SOUTHWEST POWER POOL

415 NORTH MCKINLEY, SUITE 140 LITTLE ROCK, ARKANSAS 72205

April 1, 2009

North American Electric Reliability Corporation
Princeton Forrestal Village
116-390 Village Boulevard
Princeton, New Jersey 08540-5721

Subject: Southwest Power Pool April 1st True Up Filing

Dear Bruce,

Attached is Southwest Power Pool's (SPP) submission for the 2008 Statutory Budget April 1st True Up filing. SPP has addressed specific variances within the delegated function financial statements as well as additional directives in recent Federal Energy Regulatory Commission (FERC) orders. SPP's independent audit is nearing conclusion and adjustments reflective of that effort have been incorporated within the information provided.

For budget year 2008, SPP received $4.61MM in funding for statutory functions and incurred $4.40MM in statutory expense. The following bullet points explain the significant aggregate variances as compared to budget:

- Personnel Expenses – SPP incurred $1.57MM in expense and budgeted $1.43MM resulting in an unfavorable variance of $0.14MM in budget year 2008. 12.4 FTE was budgeted to perform statutory functions while 11.3 FTE actually performed the functions. Although fewer FTEs actually performed the functions, those FTEs were generally at higher compensation levels than originally budgeted. These variances primarily appear in the Training, and General & Administrative functions.
- Professional Services – SPP incurred $0.27MM in professional service expense and budgeted $0.46MM in budget year 2008 resulting in a favorable variance of $0.19MM. The cause of the variance was due to no compliance hearings being held in 2008 though the budget included $0.15MM for hearings.
- Regional Entity Trustee Fees - SPP incurred $0.11MM in trustee fees and budgeted $0.14MM in budget year 2008 resulting in a favorable variance of $0.03MM. Timing of payments primarily contributes to the variance.

- Indirect Expenses - SPP allocated $2.23MM in indirect expense and budgeted $2.36MM in budget year 2008 resulting in a favorable variance of $0.13MM. Indirect expenses are exclusively related to SPP overhead allocated to statutory functions as described in Exhibit E of the delegation agreement and are discussed in greater detail below.

In its order issued March 21, 2008, FERC required SPP to respond to the following order in the April 1st true-up filing relating to SPP's use of shared staff (P 14):

"Similarly, the Commission will approve SPP's use of the $110 per hour rate for shared employees, subject to NERC submitting SPP's detailed analysis of its actual costs in its April 2009 true-up filing. However, we direct SPP to provide a detailed accounting of actual employee costs when it files the true-up to the 2008 budget in April 2009 to ensure that neither the SPP Regional Entity nor the SPP RTO is paying more than their actual costs. The true-up should include specific information regarding the actual hours shared employees work on SPP Regional Entity business and their actual per hour rate. Each shared employee is expected to record, on a daily basis, hours worked on Regional Entity business. If the actual cost for shared employees differs from the $110 figure, the cost must be trued-up. In addition, SPP must provide detailed definitions of each indirect cost allocation function, which clearly set forth what the function is and how it supports the Regional Entity. In future annual business plan and budget filings, SPP must include the above information for each indirect cost allocation for shared services."

SPP responds as follows:

The text of P-14 of the March 21, 2008 order does not accurately describe the processes by which SPP shared employee costs and SPP indirect costs are charged to the SPP statutory activities. As discussed with FERC staff during FERC's audit of SPP in 2007 and 2008, as well as other filings, the SPP RE incurs two types of charges from SPP: 1) direct charges for SPP RE and SPP shared staff hours worked on delegated functions and 2) indirect charges reflecting allocated overhead costs such as Human Resources and Accounting. The Indirect charge rate is calculated by dividing the total overhead costs by the total hours worked by non-overhead personnel. The indirect charge rate is then added to each hour directly charged by SPP RE or SPP shared staff.

At the beginning of the year, the indirect charge rate is based on the estimated rate included in the budget. As the year progresses and better estimates can be made this rate may be adjusted. At the end of the year, an actual indirect charge rate is calculated and used to finalize the SPP RE actual expenses.

