based on net energy for load (NEL). One exception to this method of collection would apply to the allocation of certain compliance and enforcement costs for jurisdictions outside the United States where a provincial government has designated an entity other than a Regional Entity to perform compliance and enforcement activities.

8. The NERC Application also includes a records retention policy and system of accounts. In addition, NERC provides a series of metrics that provide comparative information regarding the organization and business plans of the eight Regional Entities. NERC states that these metrics help to identify and explain differences that exist among Regional Entity activities and budgets; and the metrics will provide a baseline to use in future years to make comparisons and develop trending analyses.

II. Procedural Matters

9. Notice of the filing was published in the Federal Register, 72 Fed. Reg. 51,812 (2007), with interventions and protests due on or before September 21, 2007. RFC, MRO and the City of Santa Clara, California filed timely motions to intervene. WECC filed a

9 The Commission has approved delegation agreements between NERC and each of the eight Regional Entities. North American Electric Reliability Corp., 119 FERC ¶ 61,060, order on reh’g, 120 FERC ¶ 61,260 (2007) (Delegation Agreement Order).


11 Net energy for load values are included in Appendix C of Attachment 2 of the filing.

12 See NERC Application, Attachment 5 (Policy on Allocation of Certain Compliance and Enforcement Costs).
timely motion to intervene and comments. FRCC filed a motion to intervene out-of-time and comments. WIRAB filed advice to the Commission regarding NERC’s Application pursuant to section 215(j) of the FPA.

III. Discussion

10. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission’s Rules of Practice and Procedure, the Commission will grant FRCC’s late-filed motion to intervene given its interest in the proceeding, the early stage of this proceeding, and the absence of any undue prejudice or delay.

11. Based on our review of NERC’s Application, we will conditionally accept the NERC budget and business plan, and the Regional Entity budgets and business plans, and order NERC to make compliance filings, as discussed below.

A. NERC’s Business Plan and Budget

1. NERC Application

12. NERC states that its 2008 business plan and budget were developed based on the following major program elements: (1) Reliability Standards; (2) compliance enforcement and organization registration and certification; (3) reliability readiness audits and improvement; (4) training, education and operator certification; (5) reliability assessment and performance analysis; (6) situational awareness and infrastructure security; and (7) administrative services. NERC states that these activities are statutory activities necessary and appropriate to carry out NERC’s responsibilities as the ERO.

13. NERC identifies operations excellence and communications as its primary objectives and provides a detailed explanation regarding how it plans to achieve these objectives. Further, for each of NERC’s seven program areas, NERC describes the program, identifies the program’s goals and objectives, and provides the number of full-time equivalent employees (FTEs) and amount budgeted for 2008. NERC also provides 2007 budget and 2007 projected actual data for comparison.

14. NERC requests $27,287,031 in total funding for 2008. This amount includes: $26,531,995 for activities in the United States, Canada and Mexico; and a $755,036


14 Total funding includes direct funding and indirect funding. Indirect funding supports direct, or more traceable, expenditures.
increase in cash reserves.\textsuperscript{15} $1,593,000 of that funding is to be collected through fees charged to participants and users of certain NERC programs and by interest earned on bank balances and short-term investments. Of the $25,694,031 net funding requirement, $22,780,492 is allocated to end users located in the United States.\textsuperscript{16} NERC states that, based on the aggregate NEL of the United States for 2006, NERC’s proposed total U.S. net funding requirement is equivalent to $0.000006/kWh.

15. NERC states that its business plan and budget were developed and are organized based on the following major program elements:

<table>
<thead>
<tr>
<th>Program</th>
<th>2008 Budget\textsuperscript{17}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability Standards</td>
<td>$ 4,990,523</td>
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<tr>
<td>Compliance Enforcement and Organization</td>
<td>$ 7,914,174</td>
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<td>Registration and Certification</td>
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<td>Reliability Readiness Audits and Improvement</td>
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<tr>
<td>Training, Education and Operator Certification</td>
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<td>Reliability Assessment and Performance Analysis</td>
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<tr>
<td>Situation Awareness and Infrastructure Security</td>
<td>$ 3,868,438</td>
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<tr>
<td>Total Budget</td>
<td>$26,531,995</td>
</tr>
<tr>
<td>Less Non-assessment revenues and fees</td>
<td>($1,593,000)</td>
</tr>
<tr>
<td>Plus Provision for Cash Reserves</td>
<td>$ 755,036</td>
</tr>
<tr>
<td>Net Funding Requirement</td>
<td>$25,694,031</td>
</tr>
</tbody>
</table>

16. To accomplish its responsibilities as the ERO, NERC proposes to increase its total number of full-time equivalent employees (FTEs) from 85 in 2007 to 101.5 in 2008 (a 19.4 percent increase) and its total expenditures from $22,546,552 in 2007 to $26,531,995 in 2008 (a 17.7 percent increase).

17. NERC also included a projection for the following two years (2009 and 2010) of expected revenues and expenses. NERC states that it is providing these projections for informational purposes only, that they have not been approved by the NERC Board of

\textsuperscript{15} This increase in its cash reserves is due to NERC’s request to increase the cash reserves balance to 10 percent of the projected 2008 net funding requirement (before provision for cash reserves).

\textsuperscript{16} See NERC Application, Transmittal at 7 and Attachment 1, Table 1.

\textsuperscript{17} The amounts projected for each program are the total direct funding for Canada, Mexico and United States. See NERC Application Attachment 1, Table 1.

\textsuperscript{18} The Total Budget amount also includes $9,359,657 in Administrative Services, which in this table has been allocated among the program areas.
Trustees, and that it is not seeking approval of the projections by the Commission. The 2009 projected assessments to load-serving entities for NERC funding are estimated to increase by just under $1.86 million (7.0 percent) over 2008. The 2010 projected assessments for NERC funding are estimated to increase by $1.26 million (4.4 percent increase) over 2009.

18. Finally, NERC states that it will include an accounting and true-up for under- or over-collections in 2007 when it files its 2009 budget. The anticipated amounts of year-end 2007 underspending for NERC and each regional entity are as follows: NERC $532,550; FRCC $238,052; MRO $926,470; RFC $1,784,592; SERC $454,648; SPP $87,946; and TRE $2,464,315. NPCC and WECC expect to overspend; NPCC by $304,998 and WECC by $1,120,941. Because 2008 will be the first full year in which NERC and the Regional Entities will carry out the compliance and enforcement program, and because it is difficult at this point to estimate how many violations of Reliability Standards may be identified and what percentage of those violations may be contested, NERC proposes to retain any year-end budget surpluses that may exist at the end of 2007 for use in 2008 if the compliance and enforcement workload should turn out to be greater than anticipated. Given the uncertainties associated with the first full year of operations in enforcing mandatory Reliability Standards, NERC recommends this one-time suspension of the normal policy in order to make additional resources available to the compliance and enforcement program should the need arise.

2. Comments and Advice

19. WIRAB recommends that the Commission approve NERC’s proposal to not use unexpended reserves from the 2007 budget to offset required revenues in 2008. It also asserts that the policy may need to be extended to unexpended reserves from the 2008 budget.

20. WIRAB states that the three-year estimates (i.e., for 2008, 2009 and 2010) provide greater transparency, a clearer understanding of the program direction supported by the budget request and greater opportunities for interested entities to review and offer suggested changes. WIRAB recommends that the Commission encourage NERC to continue to provide three-year estimates. In addition, WIRAB asks the Commission to encourage WECC to develop three-year estimates as part of its 2009 budget submission.

3. Commission Conclusion

21. The Commission conditionally accepts NERC’s budget and business plan. Section 39.4(b) of the Commission’s regulations requires the ERO to file annually with the Commission its proposed budget, business plan, and organization chart. We find that NERC’s submitted business plan provides sufficient detail for us to determine whether NERC intends to pursue appropriate activities. NERC’s proposed categories of activities are the same as those approved by the Commission for NERC’s 2007 budget and
reasonably fall within the types of activities the Commission considers to be covered by FPA section 215. As we explained in the 2007 Budget Order, anything required of the ERO or a Regional Entity by the statute, Order No. 672 pursuant to the statute, or any subsequent Commission order pursuant to section 215 of the FPA is a statutory activity.\textsuperscript{19}

22. In reviewing the ERO business plan and budget (and the Regional Entity business plans and budgets) for 2008, the Commission examined, among other things, the statutory activities for consistency, the relative funding levels by activity among regions, areas of emphasis, differences from the 2007 budgets and business plans, adequacy of staffing and funding, level of supporting staff and funding, mechanics of allocation and invoicing, types and levels of non-statutory activities, the system of accounting and record keeping, and supporting documentation for changes in emphasis, funding and staffing. Based on this analysis, the Commission finds that NERC’s budget and business plan are reasonable.

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.

24. Because 2008 is the first complete year in which NERC (and the Regional Entities) will be enforcing the Reliability Standards, the Commission finds that NERC’s proposal to suspend the normal policy and use any year-end budget surpluses for compliance and enforcement programs is reasonable. The Commission will not rule at this time whether WIRAB’s advice to not extend this proposal to the 2009 budget is appropriate, but NERC may consider making such a proposal in the context of the 2009 budget submission.

25. While three-year estimates may provide industry with a clearer understanding of direction the programs are taking, the Commission at this comparatively early stage in the development of the ERO and the Regional Entities will defer to NERC and the Regional Entities to determine whether developing three-year estimates is sufficiently useful to

\textsuperscript{19} 2007 Budget Order, 117 FERC ¶ 61,091 at P 28, citing ERO Certification Order, 116 FERC ¶ 61,062 at P 185.
justify their continued development. The Commission therefore declines at this time to direct NERC and the Regional Entities to develop and provide the three-year estimates. However, if such information is developed in the future, it should be included in the annual budget filing with the Commission.

B. Regional Entity Business Plans and Budgets

26. NERC’s Application contains a proposed 2008 budget and business plan for each Regional Entity. NERC explains that it provided guidance to each Regional Entity on the expected scope and content of the regional budget submission. NERC’s finance and accounting staff reviewed the submitted budgets, as did the Finance and Audit Committee of NERC’s Board of Trustees. NERC states that its review focused on verifying that each Regional Entity’s business plan and budget provided sufficient resources to adequately carry out the functions that NERC has delegated to the Regional Entity, as well as understanding the bases for any significant differences in the amounts budgeted by different Regional Entities for the same function. Attachment A to this order shows Regional Entity funding for 2007 and 2008, broken down by category.