SPP RE and shared staff record specific hours in support of the delegated function in SPP's time tracking system. These hours are posted by the specific RE and shared staff and reviewed and approved by their specific manager or supervisor. As well, SPP executive staff has historically reviewed the approved hours submitted by shared staff for consistency and accuracy. SPP RE review after March 16, 2009 will be performed by the

RE General Manager. This procedure results in actual hours spent by SPP employees on statutory RE functions, at each employee's actual compensation rate, being charged directly to the particular SPP RE direct function. These direct charges are included in the actual costs being compared to the budgeted amounts in each direct function, for purposes of this annual true up.

SPP has recalculated its overhead rate for 2008 using actual data resulting in a new rate of $105 per man hour. The calculation of the 2008 actual indirect charge rate is shown in Exhibit - C. This new rate has been applied to all hours associated with budget year 2008 on an actual basis. The attached Exhibit A illustrates the specific breakdown by employee for the number of hours recorded supporting the delegated functions. The specific shared staff names have been removed from this public filing. The indirect expense allocated can be proved as follows:

21,249.56	Number of hours directly charged to statutory activities
$ 105	SPP 2008 indirect overhead rate per hour
$ 2,231,204	Total indirect expenses for 2008 budget year

Detailed definitions of each indirect cost allocation function follows:

- Accounting – Provides all accounting and financial support for SPP, including: accounts payable, billing and collections, general accounting, budgeting and forecasting, internal audit, and purchasing functions.
- Human Resources – Provides all human resources and payroll functions for SPP, including: administration of all company paid benefits, staff recruitment and hiring, payroll processing and general administration services
- Information Technology – Provides all information technology services for SPP, including: all support, project management and infrastructure services for SPP's networks, internal/external communications systems, staff workstations.
- Communications – Provides communications support for SPP, including: administration of SPP internal/external websites and all press releases.
- Legal – Provides legal support for SPP.
- Customer Services – Provides customer service functions to all SPP members, customers and registered entities. Annual Net Energy for Load values used for the ERO fee allocation is collected by customer service representatives.
- Officers & Administration – Provides executive and administrative support to SPP, including: costs related to pension and retiree healthcare funding, other company benefits funding, general administrative and office expenses, depreciation of general fixed assets not including market and transmission related assets, and executive oversight.

In it's order issued March 21, 2008, FERC required NERC to respond to the following order in the April 1st true-up filing related to SPP's 2008 Business Plan and Budget (P 15):

"The Commission notes that SPP has not included the total cost of the direct funding category for each of the statutory functions in its corrected 2008 Business Plan and Budget as directed by the 2008 Budget Order. NERC is directed to submit a revised SPP 2008 Business Plan and Budget which includes the total cost for direct funding for each of the statutory functions in addition to the already existing dollar breakdown for the direct funding expense lines when it files its true-up in April, 2009."

SPP responds as follows:

Although this specific order requires NERC to submit a revised SPP 2008 Business Plan and Budget, SPP has provided Exhibit B, which includes the tables to which FERC is referring and the appropriate totals in the 2008 Budget columns related to Total Direct Funding.

In FERC's 2009 ERO Budget Order, FERC required SPP to respond to the following order in the April 1st true-up filing relating to SPP's use of shared staff (P 57):

"As previously determined in the 2008 Compliance Order, the Commission approved SPP Regional Entity's use of the $110 per hour rate for shared employees, subject to NERC submitting SPP Regional Entity's detailed analysis of its actual costs in its April 2009 true-up filing. In addition, the Commission directed that in future annual business plan and budget filings, SPP Regional Entity must include specific information regarding the proposed hours shared employees will work on SPP Regional Entity business and it's actual per hour rate for each indirect cost allocation for shared services. SPP Regional Entity, however, has not provided the above required information in the 2009 Business Plan and Budget regarding its proposed $101 per hour rate for shared employees. Therefore, SPP Regional Entity's hourly rate is conditionally accepted subject to NERC and SPP Regional Entity providing the required information in the compliance filing. In addition, NERC and SPP Regional Entity are directed to file as part of the next April true-up filing the detailed accounting of actual employee costs along with specific information regarding the actual hours shared employees work on SPP Regional Entity business, their actual per hour rate, and documentation demonstrating that a Regional Entity employee approved the assignment of work before it began and authorized the work before it was paid."