1. Consistency Among Regional Entity Business Plans and Budgets

27. In the 2007 Budget Order, the Commission expressed concern about the need for consistency among Regional Entity budgets and business plans. The Commission directed NERC to provide the Regional Entities with better designations, descriptions and criteria of statutory activities for the 2008 budget. Similarly, the Commission directed NERC to provide further consistency and standardization in the formatting of the Regional Entity budgets for 2008. Further, the Commission stated that differences between Regional Entity business plans should be minimized, and those that remain should be justified.

a. NERC Application

28. NERC states that it and the Regional Entities have worked diligently to achieve consistency in the content and presentation of the Regional Entity budgets. NERC developed templates for the Regional Entity business plans and schedules that comprise the regional budgets. NERC explains that these templates follow the same format that NERC uses for its business plan and budget. NERC’s Chief Financial Officer worked with each Regional Entity to discuss the templates and the 2008 budget process. NERC

\[20\] 2007 Budget Order, 117 FERC ¶ 61,091 at P 39.

\[21\] Id. P 84.

\[22\] Id. P 69.
maintains that, as a result of this effort, the business plan and budget for each Regional Entity follow the same format, are organized in the same way and provide the same items of information. Further, according to NERC, all of the Regional Entities have included statutory programs in their budgets in a manner consistent with NERC’s programs.

29. Further, NERC has developed a series of metrics that provide, by Regional Entity, detailed information about how each such entity is organized, how it does its business, and the relative sizes of the organizations and the amount of work they have to do. NERC states that the metrics help to identify and explain the differences that exist among the Regional Entities’ activities and budgets. NERC also explains that the metrics will provide a baseline on a going-forward basis to make comparisons and develop trend analyses.

b. Comments and Advice

30. WIRAB recommends that the Commission encourage NERC to continue to provide regional metrics with the understanding that such comparisons are useful for identifying the different approaches which Regional Entities are taking to achieve the goals of section 215. WIRAB also recommends that the metrics should not be used to force uniformity that does not improve reliability, and that the Commission request that NERC provide illustrations on how the metrics might be used.

31. Further, WIRAB recommends that the Commission direct NERC to include state governments as entities it and the Regional Entities should engage in the preparation and dissemination of reliability and adequacy assessments to ensure that the assessments provide information needed for states to act.

c. Commission Conclusion

32. NERC and the Regional Entities have made significant progress in promoting consistency among the Regional Entity budgets and business plans. NERC’s development of a common template for all Regional Entities makes it easier to understand the information provided, and to compare this information and understand the bases for any significant differences in amounts budgeted by different Regional Entities for the same function. Thus, at this time, the Commission finds NERC’s progress in promoting consistency is satisfactory. NERC, however, in future filings needs to provide further explanation why the differences between the Regional Entities are reasonable and acceptable. The Commission notes that some Regional Entities do not list the amount budgeted for non-statutory activities on their income statement. For future budget filings, the Regional Entities should, consistent with NERC’s categories, include in their income

23 See NERC Application, Attachment 7 (Metrics Relating to Regional Entity Business Plans and Budgets).
statements: (1) statutory activities categorized by the corresponding NERC program and (2) non-statutory activities (other than Regional Transmission Organization (RTO) or Independent System Operator (ISO) activities) described in sufficient detail to allow the Commission to carry out its responsibilities to assure that there is no conflict with statutory duties. SPP and TRE, in their income statements, should also include a column indicating the entire budget for their RTO or ISO activities, which does not need to be further categorized. However, to the extent that the Regional Entity organization of SPP or TRE engages in non-statutory activities, this must be clearly reflected in their business plans and budgets.

33. As mentioned above, NERC and the Regional Entities developed a series of metrics to enable both NERC and the Regional Entities to understand and compare the operations of the Regional Entities in meeting their obligations under the delegation agreements. The metrics provide information about how each Regional Entity is organized, how it does its business, the size of its organization and the amount of work it anticipates doing. The metrics are presented in table format and are organized by program area for each Regional Entity.

34. The Commission finds these metrics to be helpful and, as recommended by WIRAB, the Commission encourages NERC to continue to provide these metrics. Moreover, in the interest of increasing the usefulness of the metrics, NERC is directed to continue its efforts to improve and refine the metrics. While the metrics provided in the NERC Application include information regarding compliance audits, it appears to lack uniformity in the description of the types of audits and the method for calculating the cost of the various types of audits. At a minimum, the Commission directs NERC to include the following additional metrics in its 2009 Business Plan and Budget filing:

- Identify the number of shared employees, including the portion of time spent on statutory and non-statutory activities, for the following three categories – supervisory/management, technical and support personnel.
- Identify in a uniform manner information about planned Reliability Standards compliance audits, including the number of on-site, paper audits and self-certifications checked; the number of man-hours estimated for each type of audit; and the number and type (i.e., dedicated, shared, contractor or volunteer) of personnel to be involved in each type of audit.

35. The metrics are an evolving tool designed to assist in the review and evaluation of the budgets, both in the current year and in the future. Review of the metrics is one method for ensuring that the Regional Entities have sufficient staffing and funding in order to accomplish their delegated responsibilities. While the Commission will analyze
the metrics in its review of the Regional Entity budgets, the Commission directs NERC to also conduct an analysis and include in its budget and business plan a discussion of significant inconsistencies or other issues revealed by such analysis and an explanation of such matters and why any inconsistencies are reasonable and should be accepted by the Commission.

36. While the Commission encourages NERC and the Regional Entities to work with state governments, WIRAB’s recommendation regarding consultation with state governments is beyond the scope of this proceeding.

2. **Regional Entity Budgets and Business Plans**

   a. **FRCC**

37. FRCC oversees 81 Florida registered entities. FRCC has two divisions: (1) the Regional Entity Division, which engages in statutory programs and (2) the Member Services Division, which provides non-statutory functions, including FRCC’s day-to-day operations as Florida’s regional reliability coordinator, coordinated planning, design and resource adequacy assessment. FRCC’s business plan identifies its activities based on the same program areas as identified by the ERO. FRCC is developing six regional Reliability Standards. In calendar year 2008, FRCC plans five on-site audits of registered entities and 10 tabletop compliance audits, while 77 registered entities will self-certify. FRCC also plans 72 spot checks on self-certifications.

38. NERC states that FRCC proposes a total 2008 budget of $6,707,726. This is an increase of $1,770,804 over its total 2007 funding of $4,936,922. This increase is generally due to increasing staff in 2008.

39. FRCC will allocate $2,717,778 to non-statutory functions, which will be funded through membership dues. FRCC proposes to provide non-statutory services through its Member Services Division which includes the Members’ Forum, portions of the Operating and Planning Committees, and various operating reliability support services. FRCC proposes an extensive list of non-statutory functions, including: the FRCC reliability coordinator, transmission planning, readiness audits, a gas study project, multiple working groups, subcommittees and operating reliability support services. In addition, FRCC states that it has a service agreement with Florida Electric Power Coordinating Group to provide administrative services.

40. FRCC states that, in 2006, it incorrectly included in its 2007 Regional Entity budget the costs associated with non-statutory tools and processes. These items included communications-related tools and other costs-items associated with its activities as Reliability Coordinator. For the 2008 budget, FRCC explains that these tools and

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24 See NERC Application, 2008 FRCC Business Plan at 17.
services (and their associated costs) were moved to the Member Services Division with the exception of a limited number of tools, such as FRCC’s emergency satellite telephone. FRCC provides little to no detail regarding the items and costs at issue, however.

b. **MRO**

41. MRO oversees 112 registered entities located in eight states in the north-central United States and in two Canadian provinces. MRO performs its Regional Entity role with a separate staff, which it proposes to expand in calendar year 2008. MRO is developing four regional Reliability Standards. In 2008, MRO plans to increase its compliance staff. In 2008, MRO proposes on site audits of 21 of its 112 registered entities; other registered entities are expected to self-certify compliance. MRO plans 72 spot checks of self-certifications.

42. NERC states that MRO proposes a total 2008 budget of $5,822,795. This is an increase of $342,207 over its total 2007 budget of $5,480,588. This increase is generally due to an overall increase in staff. MRO proposes to provide $491,308 in non-statutory services in addition to $853,038 in services provided to Canada.\(^{25}\) MRO states that its budget includes a service agreement to provide a non-profit cooperative, MAPPCOR, limited information technology, human resources and finance services. MRO states that the value of the contract is $342,308. In addition, MRO has $149,000 Compliance Data Management System contracts with NERC, RFC and SPP.

c. **NPCC**

43. NPCC\(^{26}\) oversees 235 entities located in New York, New England, Eastern Canada and the Maritime provinces. NPCC consists of two divisions: the Regional Entity Division, which performs statutory functions, and the Criteria Services Division, which performs non-statutory functions. NPCC’s business plan identifies its activities based on the same program areas as identified by the ERO. In 2008, NPCC plans 100 audits of its registered entities, varying in scope. In addition, NPCC expects to conduct approximately 200 spot checks of self-certifications. NPCC conducts a near-real time

\(^{25}\) NERC Application, 2008 MRO Business Plan at 5.

\(^{26}\) On August 21, 2007, NERC filed for approval to substitute NPCC itself as the regional entity in place of the separate corporate entity, Northeast Power Coordinating Council: Cross Border Regional Entity, Inc., which will be merged into NPCC and operated as a division of NPCC. See NERC August 21, 2007 petition, Docket No. RR07-15-000.
communication, awareness and assistance program that includes the operation and maintenance of tools, critical infrastructure protection technologies and other support services for the benefit of reliability coordinators and other system operators.

44. NERC states that NPCC proposes a total 2008 budget of $8,176,962. This is an increase of $820,052 over its 2007 budget of $7,356,910. The increase is generally due to an overall increase in staff. In addition, approximately two-thirds of the budget increase can be attributed to NPCC adopting NERC’s definitions of statutory and non-statutory functions.

45. NPCC proposes to exclude $346,414 from its assessment to the Independent Electricity System Operator of Ontario (IESO) for the cost of compliance monitoring and enforcement activities conducted by IESO under the “Policy on Allocations of Certain Compliance and Enforcement Costs” which was approved by the NERC Finance and Audit Committee on May 1, 2007.27

46. NPCC proposes to spend $672,056 for non-statutory expenses. NPCC’s non-statutory functions include the development of region-specific “criteria” and its cross border regional activities for: personnel certification, readiness reviews, reliability assessment and performance analysis, training and education, situational awareness, and infrastructure security.

   d. RFC

47. RFC oversees 315 registered entities located in the District of Columbia, Pennsylvania, New Jersey, Delaware, Maryland, Ohio, Indiana, Michigan, West Virginia, and parts of Virginia, Wisconsin and Illinois. RFC performs its statutory functions with distinct, or designated, staffing. RFC does not plan to perform any non-statutory functions in 2008. RFC’s business plan does not identify its activities based on the same program areas as identified by the ERO. RFC is currently developing eight regional Reliability Standards. In calendar year 2008, RFC plans to conduct on-site compliance audits of 10 to 12 of its 315 registered entities. In addition, it plans to audit 45 to 50 small entities using slightly abbreviated methods.

48. NERC states that RFC proposes a total 2008 budget of $9,664,256. This is an increase of $220,284 over its 2007 budget of $9,443,972.

27 NERC Application, 2008 NPCC Business Plan at 4. See also NERC Application, NPCC, Business Plan at 32.
e. **SERC**

49. SERC oversees 225 registered entities located in sixteen states in the southeastern United States. SERC states that it does not currently provide and does not plan to provide any non-statutory functions; however it may reconsider providing non-statutory functions in the future as appropriate and as permitted by applicable statutes and regulations. SERC’s business plan identifies its activities based on the same program areas as identified by the ERO. In calendar year 2008, SERC plans to conduct audits of 50 of the 225 registered entities. The majority are planned to be on-site audits, while sixteen are expected to be table-top type audits. SERC recently moved into a new Charlotte-area corporate office facility.

50. NERC states that SERC proposes a total 2008 budget of $7,991,021. This is an increase of $2,288,966 over its 2007 budget of $5,702,055.

f. **SPP**

51. SPP oversees 125 registered entities located in eight states in the south central and southwestern United States. SPP’s business plan identifies its activities based on the same program areas as identified by the ERO. In calendar year 2008, SPP plans to conduct between 14 and 18 compliance audits.

52. NERC states that SPP proposes a total 2008 statutory budget of $4,609,083. This is a $1,428,057 increase from its 2007 budget of $3,181,026. SPP states that a significant portion of the increase in total funding is a result of the identification of shared services, such as human resources, and information and technology.  

53. SPP identifies its RTO functions such as tariff administration, reliability coordination, regional scheduling, market operations, expansion planning and contract services as non-statutory. SPP states that it did not include its 2008 non-statutory expenses noting that the ERO/Regional Entity budget cycle does not align with its RTO budget cycle. **However, if SPP’s Regional Entity annual budget is excluded, then SPP, Inc.’s 2007 annual budget was $81.9 million.**

54. SPP states that its business plan and budget does not include the non-Regional Entity related functions which it provides to the entities operating within the SPP footprint. SPP points out that it has ensured that there is an appropriate separation of staff functions, and that SPP as a Regional Entity meets the independence requirements set forth in the *Delegation Agreement Order*. SPP adds, however, that, as a Regional

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29 *Id.* at 3.
Entity, it shares services such as various administrative services with SPP.\textsuperscript{30} In addition, SPP points out that it uses shared SPP staff to: facilitate the development of Reliability Standards,\textsuperscript{31} review posted NERC Reliability Standards, and support the NERC Reliability Assessment Subcommittee effort and the Eastern Interconnection Reliability Assessment Group as part of the Reliability Assessments activities.

55. Finally, SPP’s training program includes an increase of two FTEs whose primary function is regional system operator training such as regional emergency operations, system operations training, blackstart training/drills, and system restoration training.

\textbf{g. TRE}

56. TRE is a division of ERCOT created to perform statutory Regional Entity functions. TRE oversees 161 registered entities providing 206 functions located in the State of Texas. Through another division, ERCOT provides non-statutory functions including day-to-day operations such as regional reliability coordination, coordinated planning, design and resource adequacy assessment. TRE’s business plan identifies its activities based on the same program areas as identified by the ERO. In calendar year 2008, TRE plans on-site audits of 39 of its 161 registered entities while 77 registered entities are expected to self-certify their having met compliance measures for applicable reliability standards. TRE will also conduct 15 spot checks of the self-certifications.

57. NERC states that TRE proposes a total 2008 budget of $3,296,066. This is a $1,574,689 decrease compared to its 2007 budget of $4,870,755.

58. TRE’s budget for non-statutory activities is substantially larger than the budgets for non-statutory activities of most other regional entities because the combined TRE/ERCOT budget includes amounts necessary to support ERCOT’s activities as an independent system operator. ERCOT estimates its expenditures to be $165,736,000, which includes the operational budget of the ERCOT ISO. Within ERCOT, TRE performs the Regional Entity function and also performs the non-statutory function of monitoring compliance with the ERCOT Protocols and Operating Guides needed to safely and reliably operate the electric transmission system and support wholesale and retail markets. TRE’s non-statutory funding for these activities is $848,782.

\footnotesize{\textsuperscript{30} SPP currently charges SPP Regional Entity $110 per hour for each hour worked by a shared staff member. Shared Administrative services include services for member forums, human resources, information technology, legal and regulatory, and finance and accounting. NERC Application, 2008 SPP Business Plan at 2, 18-19.}

\footnotesize{\textsuperscript{31} NERC Application, 2008 SPP Business Plan at 6 and Metrics – Standards # 4.}
h. WECC

59. WECC oversees 537 registered entities located west of the Rocky Mountains including all or part of 14 states, two Canadian provinces and a portion of Baja California Norte, Mexico. WECC’s business plan identifies its activities based on the same program areas as identified by the ERO. In 2008, WECC expects to conduct on site audits of 14 entities. WECC also plans to conduct table-top audits of 107 entities to determine whether they are complying with applicable reliability standards.

60. NERC states that WECC proposes a total 2008 statutory budget of $27,940,402. This is an increase of $10,119,734 over its 2007 funding of $17,820,668. WECC states that the higher level of funding is necessary to support additional staff for NERC’s standard development program; WECC’s compliance and enforcement program, including hearings and review of compliance documentation; and implementation of the WECC Reliability Coordination Strategic Initiative, including the West-wide System Model. The funding increase also supports the Western Interchange Tool and completion of a new reliability center. In addition, WIRAB points out that none of the reported reliability standards violations in WECC have been fully resolved or have gone through the appeal process. Finally, NERC states that WECC proposes to increase its 2008 budget because of the larger workload due to the mitigation plans associated with reliability standards violations and that WECC anticipates overspending its 2007 assessment by $1,120,941.

61. WECC identifies the following functions as non-statutory: Western Renewable Generation Information System (WREGIS);\textsuperscript{32} compliance enforcement in Canada and Mexico; training classes and staff support for non-statutory activities. WECC has budgeted $331,266 in direct costs for non-statutory activities.

i. Comments and Advice

62. FRCC and WECC state that they support their respective budgets and business plans. WIRAB supports WECC’s proposed 2008 budget.

j. Commission Conclusion

63. The Commission will conditionally accept the proposed Regional Entity business plans and budgets. However, the Commission directs NERC to submit a compliance filing, as discussed below.

\textsuperscript{32} WREGIS is funded through user subscriptions to the program, and training classes are self-funded by revenue generated from registration fees.
64. In reviewing NERC’s and the Regional Entities’ business plans and budgets, the Commission has found that the submission reasonably supports the levels of expenditures contained in the budgets. However, the portions of that filing pertaining to the Regional Entities, with the exception of RFC, contained many inconsistencies between the business plan of the Regional Entity and its budget as laid out in its income statement, even after NERC filed its corrected budget on August 31, 2007. The discrepancies noted by the Commission are identified in Attachment B to this order. The Commission believes that the business plan and budget submissions must be not only clear and accurate but also consistent. Therefore, we direct NERC and the Regional Entities to correct or explain their business plans and budgets to eliminate the inconsistencies. If a Regional Entity intended the budget for a given program to be that found in the business plan, and not the income statement, we expect NERC to file a modified income statement and support the Regional Entity’s proposed changes; in the meantime, we will conditionally allow the Regional Entities to collect their budgets as provided in their income statements. **NERC must file these corrections or explanations on or before December 14, 2007.** The Commission expects that the 2009 budgets and business plans will not contain similar discrepancies.

65. The **Commission also has specific concerns with respect to FRCC’s, MRO’s and SPP’s budgets and business plans.** As stated above, for the 2008 budget, FRCC explains that communications-related tools and other costs-items associated with its activities as Reliability Coordinator were moved to the Member Services Division with the exception of a limited number of tools, such as FRCC’s emergency satellite telephone. FRCC provides little to no detail regarding the items and costs at issue. The Commission also notes that FRCC has, for the most part, corrected the misalignment of non-statutory costs and functions which appeared in the 2007 budget. While we appreciate that FRCC has been forthcoming and acknowledged its 2007 assignment errors, greater detail as to the size, scope and specific “tools and services” at issue must be provided. Such detail is necessary, at a minimum, to determine what realignments are necessary and for the Commission to be properly and fully apprised of the extent of the misalignment. **NERC is therefore directed to submit a compliance filing in which FRCC lists and documents the tools and services at issue (and the associated costs) and how such items are proposed to be realigned and reconciled in the 2008 budget proposal.** The specifics of any tools and services, and associated costs, recognized as improperly aligned but not reconciled in the 2008 must also be included. **FRCC should include this information in the December 14, 2007 compliance filing.**

66. In the same vein, the 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.**
67. The Commission’s review of NERC’s metrics raises concerns about MRO’s budget. MRO should explain and justify, in a compliance filing submitted by NERC on or before December 14, 2007, why indirect costs of MRO for statutory activities are going from $1,485,700 in the 2007 budget to $2,648,719 in the 2008 budget while FTEs remain unchanged.

68. The Commission’s review of NERC’s metrics has identified several concerns regarding SPP’s business plan. In the *Delegation Agreement Order*, the Commission approved the delegation agreement between NERC and SPP. The Commission also identified concerns regarding the adequacy of the separation and independence of the SPP Regional Entity from the SPP RTO and directed SPP to address those concerns in its 180-day filing. The metrics provided by NERC indicate that SPP has shared staff performing functions for both the Regional Entity and the RTO. For example, SPP provides that its Regional Entity function “utilizes a combination of dedicated staff and shared staff to perform the functions and programs under the Delegation Agreement. . . . The shared staff includes engineers, managers, administrative support, and attorneys . . . .” Similarly, the metrics indicate that SPP relies on shared staff in the Reliability Standards development process, both in representation on NERC drafting teams and facilitating the development of regional Reliability Standards. While the adequacy of SPP’s separation of functions will be addressed in the context of SPP’s 180-day filing required by the *Delegation Agreement Order*, it appears that SPP’s business plan and budget contemplate a significant degree of employee sharing. SPP should explain, in a compliance filing submitted by NERC on or before December 14, 2007, whether the budget and business plan submitted by SPP is based on the structure as approved in the *Delegation Agreement Order*, or contemplates the changes made by SPP in support of its 180-day filing to address the Commission’s concerns regarding the adequacy of the Regional Entity’s separation and independence from the RTO.