SPP responds as follows:

As described above in response to P14 of the March 21, 2008 Order, the indirect rate of $101 per hour reflects allocated overhead costs not the charges for direct work performed by shared employees on delegated functions. The calculation of the actual 2008 indirect rate of $105 per hour is provided in Exhibit - C.

The direct charged hours by SPP RE and shared staff are provided on Exhibit A. The SPP RE and shared staff record specific hours in support of the delegated function in SPP's time tracking system. These hours are posted by the specific RE and shared staff and reviewed and approved by their specific manager or supervisor. As well, SPP executive staff has historically reviewed the approved hours submitted by shared staff for consistency and accuracy. The approval of the accrued hours for shared staff is how the authorization for "paying" by the RE is made. Each SPP RE and SPP shared staff employee's actual recorded hours on SPP RE direct statutory functions are charged at the respective employee's actual compensation rate. SPP RE review after March 16, 2009 will be performed by the RE General Manager.

Additionally, please see the excerpt below from SPP's compliance filing on March 16, 2009 regarding the recommendations included in the FERC Audit Report related to the separation of SPP's Regional Transmission Organization ("RTO") and its Regional Entity ("RE") functions under the Delegation Agreement between SPP and NERC.

> "**Audit Report Recommendation 13:** Develop procedures to ensure that the independent RE Manager approves shared employees' allocation of costs to the RE.
>
> **SPP Response:** SPP will provide the RE General Manager with statements itemizing and explaining the allocation of shared employees' costs. SPP will provide the RE General Manager with sole authority to approve all withdrawal of funds from the SPP Regional Entity bank account in accordance with the spending approval policy (Exhibit No. SPP-9). The RE General Manager will be responsible for approving shared staff costs. Upon approval, SPP accounting staff will initiate a transfer of funds equal to the shared staff cost amount from the SPP Regional Entity bank account into the SPP operating bank account. The RE General Manager will have sole authority to approve the initiated transfer of funds."

As noted earlier, these procedures began March 16, 2009.

In NERC's December 15, 2008 response to FERC's 2009 ERO Budget Order, NERC stated the following related to SPP's 2008 Business Plan and Budget (P 44-45):

> SPP RE's 2009 Budget for statutory Indirect Costs is $1,162,919, which is an increase of $494,991 over the stated 2008 Budget for statutory Indirect Costs of $667,928. However, SPP RE has determined that the indirect/overhead cost allocation represented in the "Other Non-Operating Expenses" component of total statutory Indirect Costs in the 2008 Budget was incorrectly calculated, and should have been $310,200 rather than $103,419 as originally presented (i.e., $206,781 higher).[49] Therefore, the 2008 Budget amount for total statutory Indirect Costs should have been

$874,709 (not $667,928), and with that correction, the increase in statutory Indirect Costs in the SPP RE 2009 Budget is $288,210, or 32.9%.

[49] The cause and impacts of this incorrect calculation will be detailed in NERC's April 1, 2009 filing reconciling differences between the 2008 Budgets and 2008 actual costs of NERC and the Regional Entities.

SPP responds as follows:

During the 2008 budgeting process, the SPP RE Trustees approved an additional employee to directly support the General and Administrative delegated function. As a result, the direct salary and associated benefits and taxes of this employee were inserted into the 2008 business plan. However, the associated indirect overhead expenses were inadvertently omitted. This resulted in the variance as described in the NERC filing quoted above and shown in the table below:

General and Administrative 2008 Budget

	Existing Budget	Should have been Budgeted	Variance
# hours budgeted per year	1,880	1,880	-
2008 indirect resource rate	$ 110.00	$ 110.00	$ -
# FTE's	0.5	1.5	(1.0)
Total Indirect Costs	$ 103,400	$ 310,200	$ (206,800)

If you have any questions related to the submitted materials please feel free to call me at the number below or email me at ssmith@spp.org.

Sincerely,

Scott Smith
Accounting Manager
Southwest Power Pool
501-614-3339

SOUTHWEST POWER POOL

2008 Income Statement Summary

Statutory Activities Only

(In Whole Dollars)	**ACTUALS**	**BUDGET**	**VARIANCE**
Funding			
ERO Funding	4,609,084	4,609,084	-
Membership Dues	-	-	
Testing Fees	-	-	
Workshops	-	-	
Interest	6,899	-	6,899
Miscellaneous	-	-	
Total Funding	4,615,984	4,609,084	6,899
Expenses			
Personnel Expenses			
Salaries	1,318,072	1,149,532	168,540
Payroll Taxes	88,866	96,461	(7,595)
Benefits	167,976	172,963	(4,986)
Continuing Education	922	15,000	(14,078)
Retirement Costs	-	-	-
Total Personnel Expenses	1,575,836	1,433,955	141,881
Meeting Expenses			
Meetings	62,246	64,670	(2,424)
Travel	143,763	152,000	(8,237)
Conference Calls	-	-	-
Total Meeting Expenses	206,009	216,670	(10,661)
Operating Expenses			
Office Rent	-	-	-
Administrative Costs	7,066	6,100	966
Professional Services	271,588	459,400	(187,812)
Regional Entity Trustee Fees	109,648	135,000	(25,352)
Computer Purchase & Maint.	-	-	-
Depreciation	-	-	-
Total Operating Expenses	388,303	600,500	(212,197)
Total Direct Expenses	2,170,147	2,251,125	(80,978)
Total Indirect Expenses	2,231,204	2,357,959	(126,755)
Total Expenses	4,401,351	4,609,084	(207,733)
Net Change in Assets	214,632	-	214,632
FTE's	11.2	12.4	(1.2)

SOUTHWEST POWER POOL

2008 Income Statement Summary

Reliability Standards

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	154,113	154,113	-		
Membership Dues					
Testing Fees					
Workshops					
Interest			-		
Miscellaneous					
Total Funding	154,113	154,113	-		
Expenses					
Personnel Expenses					
Salaries	22,306	41,069	(18,762)	-46%	The 2008 budget assumed 0.5 direct FTE would support the Reliability Standards Development program. On an actual basis 0.2 FTE were used to support the program.
Payroll Taxes	1,492	3,446	(1,954)	-57%	Lower FTEs result in lower payroll taxes.
Benefits	2,753	6,179	(3,426)	-55%	Lower FTEs result in lower payroll benefits.
Continuing Education			-		
Retirement Costs			-		
Total Personnel Expenses	26,552	50,694	(24,142)		
Meeting Expenses					
Meetings			-		
Travel	11,121		11,121		No travel was budgeted in 2008 resulting in the variance.
Conference Calls			-		
Total Meeting Expenses	11,121	-	11,121		
Operating Expenses					
Office Rent			-		
Administrative Costs			-		
Professional Services			-		
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	-	-	-		
Total Direct Expenses	37,672	50,694	(13,022)		
Total Indirect Expenses	42,210	103,419	(61,209)	-59%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are lower than budget primarily due to lower than expected man-hours in support of the delegated function. In addition, the budget assumed a rate of $110 per man hour while an actual rate of $105 was used to calculate actual expense.
Total Expenses	79,882	154,113	(74,231)		
Net Change in Assets	74,231	-	74,231		
FTE's	0.21	0.50	(0.29)		