69. The Commission is also concerned about potential for SPP as a Regional Entity to subsidize non-statutory activities of the RTO with section 215 funding. SPP indicates that it calculates its indirect funding costs based on the application of a $110 per hour charge for shared and support services. Based on this application, SPP’s costs appear to be substantially higher than other Regional Entities’ costs. SPP’s total funding request of $4,609,083 includes $2,357,959 of indirect funding – over 50 percent of the total budget. Moreover, SPP does not provide adequate support for the $110 per hour charge. Therefore, NERC is directed to make a compliance filing on or before December 14,

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33 119 FERC ¶ 61,060 at P 396.

34 *Id.* at P 397-98.

35 NERC Application, Attachment 7, 2008 Metrics Development by Program, Organization-Wide, metric 2.
2007, providing information on the $110 per hour charge. The filing should also explain differences in the allocation methods used for administrative services and direct funding needs in 2008 versus 2007, the reason for the change and the dollar impact of the change.

70. Finally, the NERC metrics suggest that SPP’s budget for internal training includes the cost of training the RTO’s operational employees. SPP should provide an explanation regarding this training and its funding in the NERC compliance filing required on or before December 14, 2007.

3. **WIRAB Funding Request**

   a. **NERC Application**

71. NERC seeks funding for WIRAB. NERC states that WIRAB has submitted to NERC an organization chart and a proposed 2008 budget for activities that fall under section 215(j). WIRAB’s overall funding request of $477,261 includes $403,381 allocated to entities within the U.S.

   b. **Commission Conclusion**

72. We approve the requested funding for WIRAB. Order No. 672-A stated that any Regional Advisory Body funding request must specify if such funding is for employees or consulting fees. WIRAB has done so, providing for the funding of two full-time equivalent employees, associated overhead, consulting fees and travel expenses. Such

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36 *Id.* at Organization-Wide, metric 2-3 (Organization Structure and RE Staff: Distinct, shared, loaned; Describe RE Shared Services Arrangements). (“SPP [Regional Entity] utilizes a combination of dedicated and shared staff to perform the functions and programs under the Delegation Agreement. For the SPP Compliance Monitoring and Enforcement Program, SPP RE has dedicated staff of four full time employees and contracted services for up to three employees. The shared staff includes engineers, managers, administrative support, and attorneys, and provides additional support for the RE functions. SPP shares staff to support RE functions. The support groups consist of Information Technology, Accounting/Payroll, Human Resources, Communications and other indirect functions. Currently, SPP charges the RE $110 per hour for each hour worked by a shared staff member.”)

37 NERC Application, 2008 WIRAB Business Plan at 4 states that $403,381 is allocated to entities within the United States; however, the NERC Application, Attachment 1 at 2 states that the 2008 United States portion is $404,035.

38 Order No. 672-A at P 67.
funding appears reasonable given the role of WIRAB in advising the Commission, the ERO and the Regional Entity. WIRAB’s total expenditure for 2008 is, moreover, the same as its 2007 budget.

C. System of Accounts and Record Keeping Requirements

73. The Commission did not establish accounting or record keeping requirements for the ERO. Instead, we allowed NERC the flexibility to develop its own system of accounts, provided that its system had a level of detail and record keeping comparable to the Commission’s Uniform System of Accounts.\(^{39}\) To give NERC sufficient time to develop those systems and requirements, we required NERC to submit them with its 2008 budget filing.

1. NERC Application

74. Attachment 6 of the NERC Application sets forth a proposed system of accounts and records retention policy. NERC states that its proposed system of accounts and record keeping requirements provide a level of detail that is comparable, in light of NERC’s programs and operations, to the Commission’s Uniform System of Accounts.

75. NERC believes its accounting system is sufficient to allow the Commission to compare each Commission-approved fiscal year budget with the actual results at the NERC and Regional Entity level. NERC also states that its accounting practices and procedures comply with generally accepted accounting principles. Further, NERC states that, for reporting purposes, the Regional Entities are using the income statement accounts from NERC’s system of accounts. However, because of the differences in corporate structures, NERC indicates that it has not required the Regional Entities to use the balance sheet portion of its system of accounts.

76. NERC also provided a copy of its proposed records retention policy detailing by type of record how long it will be retained, with retention periods ranging from one year to permanently. NERC believes its record keeping requirements provide a level of detail that is comparable, in light of NERC’s programs and operations, to the Commission’s requirements.

77. No parties filed comments on NERC’s accounting and record retention policies.

\(^{39}\)2007 Budget Order, 117 FERC ¶ 61,091 at P 142.
2. **Commission Conclusion**

   a. **System of Accounts**

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.\(^{40}\) 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.

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.

b. **Records Retention**

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

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\(^{40}\) 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).
the quality of its activities and those of the Regional Entities to which it has delegated such activities.\footnote{ERO Certification Order at P 186.} The initial performance assessment is required three years after ERO certification, and then every five years thereafter.

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.

The Commission orders:

(A) NERC’s 2008 business plan and budget is hereby conditionally accepted, as discussed in the body of this order.

(B) The Regional Entities’ 2008 budgets and business plans are hereby conditionally accepted, as discussed in the body of this order.

(C) The WIRAB budget is hereby approved for funding, as discussed in the body of this order.

(D) NERC is hereby directed to submit a compliance filing on or before December 14, 2007 correcting or explaining the inconsistencies in the budgets and business plans of the Regional Entities and providing further information, as discussed in the body of this order.

(E) NERC is hereby directed to submit a compliance filing on or before April 1, 2008 detailing (1) the functional categories to be used by the Regional Entities for segregating non-statutory income, revenue and expenses and (2) 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, as discussed in the body of this order.
(F) NERC is hereby directed to submit a separate compliance filing on or before April 1, 2008 to revise its records retention policy, as discussed in the body of this order.

(G) NERC is hereby directed to submit a separate compliance filing on or before April 1, 2008 containing a true-up of actual 2007 costs, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary.
### Regional Entity Budgets: 2007 and 2008

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Fiscal year 2007 budget.

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Fiscal year 2007 budget.
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| WREGIS, Market Interface Committee, NAESB dues and Administrative |  $645,985 |  $480,710 | -$165,275 |
| **Total Non-Statutory** |  $645,985 |  $480,710 | -$165,275 |

| **Total** |  $18,466,654 |  $28,421,112 |  $9,954,458 |

---

43 Total Statutory is equal to $26,819,461 for programs plus $1,120,941 for change in assets.
Discrepancies in the Regional Entity Budgets and Business Plans

FRCC

FRCC’s Business Plan and Budget, section B – 2007 Projection and 2008 Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC’s format. However, the dollars and FTEs in the Business Plans and Budgets do not match those found in the supporting documentation. Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and FRCC are directed to make a compliance filing on or before December 14, 2007, to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

Appendix B – Income Statement lists FRCC’s Total Funding as $6,707,726, while the 2008 Business Plan and Budget (page 3) and its 2007 Projection and 2008 Budget Comparison, (page 24) list it as $6,597,726.

Appendix B – Income Statement lists FRCC membership dues as $2,717,778, while the 2007 Projection and 2008 Budget Comparison (page 24) lists them as $2,607,778.

Appendix B – Income Statement lists Total Non-Statutory Funding of $2,717,778, while the Business Plan and Budget (pages 5 and 20) list it as $2,607,778.

Appendix B – Income Statement lists Total Contracts & Consultants of $1,612,722, while the 2007 Projection and 2008 Budget Comparison (page 24) lists it as $1,512,722.

Appendix B – Income Statement lists Total Office Costs of $347,440, while the 2007 Projection and 2008 Budget Comparison (page 24) lists it as $337,440.

Appendix B – Income Statement lists Total Operating Expenses of $2,595,756, while the 2007 Projection and 2008 Budget Comparison (page 24) lists it as $2,485,756.

Appendix B – Income Statement lists Total Direct Costs of $4,454,839, while the 2008 Business Plan and Budget (page 5) lists it as $4,344,840.

The supporting documentation includes but is not limited to Section B – 2007 Projection and 2008 Budget Comparison and the Appendix B – Income Statement.
Appendix B – Income Statement lists Total Direct Non-Statutory Costs of $1,902,961, while the 2008 Business Plans and Budget (page 5) list it as $1,792,961.

Appendix B – Income Statement lists Total Indirect Costs – Reliability Standards of $135,173, while the 2008 Business Plan and Budget – Reliability Standards Program (page 6) lists it as $168,992.

Appendix B – Income Statement lists Total Indirect Costs – Compliance of $627,902, while the 2008 Business Plan and Budget – Compliance (page 9) list it as $784,996.

Appendix B – Income Statement lists Total Indirect Costs – Reliability Readiness of $12,209, while the 2008 Business Plan and Budget – Reliability Readiness (page 11) list it as $15,264.


Appendix B – Income Statement lists Total Indirect Costs – Training and Education of $26,163, while the 2008 Business Plan and Budget – Training and Education (page 13) list it as $32,708.

Appendix B – Income Statement lists Total Indirect Costs – Situation Analysis of $8,721, while the 2008 Business Plan and Budget – Situational Awareness (page 17) list it as $10,903.

Appendix B – Income Statement lists Total Costs – Reliability Standards of $446,796, while the 2008 Business Plans and Budget (page 6) list it as $480,615.

Appendix B – Income Statement lists Total Costs – Compliance of $1,846,480, while the 2008 Business Plans and Budget (page 9) list it as $2,003,574.


Appendix B – Income Statement lists Total Costs – Reliability Assessment of $1,121,221, while the 2008 Business Plans and Budget (page 15) list it as $1,206,314.

Appendix B – Income Statement lists Total Costs – Training of $73,840, while the 2008 Business Plans and Budget (page 13) list it as $80,386.
Appendix B – Income Statement lists Total Costs – Situational Awareness of $126,663, while the 2008 Business Plans and Budget (page 17) list it as $128,845.

MRO

MRO’s Business Plan and Budget, section B – 2008 Draft Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC’s format. However, the dollars and FTEs in the Business Plans and Budgets do not match those found in the supporting documentation.45 Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and MRO are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

Appendix B – Income Statement lists Expenses for Meetings of $71,500, while the 2008 Draft Budget Comparison (page 16) lists it as $55,000.

Appendix B – Income Statement lists Expenses for Travel of $370,945, while the 2008 Draft Budget Comparison (page 16) lists it as $334,995.

Appendix B – Income Statement lists Total Meeting Expenses of $481,129, while the 2008 Draft Budget Comparison (page 16) lists it as $428,679.

Appendix B – Income Statement lists Contracts & Consultants of $799,283, while the 2008 Draft Budget Comparison (page 16) lists it as $901,282.

Appendix B – Income Statement lists Office Rent of $206,100, while the 2008 Draft Budget Comparison (page 16) lists it as $180,000.