SOUTHWEST POWER POOL

2008 Income Statement Summary

Compliance and Organization Registration and Certification

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	1,691,820	1,691,820	-		
Membership Dues					
Testing Fees					
Workshops					
Interest			-		
Miscellaneous					
Total Funding	1,691,820	1,691,820	-		
Expenses					
Personnel Expenses					
Salaries	575,120	346,641	228,479	66%	The 2008 budget assumed 3.5 direct FTE would support the Compliance and Certification programs. On an actual basis 4.4 FTE were used to support the programs. SPP's Regional Entity Trustees approved the additional FTEs. The additional FTEs were hired at higher levels than the budgeted averages.
Payroll Taxes	36,969	29,088	7,881	27%	Additional FTEs result in higher payroll taxes.
Benefits	64,519	52,157	12,362	24%	Additional FTEs result in higher payroll benefits.
Continuing Education	437	15,000	(14,563)	-97%	Variance occurs since primary training was provided in-house resulting in considerably less expense to SPP
Retirement Costs			-		
Total Personnel Expenses	677,045	442,885	234,160		
Meeting Expenses					
Meetings	20,902	10,000	10,902	109%	Variance due to additional workshops held in 2008.
Travel	60,476	69,000	(8,524)	-12%	
Conference Calls			-		
Total Meeting Expenses	81,378	79,000	2,378		
Operating Expenses					
Office Rent			-		
Administrative Costs	4,699		4,699		No administrative expense was budgeted in 2008 resulting in the variance.
Professional Services	260,896	446,000	(185,104)	-42%	2008 budget included professional services expense for both compliance audit assistance and hearings. No hearings occurred in 2008 resulting in the variance.
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	265,595	446,000	(180,405)		
Total Direct Expenses	1,024,019	967,885	56,134		
Total Indirect Expenses	872,066	723,935	148,131	20%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are higher than budget primarily due to the additional FTEs as described above, partially offset by a rate lower than budget.
Total Expenses	1,896,085	1,691,820	204,265		
Net Change in Assets	(204,265)	-	(204,265)		
FTE's	4.38	3.50	0.88		

SOUTHWEST POWER POOL

2008 Income Statement Summary

Reliability Readiness Evaluation and Improvement

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	179,545	179,545	-		
Membership Dues					
Testing Fees					
Workshops					
Interest			-		
Miscellaneous					
Total Funding	179,545	179,545	-		
Expenses					
Personnel Expenses					
Salaries	12,494	49,520	(37,026)	-75%	The 2008 budget assumed 0.5 direct FTE would support the Reliability Readiness program. On an actual basis 0.1 FTE were used to support the program. This variance is due to the uncertainty of the program among the ERO and Regional Entities.
Payroll Taxes	698	4,155	(3,458)	-83%	Lower FTEs result in lower payroll taxes.
Benefits	1,081	7,451	(6,370)	-85%	Lower FTEs result in lower payroll benefits.
Continuing Education			-		
Retirement Costs			-		
Total Personnel Expenses	14,273	61,126	(46,853)		
Meeting Expenses					
Meetings			-		
Travel		15,000	(15,000)		No travel was incurred in 2008 resulting in the variance.
Conference Calls			-		
Total Meeting Expenses	-	15,000	(15,000)		
Operating Expenses					
Office Rent			-		
Administrative Costs			-		
Professional Services			-		
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	-	-	-		
Total Direct Expenses	14,273	76,126	(61,853)		
Total Indirect Expenses	17,351	103,419	(86,068)	-83%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are lower than budget primarily due to lower than expected man-hours in support of the delegated function. In addition, the budget assumed a rate of $110 per man hour while an actual rate of $105 was used to calculate actual expense.
Total Expenses	31,624	179,545	(147,921)		
Net Change in Assets	147,921	-	147,921		
FTE's	0.09	0.50	(0.41)		

SOUTHWEST POWER POOL

2008 Income Statement Summary

Reliability Assessment and Performance Analysis

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	739,744	739,744	-		
Membership Dues					
Testing Fees					
Workshops					
Interest			-		
Miscellaneous					
Total Funding	739,744	739,744	-		
Expenses					
Personnel Expenses					
Salaries	254,248	197,129	57,119	29%	The 2008 budget assumed 2.4 direct FTE would support the Reliability Assessment and Performance Analysis program. On an actual basis 2.9 FTE were used to support the program resulting in the variance.
Payroll Taxes	18,319	16,542	1,777	11%	Additional FTEs result in higher payroll taxes.
Benefits	34,271	29,661	4,610	16%	Additional FTEs result in higher payroll benefits.
Continuing Education			-		
Retirement Costs			-		
Total Personnel Expenses	306,837	243,331	63,506		
Meeting Expenses					
Meetings			-		
Travel	27,961		27,961		No travel was budgeted in 2008 resulting in the variance.
Conference Calls			-		
Total Meeting Expenses	27,961	-	27,961		
Operating Expenses					
Office Rent			-		
Administrative Costs	189		189		
Professional Services			-		
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	189	-	189		
Total Direct Expenses	334,988	243,331	91,657		
Total Indirect Expenses	576,591	496,413	80,178	16%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are higher than budget primarily due to the additional FTEs as described above, partially offset by a rate lower than budget.
Total Expenses	911,579	739,744	171,835		
Net Change in Assets	(171,835)	-	(171,835)		
FTE's	2.89	2.40	0.49		