Appendix B – Income Statement lists Office Costs of $158,207, while the 2008 Draft Budget Comparison (page 16) lists it as $215,771.

Appendix B – Income Statement lists Professional Services of $142,000, while the 2008 Draft Budget Comparison (page 16) lists it as $100,000.

Appendix B – Income Statement lists Computer Purchase & Maintenance of $257,450, while the 2008 Draft Budget Comparison (page 16) lists it as $320,436.

Appendix B – Income Statement lists Total Operating Expenses of $1,720,987, while the 2008 Draft Budget Comparison (page 16) lists it as $1,875,436.

45The supporting documentation includes but is not limited to Section B – 2008 Draft Budget Comparison and the Appendix B – Income Statement.
NPCC

NPCC’s Business Plan and Budget, section C – 2007 Total Budget & Projection and 2008 Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC’s format. However, the dollars and FTEs in the Business Plans and Budgets do not match those found in the supporting documentation.\(^{46}\) Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and NPCC are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

Appendix B – Income Statement lists Membership Dues as $672,056, while the 2007 Total Budget & Projection and 2008 Budget Comparison (page 27) list it as $0.

Appendix B – Income Statement lists Total FTEs as 17 Statutory and 6.5 for the Committee and Member Forum and Administrative programs while the Business Plan and Budget (page 1) list FTEs as 28 (25.2 Statutory and 2.8 Non-Statutory).

Appendix B – Income Statement lists the FTEs for General and Administrative \textit{et al.} as 6.5 while the Business Plan and Budget (pages 25, 28) list FTEs as 8.2.

SERC

SERC’s Business Plan and Budget, section B – 2007 Budget and Projection and 2008 Budget Comparisons, and Appendix B – Income Statement generally appear to follow NERC’s format. However, SERC does not break out total Direct Funding or Total Indirect Funding for Total SERC Resources in the Business Plan and Budget and does not list FTEs for Committee and Member Forums and Administrative. In addition, the dollars and FTEs in the Business Plan and Budget do not match those found in the supporting documentation.\(^{47}\) Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and SERC are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

\(^{46}\)The supporting documentation includes but is not limited to Section C – 2007 Total Budget & Projection, and 2008 Budget Comparisons, Appendix B – Income Statement and the Executive Summary.

\(^{47}\)The supporting documentation includes but is not limited to Section B – 2007 Budget and Projection and 2008 Budget Comparisons and Appendix B – Income Statement.
Appendix B – Income Statement lists Total Direct Costs of $5,474,436, while the 2007 Budget and Projection and 2008 Budget Comparison (page 33) list it as $6,123,494.  

Appendix B – Income Statement lists Total Indirect Costs of $2,516,584, while the 2007 Budget and Projection and 2008 Budget Comparison (page 33) list it as $1,867,527.  

SPP

SPP’s Business Plan and Budget, section B – 2007 Projection and 2008 Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC’s format. However, SPP has a unique way to list the cost for each program in the Business Plan and Budget – SPP identifies for each program the total for each expense line in the direct funding box; however, SPP does not list the total cost. In the Income Statement SPP does not list the FTEs or the non-statutory dollars. In addition, SPP has provided its 2007 non-statutory costs instead of its proposed 2008 non-statutory costs.  

SPP’s method of listing each expense line in the Business Plan and Budget is helpful; however, SPP still needs to provide the total cost for each program as well. In addition, SPP must provide the FTEs for each program, direct and indirect as well as the non-statutory dollars. NERC and SPP are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed above.

Since SPP has provided its 2007 non-statutory costs instead of its proposed 2008 non-statutory costs, NERC and SPP are directed to file its 2008 non-statutory costs as part of its April 1, 2008 compliance filing.

TRE

TRE’s Business Plan and Budget, section B – Comparison 2007 Budget and Projection and Comparison 2007 Projection and 2008 Budget, and Appendix B – Income

---

48 Difference is $649,058 – the indirect cost for Committee & Member Forum.

49 Difference is $649,058 – the indirect cost for Committee & Member Forum.

50 For example, the direct funding may list salary, travel, continuing education, meetings, outside services, hearings, on-line testing services, fees, trustees, trustees travel.
Statement generally appear to follow NERC’s format. However, TRE does not list FTEs for the Committee and Member Forums, the Administrative Programs or for the non-statutory programs. In addition, TRE’s non-statutory dollars for its RTO are based on 2007 instead of its project 2008 non-statutory costs. NERC reported in its August 31, 2007 filing that TRE’s non-statutory costs for 2008 are $848,782, as listed on TRE’s Income Statement; however, NERC’s transmittal (page 13) lists TRE’s non-statutory costs as $165,736,000.

NERC and TRE are directed to make a compliance filing on or before December 14, 2007 which will include the FTEs for each program, direct and indirect as well as the non-statutory. NERC and TRE are directed to clarify its non-statutory costs for 2008.

Since TRE has provided its 2007 non-statutory costs instead of its proposed 2008 non-statutory costs, NERC and TRE are directed to file its 2008 non-statutory costs as part of its April 1, 2008 compliance filing.

WECC

WECC’s Appendix B – Income Statement generally appears to follow NERC’s format. However, WECC’s Business Plan and Budget does not contain a 2007 Projection and 2008 Budget and Comparison and WECC’s Income Statement does not list FTEs for the Committee and Member Forums, the Administrative Programs or for the non-statutory programs. In addition, WECC’s Income Statement does not list Indirect Funding or Total Funding for each program, direct, indirect and non-statutory.

NERC and WECC are directed to make a compliance filing on or before December 14, 2007 which will include a 2007 Projection and 2008 Budget and Comparison, the FTEs for each program, direct and indirect as well as the non-statutory; as well as the Indirect Funding and Total Funding for each program, direct, indirect and non-statutory.
2008 Business Plan and Budget

for the

Southwest Power Pool Regional Entity

July 11, 2007
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Introduction

<table>
<thead>
<tr>
<th>Total SPP Regional Entity Resources</th>
<th>2007 Budget</th>
<th>2007 Projection</th>
<th>2008 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FTEs</td>
<td>11.2 FTE</td>
<td>9.0 FTE</td>
<td>12.4 FTE</td>
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<td>$3,181,026</td>
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<td>$4,609,083</td>
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Southwest Power Pool, Inc. (SPP) operates as the NERC Regional Entity (RE) over an eight state area within the Eastern Interconnection. This business plan outlines the tasks that SPP performs to fulfill its duties as an RE as per the FERC approved Regional Entity Delegation Agreement\(^1\). SPP also provides non-RE related functions for entities operating within the SPP footprint; those activities and related funding amounts are not included as part of this Business Plan.

A significant portion of the increase in total funding results from the identification of shared services (Human Resources, Information Technology, etc.) and allocation methodology. Shared services in the 2008 budget are allocated for each direct RE resource. The 2007 budget identified three specific resources to support RE functions. The remainder of the overall increase results from three additional direct RE resources (see Table 2), based on historical experience. Appropriate separation of staff functions ensures that the SPP RE will meet the independence requirements set forth in the April FERC Order.

**Actions following Certification/Recognition as the Regional Entity**

In addition to the services it presently provides for its member entities, SPP will provide services to fulfill its obligations under the NERC SPP Regional Entity Delegation Agreement. SPP will assess the directives issued in the April FERC Order and implement changes to ensure appropriate separations from non-RE activities to meet the independence requirements for the RE function.

SPP is working with NERC to revise the funding of the ERO and RE budget from a Balancing Area basis to a Load Serving Entity basis for entities within the SPP footprint.

SPP has installed the new governing body for the SPP RE. Three new independent RE Trustees oversee the implementation of the elements of the 2008 SPP Regional Entity Business Plan. The RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE Budget.

\(^1\) FERC Order R07-6-000 - April 19, 2007
SPP staff for the Compliance Enforcement and Readiness Evaluation functions are dedicated staff who are responsible only to the RE Trustees and do not perform any functions that are non-RE related. Other functions under the 2008 Business Plan are performed by shared SPP staff. Training of applicable SPP shared staff in the duties and responsibilities under the SPP RE will ensure the obligations of the RE Delegation Agreement and the April FERC Order are met.

**SPP Non-Statutory Budget**

As noted above SPP’s 2008 non-statutory budget amounts are not included with this Business Plan. SPP’s overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process, SPP is unable to provide an accurate 2008 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October.

Excluding SPP’s Regional Entity annual budget, SPP, Inc.’s 2007 annual budget was $81.9 million.

As a RTO, SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

**Tariff Administration:** Independent administration of the Open Access Transmission Tariff that provides one-stop shopping for regional transmission service with consistent rates and terms.

**Reliability Coordination:** SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

**Regional Scheduling:** SPP ensures that the amount of power sent is coordinated and matched with power received. SPP’s regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

**Market Operations:** SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.

**Expansion Planning:** SPP’s planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.
Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP’s RTO activities and has ordered that SPP’s budgets be filed with the Commission.¹

Reliability Standards Program

<table>
<thead>
<tr>
<th>Reliability Standards Program Resources</th>
<th>2007 Budget</th>
<th>2008 Budget</th>
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<td>0.5 FTE</td>
<td>0.5 FTE</td>
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<td>Total Direct Funding</td>
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<td>Salary $50,694</td>
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<td>Total Indirect Funding</td>
<td></td>
<td>$103,419</td>
</tr>
<tr>
<td>Total Funding</td>
<td>$120,647</td>
<td>$154,113</td>
</tr>
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</table>

Background

SPP will coordinate with NERC to develop and approve technically sound, fair, and balanced reliability standards to ensure the reliability of the bulk power systems in North America. SPP will also develop any regional reliability standards per the guideline as defined in the delegation agreement. NERC will submit such standards to FERC and to the appropriate Canadian governmental authorities for adoption as mandatory for bulk power system owners, operators, and users in the United States, and to applicable authorities in Canada for similar status.

The foregoing activities of persons engaged in the reliability standards development process will be conducted, to the extent possible, by conference calls and e-mail, website postings and other means of electronic communications. If face-to-face meetings of participants are needed, those meetings will be announced on the SPP website calendar.

In addition, SPP staff will coordinate any reliability standards work through their working groups such as the Transmission Working Group for TPL standards, System Protection and Control Working Group for PRC standards, etc.

Based on the portion of professional/technical staff time and other resources devoted to reliability standards development, SPP estimates 0.5 FTE on this activity.
Regional Standards Process

SPP will follow the standards process as defined in their delegation agreement for any new regional standards or any update in the existing regional standard. SPP’s reliability standards development process will be overseen by the Markets and Operations Policy Committee (MOPC), which will be responsible for ensuring that all stakeholder interests are fairly represented in the development of standards. The MOPC has broad representation. Standards will be voted on through a ballot body. The ballot body consists of multiple, defined segments, and no entity may have more than one vote.