SOUTHWEST POWER POOL

2008 Income Statement Summary

Training and Education

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	1,313,934	1,313,934	-		
Membership Dues					
Testing Fees					
Workshops					
Interest			-		
Miscellaneous					
Total Funding	1,313,934	1,313,934	-		
Expenses					
Personnel Expenses					
Salaries	254,324	317,091	(62,767)	-20%	The 2008 budget assumed 4.0 direct FTE would support the Training program. On an actual basis 2.1 FTE were used to support the program. However, the actual FTE's used to support the program are at higher employee levels than originally budgeted resulting in a smaller than expected variance.
Payroll Taxes	18,992	26,608	(7,616)	-29%	Lower FTEs result in lower payroll taxes.
Benefits	38,125	47,711	(9,586)	-20%	Lower FTEs result in lower payroll benefits.
Continuing Education			-		
Retirement Costs			-		
Total Personnel Expenses	311,441	391,410	(79,969)		
Meeting Expenses					
Meetings	32,033	54,670	(22,637)	-41%	More training classes were performed at the SPP campus than assumed in the budget resulting in lower than expected expense.
Travel	3,642	21,000	(17,358)	-83%	More training classes were performed at the SPP campus than assumed in the budget resulting in lower than expected expense.
Conference Calls			-		
Total Meeting Expenses	35,675	75,670	(39,995)		
Operating Expenses					
Office Rent			-		
Administrative Costs	1,426	6,100	(4,674)	-77%	
Professional Services	10,692	13,400	(2,708)	-20%	
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	12,118	19,500	(7,382)		
Total Direct Expenses	359,235	486,580	(127,345)		
Total Indirect Expenses	414,575	827,354	(412,779)	-50%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are lower than budget primarily due to lower than expected man-hours in support of the delegated function. In addition, the budget assumed a rate of $110 per man hour while an actual rate of $105 was used to calculate actual expense.
Total Expenses	773,809	1,313,934	(540,125)		
Net Change in Assets	540,125	-	540,125		
FTE's	2.08	4.00	(1.92)		

SOUTHWEST POWER POOL

2008 Income Statement Summary

Situational Awareness & Infrastructure Security

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	22,000	22,000	-		
Membership Dues					
Testing Fees					
Workshops					
Interest			-		
Miscellaneous					
Total Funding	22,000	22,000	-		
Expenses					
Personnel Expenses					
Salaries			-		
Payroll Taxes			-		
Benefits			-		
Continuing Education			-		
Retirement Costs			-		
Total Personnel Expenses	-	-	-		
Meeting Expenses					
Meetings			-		
Travel	3,005	22,000	(18,995)	-86%	Less travel was incurred in 2008 resulting in the variance.
Conference Calls			-		
Total Meeting Expenses	3,005	22,000	(18,995)		
Operating Expenses					
Office Rent			-		
Administrative Costs			-		
Professional Services			-		
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	-	-	-		
Total Direct Expenses	3,005	22,000	(18,995)		
Total Indirect Expenses			-		
Total Expenses	3,005	22,000	(18,995)		
Net Change in Assets	18,995	-	18,995		
FTE's	-	-	-		

SOUTHWEST POWER POOL

2008 Income Statement Summary

Committees and Members Forums

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	145,000	145,000	-		
Membership Dues					
Testing Fees					
Workshops					
Interest			-		
Miscellaneous					
Total Funding	145,000	145,000	-		
Expenses					
Personnel Expenses					
Salaries	17,543		17,543		No FTE support for Member Forums was assumed in the 2008 budget. Actual FTEs supporting this function are Compliance staff.
Payroll Taxes	1,000		1,000		
Benefits	1,506		1,506		
Continuing Education			-		
Retirement Costs			-		
Total Personnel Expenses	20,048	-	20,048		
Meeting Expenses					
Meetings	9,310		9,310		Actual 2008 meeting expense is associated with RE Trustee meetings and other member forums.
Travel	4,207	10,000	(5,793)	-58%	
Conference Calls			-		
Total Meeting Expenses	13,518	10,000	3,518		
Operating Expenses					
Office Rent			-		
Administrative Costs			-		
Professional Services			-		
Regional Entity Trustee Fees	109,648	135,000	(25,352)	-19%	Timing of payments primarily contributes to the variance.
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	109,648	135,000	(25,352)		
Total Direct Expenses	143,214	145,000	(1,786)		
Total Indirect Expenses	24,728		24,728		Since no FTEs were assumed to support this function in the 2008 budget, no indirect expenses were allocated to this function in the budget.
Total Expenses	167,941	145,000	22,941		
Net Change in Assets	(22,941)	-	(22,941)		
FTE's	0.12	-	0.12		