The SPP Regional Standards Development Procedure provides the basis for SPP to propose and develop regional reliability standards. That Procedure is consistent with a NERC standard format for all RE standards procedures and has been approved by FERC in the SPP RE Order.

The SPP Standards Process will provide an open, balanced, and inclusive stakeholder process in which any interested party may provide input and vote on any proposed regional reliability standard.

As SPP performs other functions, the SPP Regional Standards Development Procedure is utilized only for those standards that are proposed to be part of the NERC reliability standards. SPP may utilize alternative standards procedures for stakeholder input on non-RE related requirements, such as SPP RTO Market Protocols.

Transition to Electric Reliability Organization

No new functionality or staffing changes are anticipated in 2008 to implement the SPP Standards Program. SPP continues to utilize shared SPP staff to facilitate the development of standards. SPP will continue training applicable staff to implement the SPP RE Standards Procedure Manual.

Standards Program Goals

- Meet directives of ERO governmental authorities regarding standards development and procedures
- Assist NERC on 2007 high priority standards
- Meet stated targets in the regional “fill-in-the-blank” standards work plan
- Maintain consistency and quality of regional reliability standards
- Communicate with stakeholders and regulators regarding standards development
- Complete and assist NERC with first 10 highest priority regional “fill-in-the-blank” standards
Standards Program Objectives

- Develop regional reliability standards to fulfill the NERC reliability standards that require a region to develop region specific requirements.

- Develop regional reliability standards as needed for SPP to meet NERC standards requirements. Primary emphasis for 2008 in the area of regional “fill-in-the-blank” standards.

- Also development of any regional differences to NERC standards as required
Compliance, Enforcement, Organization Registration, and Certification Program

<table>
<thead>
<tr>
<th>Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources</th>
<th>2007 Budget</th>
<th>2008 Budget</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$690,171</td>
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<tr>
<td>- Travel $69,000</td>
<td>- Travel $69,000</td>
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<tr>
<td>- Continuing Education $15,000</td>
<td>- Continuing Education $15,000</td>
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</tr>
<tr>
<td>- SPP Meetings $10,000</td>
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<td>- Outside Services $296,000</td>
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<td>- Salary $427,884</td>
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<td>- Hearings $150,000</td>
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<td>Total Funding</td>
<td>$690,171</td>
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</table>

Background

As a Regional Entity, SPP has the delegated authority and responsibility to enforce compliance with approved reliability standards by users, owners, and operators of bulk power systems throughout the SPP footprint. To facilitate SPP’s compliance enforcement activities, all users, owners, and operators of the bulk power system that operate in the SPP footprint are identified and registered in the NERC Compliance Registry.

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

SPP Compliance staff will conduct compliance monitoring and investigate alleged violations of reliability standards, with the assistance of certified independent auditors and occasional volunteers from the electric industry. Volunteers may be utilized primarily to provide industry expertise to compliance audit teams, provide technical advice, and make recommendations to compliance staff. Outside Services represents the equivalent of approximately 3 full time employees.

SPP compliance enforcement activities will be conducted at its headquarters in Little Rock, Arkansas, and at the locations of owners, operators, and users of the bulk power system registered in the SPP portion of the NERC Compliance Registry.
SPP will strive to maintain a high level of reliable bulk power system operation through a program of monitoring, audits, and investigations; mitigation activities; and the imposition of penalties and sanctions for noncompliance with reliability standards.

2008 is the first full year that the SPP Compliance Monitoring and Enforcement Program will be responsible for mandatory compliance with approved NERC and SPP reliability standards. SPP has implemented the infrastructure for the SPP Compliance Monitoring and Enforcement Program, including processes, procedures, software, and tools. The infrastructure will receive continued enhancements in 2008.

**Planned 2008 Compliance Activities for 2008**

- Seven to nine on-site compliance audits of registered RC, BA, and TOP entities
- Seven to nine on-site (or other approved methods) of compliance audits of other registered entities
- Compliance reviews of SPP’s modeling processes and regional planning processes
- Quarterly compliance surveys of specific reliability standards
- Annual self-certification program
- Monitoring of periodic data submittals
- Investigations, as necessary
- Calculations and imposition of financial penalties or non-monetary sanctions for non-compliance findings
- Participate in Regional Hearing Process, as necessary
- One or two compliance workshops for registered entities
Organization Registration and Certification

The SPP registration program is expected to enter a maintenance mode by early 2008. Approximately 125 entities have been registered in the SPP footprint for the Regional Entity program. The bulk of the investigation, education, and registration of the users, owners and operators of the bulk electric system in the SPP footprint will be complete by the summer of 2007.

SPP Compliance staff will make additions, removals, and changes to the existing registry. Challenges to entries in the registry by either registrants or SPP Compliance staff will be conducted through the approved Regional Entity hearing process.

SPP will follow the certification procedures approved by NERC. It is anticipated that Reliability Coordinators, Transmission Operators, and Balancing Authorities will require organizational certification. A timetable to complete this item has yet to be established.
Reliability Readiness Evaluation and Improvement Program

<table>
<thead>
<tr>
<th>Reliability Readiness Evaluation and Improvement Program Resources</th>
<th>2007 Budget</th>
<th>2008 Budget</th>
</tr>
</thead>
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<tr>
<td>(in whole dollars)</td>
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<tr>
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<td>Total Direct Funding</td>
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<td>• Travel $15,000</td>
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<tr>
<td>Total Indirect Funding</td>
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<td>$103,419</td>
</tr>
<tr>
<td>Total Funding</td>
<td>$56,598</td>
<td>$179,545</td>
</tr>
</tbody>
</table>

Background

SPP staff supports the NERC Reliability Readiness Evaluation and Improvement Program by acting as the Regional Co-Lead on all Readiness Evaluations performed in the SPP footprint. SPP staff also schedules SPP evaluations and solicits internal volunteers. Staff monitors the progress of recommendations that evolve from the final Readiness Evaluation reports and updates this progress to NERC at least quarterly.

In 2008, SPP staff members expect to schedule and participate in seven to nine SPP Readiness Evaluations. SPP staff members participate in one or two non-SPP Readiness Evaluations annually as team volunteers.
## Training, Education, and Operator Certification Program

<table>
<thead>
<tr>
<th>Training, Education, and Operator Certification Program Resources (in whole dollars)</th>
<th>2007 Budget</th>
<th>2008 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FTEs</td>
<td>2.0 FTE</td>
<td>4.0 FTE</td>
</tr>
</tbody>
</table>
| Total Direct Funding | $459,742 | • Travel $21,000  
• Meeting Expenses $54,670  
• Online Testing Services $13,400  
• CEH Application Fees $6,100  
• Salaries $391,410 |
| Total Indirect Funding |  | $827,354 |
| Total Funding | $459,742 | $1,313,934 |

### Background Information

The SPP Training Department designs, develops, implements, assesses, and maintains a training and education program to provide continuing education (i.e., emergency operations, simulations, and standards) for system operating personnel. Personnel who participate in the SPP training program include system operations, operations support (EMS engineering, Ops engineering, and information technology), supervisors and managers, and others directly responsible for complying with reliability standards who, through their actions or inactions, may impact the real-time or day-ahead reliability of the bulk power system. The SPP Training Department:

- Conducts job task analyses for system operations personnel to ensure that the training program content is properly aligned to the job tasks performed by those personnel
- Develops and maintains training program curriculum requirements based on valid job-task analyses
- Periodically conducts performance needs assessments to identify areas for further training development and improvement
- Administers individual assessments for both knowledge and performance evaluations
- Administers course, trainer, and program evaluations
The SPP Training Department anticipates that the majority of the training and education will take place onsite at the SPP offices in Little Rock and via net conferencing. It is also estimated that approximately forty percent of its resources will be dedicated to RE training activities in 2008.

**System Operator Training Program**
In 2007, the SPP training program expanded beyond internal continuing education to include regional emergency operations, system operations training, blackstart training/drills, and system restoration training. The expansion of the training program required the addition of two FTE whose primary function is regional training. The expansion also necessitated additional FTE hours of support for the regional training program.

**Continuing Education Program**
Certified system operators are now able to submit qualifying continuing education hours to maintain their credential in lieu of recertifying via an exam. To accommodate the recordkeeping requirements for continuing education, SPP will utilize the Quality Training Systems (QTS) database.

**Training and Education Objectives**

- Assess current and future training needs
- Maintain accurate job task documents
- Assess and improve the training offered as a part of the SPP RE function
- Develop and submit Individual Learning Applications for all training events
- Maintain training database to track and report all continuing education activities sponsored by SPP
- Develop online and computer-based learning activities and materials for the training and education function
- Develop and maintain seamless online registration, assessment, and reporting functions
- Develop authentic assessments to accurately measure knowledge and performance gains achieved from training events
- Develop and deliver training for system operations personnel
  - Regional and Subregional Blackstart and System Restoration
  - Regional Emergency Operations and Systems Operations
  - Continuing Education Emergency Operations
Reliability Assessment and Performance Analysis Program

| Reliability Assessment and Performance Analysis Program Program Resources (in whole dollars) |
|---------------------------------|---------------------------------------------|
| 2007 Budget                  | 2008 Budget                  |
| Total FTEs                  | 2.7 FTE                      |
| Total Direct Funding       | $540,135        |
| Salary                      | $243,331        |
| Total Indirect Funding     | $496,413        |
| Total Funding               | $540,135        |
|                             | $739,744        |

Background

In the United States, SPP as a NERC RE is required to “conduct periodic assessments of the reliability and adequacy of the bulk-power system in North America.” (FPA, § 215(g); 16 C.F.R. § 39.11.) In accordance with this responsibility and SPP’s responsibility to support the reliability of the North American bulk power system, SPP intends to support NERC’s three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports will analyze electricity demand and the Reliability and Adequacy Assessment Objectives adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. SPP will also conduct inter-regional studies and other planning studies to comply with NERC’s various TPL standards.

Reliability and adequacy assessments of the bulk power system will be conducted by teams comprised NERC’s and RE professional/technical staff, along with volunteers from the electric industry, government, and academia who possess appropriate technical competencies. Except when site visits are necessary to conduct analyses, these teams’ work will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings. Meetings may be held at NERC’s headquarters or at meeting locations around the United States and Canada selected for proximity to and ease of access by team members.

SPP staff will conduct inter-regional studies or other planning studies in coordination with its members. The work of these teams will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings at SPP’s headquarters or at locations around the United States selected for proximity to and ease of access by team members. SPP estimates that it will spend 2.4 FTEs of its resources on this activity.

Based on the portion of its professional/technical staff time and other resources that it expects to devote to the performance of reliability and adequacy assessments and other planning studies, SPP estimates 2.4 FTE on this activity.
Reliability and Adequacy Assessment Objectives

- Maintain a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their members to assist with planning and evaluating future systems and current operating conditions.

- Provide regional input to NERC’s three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report.

- Participate in NERC meetings to discuss reliability assessment, investigation analysis, etc.

- Conduct inter-regional and other planning studies to comply with NERC’s TPL standards, including participation in the Eastern Interconnection Reliability Assessment Group.

- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system.

- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members.

Events Analysis and Information Exchange Objectives

- Provide NERC with information on disturbances and other bulk power system off-normal events for their Events Database, that was created in 2006 (in conjunction with Situational Awareness and Infrastructure Security Program). Participate in NERC-level investigations, as needed, of large-scale outages, disturbances, and near misses to determine root causes and lessons learned.

- Provide regional investigations, evaluations, and analyses, as determined by NERC.

- Maintain and enhance NERC’s Blackout and Disturbance Response Procedures (in conjunction with Situation Awareness and Infrastructure Security Program).

- Analyze frequency performance of the interconnections using data from appropriate measurement systems.

- Coordinate with NERC to establish a clear set of criteria for sorting reported disturbances and other bulk power system off-normal events into categories; decide what level of investigation, evaluation, or analysis is needed; and determine who will undertake such investigations, evaluations, or analyses (triage function).

- Communicate to the industry root causes of events that may be precursors of potentially more serious events and other “lessons learned” from investigations, evaluations, and analyses.

- Analyze and identify improvements to the interaction of the transmission system with nuclear power plants, especially related to minimum voltages required by the plants.
Situation Awareness and Infrastructure Security Program

<table>
<thead>
<tr>
<th>Situation Analysis and Infrastructure Security Program Resources (in whole dollars)</th>
<th>2007 Budget</th>
<th>2008 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FTEs</td>
<td>**</td>
<td>CIPC rep travel expense reimbursement $18,000</td>
</tr>
<tr>
<td>Total Direct Funding</td>
<td>$2,000</td>
<td>CIPWG Secretary travel expense $4,000</td>
</tr>
<tr>
<td>Total Indirect Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Funding</td>
<td></td>
<td>$22,000</td>
</tr>
</tbody>
</table>

** CIPWG secretary and man hours of other SPP staff attending the CIPWG meetings are included in indirect funding rate.

Background

NERC coordinates electric industry activities to promote critical infrastructure protection of the bulk power system in North America. NERC has a leadership role in the critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector’s critical infrastructure. NERC acts as the electricity sector’s Sector Coordinator and operates its Information Sharing and Analysis Center to gather and communicate information about security-related threats within the sector, United States and Canadian governmental authorities, and other critical infrastructure sectors. NERC also performs security planning activities focused on the critical infrastructure protection of the electricity sector, including sharing sensitive or classified information with federal, state, and provincial governmental authorities.

SPP actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members.
Infrastructure Security Program

SPP sponsors a Critical Infrastructure Protection Working Group (CIPWG). The CIPWG:

- Serves as an expert advisory panel to the SPP Board of Directors, committees, and members
- Provides a forum for discussion of physical and cyber security issues within the SPP Region
- Serves as the interface between the NERC Critical Information Protection Committee (CIPC) and the SPP membership, including:
  - Serving as a conduit for information flow between the CIPC and SPP members
  - Developing guidance and recommendations to CIPC members representing the SPP
- Develops policies and procedures for SPP-managed resources, including:
  - Security of SPP Frame Relay Network (SPPNET) member connections
  - Acceptable use policies for SPP-managed wide area networks (SPPNET, Internet, etc.)
  - Security of SPP-managed systems and applications
  - Incident reporting and dissemination
- Assists the SPP Compliance Manager with the conduct and evaluation of compliance self-certification and field audits of NERC security standards

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002-1 through CIP-009-1) and is facilitated by an SPP staff member. The working group meets quarterly at a member location. Additional meetings and conference calls are scheduled as required.

SPP is represented on the CIPC by three SPP member company representatives who represent the physical, cyber, and operations disciplines. Per the SPP Bylaws, SPP reimburses the member representatives for travel expenses incurred while performing CIPC responsibilities.
Administrative Services

<table>
<thead>
<tr>
<th>Administrative Services Resources</th>
<th>2007 Budget</th>
<th>2008 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total FTEs</strong></td>
<td>3.1 FTE</td>
<td>1.5 FTE</td>
</tr>
<tr>
<td>Total Direct Funding</td>
<td>$1,313,733</td>
<td></td>
</tr>
<tr>
<td>• Salaries</td>
<td></td>
<td>$244,509</td>
</tr>
<tr>
<td>• SPP Travel</td>
<td></td>
<td>$15,000</td>
</tr>
<tr>
<td>• Trustees</td>
<td></td>
<td>$135,000</td>
</tr>
<tr>
<td>• Trustee Travel</td>
<td></td>
<td>$10,000</td>
</tr>
<tr>
<td>Total Indirect Funding</td>
<td></td>
<td>$103,419</td>
</tr>
<tr>
<td>Total Funding</td>
<td>$1,313,733</td>
<td>$507,928</td>
</tr>
</tbody>
</table>

Members’ Forums

SPP provides forums for entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas.

Members’ Forums Objectives

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees
- Provide technical forums to act as standards-drafting teams in development of SPP regional reliability standards.

Information Technology

SPP will provide computer and technology resources for the SPP Regional Entity, including computer equipment, software, modeling data, and databases.
**Information Technology Objective**

To provide adequate information technology resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

**Legal and Regulatory**

SPP will provide legal and regulatory support for the SPP Regional Entity, including SPP legal and regulatory staff and any required outside counsel.

**Legal and Regulatory Objective**

To provide adequate legal and regulatory resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

**Human Resources**

SPP will provide Human Resources support for the SPP Regional Entity, include the hiring of any needed staff and the administration of payroll and benefits.

**Human Resources Objective**

To provide adequate human resources services for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

**Finance and Accounting**

The Finance and Accounting department will direct the overall financial plans and accounting practices for SPP’s RE functions.
Section B — 2008 Budget

2007 Projection and 2008 Budget Comparison

Table 1

<table>
<thead>
<tr>
<th></th>
<th>2007 Full Year Projection</th>
<th>2008 Full Year Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERO Funding</td>
<td>3,176,026</td>
<td>2,251,124</td>
<td>924,902</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td>3,176,026</td>
<td>2,251,124</td>
<td>924,902</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>1,546,138</td>
<td>1,433,954</td>
<td>112,184</td>
</tr>
<tr>
<td><strong>Meeting Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meetings</td>
<td>344,211</td>
<td>64,670</td>
<td>279,541</td>
</tr>
<tr>
<td>Travel</td>
<td>98,351</td>
<td>152,000</td>
<td>(53,649)</td>
</tr>
<tr>
<td>Conference Calls</td>
<td>15,000</td>
<td>-</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Total Meeting Expenses</strong></td>
<td>457,562</td>
<td>216,670</td>
<td>240,892</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts &amp; Consultants</td>
<td>62,500</td>
<td>296,000</td>
<td>(233,500)</td>
</tr>
<tr>
<td>Office Rent</td>
<td>25,088</td>
<td>-</td>
<td>25,088</td>
</tr>
<tr>
<td>Office Costs</td>
<td>63,138</td>
<td>-</td>
<td>63,138</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>1,935</td>
<td>1,935</td>
<td></td>
</tr>
<tr>
<td>Professional Services</td>
<td>272,640</td>
<td>169,500</td>
<td>103,140</td>
</tr>
<tr>
<td>Computer Purchase &amp; Maint.</td>
<td>37,500</td>
<td>-</td>
<td>37,500</td>
</tr>
<tr>
<td>Board of Trustees</td>
<td>195,000</td>
<td>135,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>10,100</td>
<td>-</td>
<td>10,100</td>
</tr>
<tr>
<td>Miscellaneous/ Contingency</td>
<td>7,500</td>
<td>-</td>
<td>7,500</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>675,400</td>
<td>600,500</td>
<td>74,900</td>
</tr>
<tr>
<td><strong>Total Direct Costs</strong></td>
<td>2,679,100</td>
<td>2,251,124</td>
<td>427,976</td>
</tr>
<tr>
<td><strong>Total Indirect Costs</strong></td>
<td>413,980</td>
<td>2,357,959</td>
<td>(1,943,979)</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>3,093,080</td>
<td>4,609,083</td>
<td>(1,516,003)</td>
</tr>
</tbody>
</table>
Summary Explanation

Direct Costs
Delay in approval of delegation agreement from FERC has slowed RE activity, resulting in lower than anticipated direct personnel and operating expenses in 2007. The 2008 budget reflects a full year of activity.

Indirect Costs
Indirect costs include identifiable infrastructure and overhead resources associated with SPP’s current business model. These shared services and costs are allocated to the RE based on direct resources engaged to perform specific statutory functions. These costs are intended to replace previously budgeted overhead items such as office rent, depreciation, communications, technology support, etc.

Indirect costs exceed original budgeted costs due to additional items identified needed to support direct resources. Examples of these additional costs include support functions such as accounts payable, payroll, human resources, communications, general office administration, and other support costs.

Direct Personnel Analysis

Table 2 shows staffing by program area for both the 2007 budget and projection and the 2008 budget. The 2008 budget levels show an increase of 1.9 FTE compared to the 2007 projection.