SOUTHWEST POWER POOL

2008 Income Statement Summary

General and Administrative

(In Whole Dollars)	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE		COMMENTS
Funding					
ERO Funding	362,928	362,928	-		
Membership Dues					
Testing Fees					
Workshops					
Interest	6,899		6,899		Interest earned on Regional Entity bank account balance was $6,899. No interest income was assumed in the budget.
Miscellaneous					
Total Funding	369,827	362,928	6,899		
Expenses					
Personnel Expenses					
Salaries	182,037	198,083	(16,046)	-8%	The 2008 budget assumed 0.5 direct FTE would provide General & Administrative support in the form of SPP executive oversight. On an actual basis 1.4 FTE performed G&A activities including some SPP executives as well as newly hired legal staff and direct administrative support; both approved the RE Trustees. As a result, salaries and related benefits and taxes are closer to budget than expected given the lower overall compensation averages as compared to budget.
Payroll Taxes	11,397	16,622	(5,225)	-31%	
Benefits	25,721	29,804	(4,083)	-14%	
Continuing Education	485		485		
Retirement Costs			-		
Total Personnel Expenses	219,640	244,509	(24,869)		
Meeting Expenses					
Meetings			-		
Travel	33,351	15,000	18,351	122%	Additional FTEs result in higher travel expenses.
Conference Calls			-		
Total Meeting Expenses	33,351	15,000	18,351		
Operating Expenses					
Office Rent			-		
Administrative Costs	751		751		
Professional Services			-		
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	751	-	751		
Total Direct Expenses	253,742	259,509	(5,767)		
Total Indirect Expenses	283,684	103,419	180,265	174%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are higher than budget primarily due to the additional FTEs as described above, partially offset by a rate lower than budget.
Total Expenses	537,426	362,928	174,498		
Net Change in Assets	(167,599)	-	(167,599)		
FTE's	1.42	1.50	(0.08)		

EXHIBIT - A
SPP SHARED & DEDICATED STAFF USED IN SUPPORT OF DELEGATED FUNCTIONS
NUMBER OF HOURS WORKED IN 2008

	RE - 300-Reliability Standard Dev	RE - 400-Compliance Enforcement	RE - 500-Org Registration & Certif	RE - 600-Personnel Certification	RE - 700-Reliability Readiness Audit & Improv	RE - 800-Reliability Assess & Perf Analysis	RE - 900-Training and Education	RE - 1100-Members Forum	RE - 2000-General and Admin	RE - 2100-Executive	RE - 2200-Legal and Regulatory	**Totals**
Employee 1						190.25						**190.25**
Employee 2					10.25							**10.25**
Employee 3						247.13						**247.13**
Employee 4										201.00		**201.00**
Employee 5							108.00					**108.00**
Employee 6							496.00					**496.00**
Employee 7							165.33					**165.33**
Employee 8							241.00					**241.00**
Employee 9						243.00						**243.00**
Employee 10					44.00	948.00						**992.00**
Employee 11						107.00						**107.00**
Employee 12						281.06						**281.06**
Employee 13						586.97						**586.97**
Employee 14						602.25						**602.25**
Employee 15	147.00	3.00				221.00						**371.00**
Employee 16	4.00	27.00										**31.00**
Employee 17					4.00		58.00					**62.00**
Employee 18	124.00											**124.00**
Employee 19	25.50											**25.50**
Employee 20						208.00						**208.00**
Employee 21						551.63						**551.63**
Employee 22							81.00					**81.00**
Employee 23					22.00							**22.00**
Employee 24	99.50					263.00						**362.50**
Employee 25							1,840.00					**1,840.00**
Employee 26						254.00						**254.00**
Employee 27						84.50						**84.50**
Employee 28		75.40										**75.40**
Employee 29						606.06						**606.06**
Employee 30	2.00							91.50		349.75		**443.25**
Employee 31							564.00					**564.00**
Employee 32							157.00					**157.00**
Employee 33		1,887.82	128.67									**2,016.49**
Employee 34		1,841.50	79.50		85.00	97.50						**2,103.50**
Employee 35		906.00										**906.00**
Employee 36		1,936.50						144.00				**2,080.50**
Employee 37									823.00			**823.00**
Employee 38											1,328.00	**1,328.00**
Employee 39		120.00					152.00					**272.00**
Employee 40		1,300.00					86.00					**1,386.00**
TOTALS	**402.00**	**8,097.22**	**208.17**	**-**	**165.25**	**5,491.34**	**3,948.33**	**235.50**	**823.00**	**550.75**	**1,328.00**	**21,249.56**