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Budget 2007</th>
<th>Projected 2007</th>
<th>Budget 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability Standards</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Compliance and Organization Registration and Certification</td>
<td>2.6</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Reliability Readiness Audit and Improvement</td>
<td>0.3</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Training and Education</td>
<td>2.0</td>
<td>3.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Reliability Assessment and Performance Analysis</td>
<td>2.7</td>
<td>2.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Situational Awareness and Infrastructure Security</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total FTEs Operational Programs</td>
<td>8.1</td>
<td>9.0</td>
<td>10.9</td>
</tr>
</tbody>
</table>
Table 3: 2007 Organizational Chart

The chart includes staff expected to be hired in each program area by the end of 2007.
Table 4: 2008 Organizational Chart

The chart includes 2007 staffing levels, plus additional staff that will be hired to support the increased ERO activities in 2008.
Regional Entity Management Group ........................................Charles Yeung, Michael Desselle
Members Representative Committee .......................................................Michael Desselle
Operating Committee (OC)........................................................................Pete Kuebek, OGE
Data Exchange Working Group (DEWG) ..................................................Scott Aclin
Disturbance Analysis Working Group (DAWG) ........................................Jay Caspary
Interchange Subcommittee (IS)...............................................................Melinda Montgomery, Entergy
Operating Reliability Subcommittee (ORS)..............................................Lanny Nickell
Distribution Factor Working Group (DFWG).............................................Jason Smith
Interchange Distribution Calculator Working Group (IDCWG)..................Katy Onen
ICT .......................................................................................................Jason Davis
Reliability Coordinator Working Group (RCWG) ......................................Lanny Nickell
Personnel Subcommittee (PS)....................................................................John Taylor
Resources Subcommittee (RS).................................................................Robert Rhodes
Telecommunications Working Group (TWG)............................................Randy Turner
Planning Committee (PC).......................................................................Jim Useldinger, KCPL
Adequacy Assessment Task Force ..........................................................Jay Caspary
Load Forecasting Working Group (LFWG)............................................Robert Shields, AECC
Multiregional Modeling Working Group (MMWG).................................Harvey Scribner
..........................................................................................................Brett Rollow
Reliability Assessment Subcommittee (RAS)..........................................Mak Nagle
Alternative .............................................................................................Jay Caspary
Data Coordination Working Group (DCWG)..........................................Jason Speer
Resource Issues Subcommittee......................................................................
System Protection and Control Task Force ..............................................Dean Sikes, Cleco
Transmission Availability Data System Task Force.............................Jake Langthorn, OGE
Transmission Issues Subcommittee............................................................Jay Caspary, SPP

* Unless otherwise noted, representatives are SPP Staff
Critical Infrastructure Protection Committee (CIPC) ..............Robert McClanahan, AECC
......................................................................................................... Larry Dolci, KCPL
......................................................................................................... Allen Klassen, Westar Energy
Alternate................................................................................................. Joe Doetzl, KCPL
Alternate.................................................................................................. Kevin Perry
Alternate.................................................................................................. Tom Stuchlik, Westar Energy

Compliance Enforcement & Certification Programs

Compliance and Certification Committee (CCC) .........................David Hodges
    Organization Registration and Certification Subcommittee ...............
    Personnel Certification Governance Committee (PCGC) ...................

Additional from NERC Roster
    Disclosure Guidelines Task Force........................................................
    Disturbance Monitoring Standards Drafting Team ..............................
    Relay Loadability Standards Drafting Team .................................

* Unless otherwise noted, representatives are SPP Staff
SPP Organizational Group Self-Evaluation
Proposed Approach

SPP Organizational Groups are required to conduct and report a self-assessment annually. The Strategic Planning Committee is charged with reviewing these self assessments and the overall structure of the Organizational Groups. At this time, there is no formal process/form for conducting the self assessment. The following is a proposed approach for addressing this matter.

The assessment period will be August/July (ex: August 05/July 06). The assessment will be conducted in August/September each year so that results may be reviewed at a meeting of all organizational group chairs, and the October MOPC and SPC meetings, and then reported at the December Board of Directors/Members Committee meeting focused on organizational effectiveness.

The self assessment will have four components: 1) administrative; and 2) a survey measuring effectiveness of the group; 3) review with chairpersons of all organizational groups; 4) presentation to the MOPC and Board of Directors/Members Committee (at their respective meetings).

Phase 1: Administrative
The administrative component of the process will be directed to the Chairman and Staff Secretary of the group.

The information requested will include:
- Review of the current roster posted on the SPP website/updates
- Review the group’s charter/update
- Report on number of meetings held (live and teleconference)
- Report on meeting attendance of each member of the group
- Number of votes taken
- Average overall attendance at meetings
- Costs of meetings held
- Major accomplishments/issues addressed by the group
- Major pending issues before the group

This phase will be conducted for the first time in 2005. Staff will develop a common format for obtaining the information, pre-populating some of the data to expedite the process.

Phase II: Survey
The survey component of the process will be directed to all members of the specific organizational group. This will allow us to review feedback on each working group/committee, but still provide an overall assessment for the organization.

The questions will include:
- The members of this committee/working group represent the diversity of SPP’s membership
- The members of this committee/working group have the necessary expertise/skill to address the issues assigned to it
- Meeting materials are complete and provided sufficiently in advance of a meeting
• The members of this committee/working group prepare in advance so that meeting time is spent effectively
• There is a open atmosphere for discussion at meetings
• The committee/working group has the appropriate number of meetings
• Meeting agendas are well planned for time and content
• In what areas do you think the staff secretary to the group is most effective? [check all that apply: planning/preparation; facilitation; subject matter expert; meeting follow-up, including minutes]
• In what areas do you think the staff secretary to the group is least effective? [check all that apply: planning/preparation; facilitation; subject matter expert; meeting follow-up, including minutes]
• A general comments section

This phase will be conducted for the first time in 2006. Staff will develop a survey for review/consideration by the SPC (October) and the Board of Directors/Members Committee (December).

**Phase III: Review**
A meeting/call will be planned with the chairpersons of all SPP organizational groups. The purpose of this meeting will be to review the results of the evaluations, and discuss actions needed to address the results.

This phase will be conducted for the first time in 2006.

**Phase IV: Presentation**
The results of the evaluations and the outcomes of the meeting of the chairpersons will be presented to the MOPC at its October meeting and to the Board of Directors at its December meeting (focused on organizational effectives).

This phase will be conducted for the first time in 2006.
GROUP NAME:

CHARTER/SCOPE UPDATE: Attached Charter/Scope has been reviewed: Y - N

MEMBER ROSTER/ATTENDANCE:

<table>
<thead>
<tr>
<th>Member</th>
<th>Company</th>
<th>Sector</th>
<th># Present</th>
<th># Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

*Only on Committee for part of the assessment period.

Please list the number of members represented in the following areas:

<table>
<thead>
<tr>
<th>Trans/Owners</th>
<th>Trans/Users</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sectors

<table>
<thead>
<tr>
<th>IOU</th>
<th>Coop</th>
<th>Muni</th>
<th>State/Fed</th>
<th>IPP/Marketer</th>
<th>Alt Power/Public Interest</th>
<th>Lg Retail</th>
<th>Sm Retail</th>
</tr>
</thead>
</table>

AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS): ____

MEETINGS HELD TO DATE: Live _____ Teleconference _____

AVERAGE LENGTH OF MEETINGS: ____:

NUMBER OF VOTES TAKEN: _____

*MEETING COST(S): _____

MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:

1. Item one…
2. Item two…
3. Item three…

MAJOR PENDING ISSUES BEFORE THE GROUP:

1. Item one…
2. Item two…
3. Item three…

* Meeting costs include hotel expenses (room rental, A/V, food and beverage), estimate of teleconference expenses, and Director fees for attendance.
Thank you for participating in this survey. From your perspective as a member, chair, or secretary of the organizational group listed above, please thoughtfully answer all questions.

1. My position on this organizational group is that of a...
   - [ ] Member
   - [ ] Chair
   - [ ] Secretary

2. Please rate the organizational group's MEETING PREPARATION:

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The agenda reflects the actions to be taken during the meeting.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting materials are provided in a timely manner.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The information provided prior to the meeting is utilized during the meeting.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting minutes are an accurate reflection of the meeting.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Additional comments:

4. Please rate the organizational group's MEMBERSHIP:

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The group's membership represents the diversity of the SPP organization.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>The group's membership has the necessary expertise and/or skills to accomplish its goals.</td>
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<td></td>
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<tr>
<td>Organizational group members come prepared to meetings.</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Organizational group members are motivated to participate and accomplish the group’s goals.

5. Additional comments:

6. Please rate the organizational group’s MEETING CONDUCT:

- Members are focused during discussion.
- Decisions are identified and action is recommended.
- Facilitation is sufficient to guide discussion.
- Dissenting voices are heard.
- I depart with a feeling that we have accomplished something.

7. Additional comments:

8. Please rate the organizational group’s CHAIR:

- The chair seeks input, and organizational group members are able to influence key decisions and plans.
- The chair is supportive and respectful of the individual needs and differences of group members.
- The chair keeps the group on task.
The chair ensures follow-through on questions and commitments.

9. Additional comments:

10. Please indicate other organizational groups whose meetings you regularly attend. Choose all that apply.

- [ ] Business Practices Working Group
- [ ] Corporate Governance Committee
- [ ] Cost Allocation Working Group
- [ ] Critical Infrastructure Protection Working Group
- [ ] Finance Committee
- [ ] Generation Working Group
- [ ] Human Resources Committee
- [ ] Market Working Group
- [ ] Markets and Operations Policy Committee
- [ ] Model Development Working Group
- [ ] Operating Reliability Working Group
- [ ] Operation Model Development Working Group
- [ ] Operations Data Working Group
- [ ] Operations Training Working Group
- [ ] Oversight Committee
- [ ] Regional State Committee
- [ ] Regional Tariff Working Group
- [ ] Strategic Planning Committee
- [ ] System Protection & Control Working Group
- [ ] Transmission Working Group

11. Please provide three or more recommendations for improvement of this particular group and/or SPP's overall organizational group structure.

12. Compared to other groups in which I participate, this organizational group is...
13. Please share any additional comments about the organizational group's effectiveness:

Submit
Southwest Power Pool  
Regional State Committee, Board of Directors/Members Committee & Regional Entity Trustees  
Future Meeting Dates & Locations

**BOD**

<table>
<thead>
<tr>
<th>Year</th>
<th>Date</th>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>2007</td>
<td>December 11</td>
<td>Dallas</td>
</tr>
<tr>
<td>2008</td>
<td>January 28-30</td>
<td>Austin</td>
</tr>
<tr>
<td></td>
<td>April 21-23</td>
<td>Oklahoma City</td>
</tr>
<tr>
<td></td>
<td>June 9-10</td>
<td>Little Rock</td>
</tr>
<tr>
<td></td>
<td>July 28-30</td>
<td>Kansas City</td>
</tr>
<tr>
<td></td>
<td>October 27-29</td>
<td>Tulsa</td>
</tr>
<tr>
<td></td>
<td>December 9</td>
<td>Dallas</td>
</tr>
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</table>

**BOD**

<table>
<thead>
<tr>
<th>Year</th>
<th>Date</th>
<th>Location</th>
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<tr>
<td>2009</td>
<td>January 26-28</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td>April 27-29</td>
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<tr>
<td></td>
<td>June 8-9</td>
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<td></td>
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<td>Tulsa</td>
</tr>
<tr>
<td></td>
<td>December 8</td>
<td>Dallas</td>
</tr>
</tbody>
</table>

The RSC/BOD meetings are Mon/Tues with the RSC held on Monday afternoon and the BOD/Members Committee meeting on Tuesday.

* The June BOD meetings are for educational purposes. There will be no RSC meeting in conjunction with these meetings.

** The December BOD meetings are intended to be one day in and out meetings for administrative purposes. There will be no RSC meeting in conjunction with these meetings.