Reliability Standards Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.5 FTE	0.2 FTE	0.5 FTE
Total Direct Funding	$120,647	$62,069	Salary $50,694
Total Indirect Funding		$9,591	$103,419
Total Funding	$120,647	$71,660	$154,113

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.6 FTE	1.9 FTE	3.5 FTE
Total Direct Funding	$690,171	$557,989	• Travel $69,000 • Continuing Education $15,000 • SPP Meetings $10,000 • Outside Services $296,000 • Salary $427,885 • Hearings $150,000 **Total $967,885**
Total Indirect Funding		$86,222	$723,935
Total Funding	$690,171	$644,211	$1,691,820

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.3 FTE	0.2 FTE	0.5 FTE
Total Direct Funding	$56,598	$51,672	• Salary $61,126 • Travel $15,000 **Total $76,126**
Total Indirect Funding		$7,984	$103,419
Total Funding	$56,598	$59,656	$179,545

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.0 FTE	3.1 FTE	4.0 FTE
Total Direct Funding	$459,742	$935,128	• Travel $21,000 • Meeting Expenses $54,670 • Online Testing Services $13,400 • CEH Application Fees $6,100 • Salaries $391,410 **Total $486,580**
Total Indirect Funding		$144,498	$827,354
Total Funding	$459,742	$1,079,626	$1,313,934

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.7 FTE	3.1 FTE	2.4 FTE
Total Direct Funding	$540,135	$915,495	Salary $243,331
Total Indirect Funding		$141,464	$496,413
Total Funding	$540,135	$1,056,959	$739,744

Situation Analysis and Infrastructure Security Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs			**
Total Direct Funding	$2,000	$8,822	CIPC rep travel expense reimbursement $18,000 CIPWG Secretary travel expense $4,000 **Total $22,000**
Total Indirect Funding		$1,363	
Total Funding	$2,000	$10,185	$22,000

Administrative Services Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	3.1 FTE	0.5 FTE	1.5 FTE
Total Direct Funding	$1,313,733	$147,926	• Salaries $244,509 • SPP Travel $15,000 • Trustees $135,000 • Trustee Travel $10,000 **Total $404,509**
Total Indirect Funding		$22,857	$103,419
Total Funding	$1,313,733	$170,783	$507,928

EXHIBIT - C
CALCULATION OF THE SPP INDIRECT COST RATE
RATE IS BASED ON 2008 ACTUAL DATA

Support Groups	Overhead Costs to Allocate	
Administration	$15,641,287	*
Officers	$1,797,617	**
Accounting	$924,812	
Human Resources	$1,228,284	
Internal Audit	$1,032,821	
Project Management	$1,017,446	
Customer Service	$350,123	
Legal	$556,077	
Communications	$283,310	
Information Technology	$17,771,494	
	$40,603,271	*A*
Non-Support Resource Groups		
Ending 2008 Headcount	205	
# of Work Hours in 2008	1,880	
	385,400	*B*
2008 Indirect Rate (*A* / *B*)	$105.35	

* *Does not include FERC Pass-Thru Fees and depreciation of market and transmission assets*

** *Does not include costs for executives performing delegated functions*