



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



DRAFT #1

2008 Business Plan and Budget

Northeast Power Coordinating Council, Inc. (NPCC)
**(The cross-border regional entity and criteria services corporation for
Northeastern North America)**

*For discussion at the May 23rd, 2007
RCC and CBRE Members Meetings*

*Draft #2 to be posted June 8th, 2007
Comments due to NPCC June 22nd, 2007*

Table of Contents

Introduction	1
Executive Summary	2
Business Plan Overview	3
Detailed Program Business Plan and Budget	3
Section A — 2008 NPCC Business Plan	5
Reliability Standards Program	5
Compliance Enforcement and Organization Registration and Certification Program.....	10
Reliability Readiness Evaluation and Improvement Program	13
Training, Education, and Operator Certification Program.....	15
Reliability Assessment and Performance Analysis Program.....	17
Situation Awareness and Infrastructure Security Program.....	22
Administrative Services	24
Section B – 2008 NPCC Budget.....	26
2007 Total Budget & Projection, and 2008 Budget Comparisons.....	26
Personnel Analysis.....	27
2007 Organizational Chart.....	28
2008 Organizational Chart.....	29
Reserve Balance.....	30
Assessments by Balancing Authority Area	31
Appendix A - Breakdown by Program Category.....	32
Reliability Standards Program	32
Compliance Enforcement and Organization Registration and Certification Program.....	34
Reliability Readiness Evaluations and Improvement Program	36
Training, Education, and Operator Certification Program.....	38
Reliability Assessment and Performance Analysis Program.....	40
Situational Awareness and Infrastructure Program	42
Technical Committees and Member Forums Program	44
Information Technology Program.....	46
Legal and Regulatory Program	48
Human Resources Program.....	50
Accounting Program	52
General and Administrative Program	54
Section C — 2008 NPCC Non-Statutory Business Plan and Budget.....	56
Full Member Criteria Services.....	56
Criteria Compliance Enforcement Program Objectives	57
Members Forums	57
2007 Total Budget & Projection, and 2008 Budget Comparisons.....	58
Personnel Analysis.....	58
2007 Organizational Chart.....	60
2008 Organizational Chart.....	61

Reserve Balance..... 62

Introduction

Total NPCC Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	24	24	28
Statutory	17	19	25.2
Non-Statutory	7	5	2.8
Total Funding	\$7,356,910*	\$7,356,910	\$8,176,459

Funding for 2007 was based on the mid-2006 regional assumptions of what would likely constitute statutory and non-statutory programs and services. Based upon subsequent information provided through several FERC rulings during the last twelve months, including definitions of statutory and non-statutory that differed from NPCC's conservative 2006 assumptions, NPCC would have reallocated much of what had been allotted to the regional reliability organization section of its 2007 budget for consistent year to year comparisons.

Based on current definitions, several 2007 services included as non-statutory would have been included as statutory efforts. For the 2008 Business Plan and Budget those efforts have been shifted to the statutory sections and include:

- Support for the Reliability Readiness Evaluation Program
- Operator Training Workshops
- Resource Adequacy and Transmission Reliability Assessments
- Operational Coordination

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

For 2008 budget development, NPCC regional entity (statutory) services comprise 90% of total requirements and NPCC criteria services (non-statutory) comprise 10% of total requirements. NPCC has applied the current definitions to the 2007 budget for consistency and comparisons with regard to growth. Approximately 66% of the apparent year to year budget increase can be attributed to implementation of consistent statutory and non-statutory definitions.

Total NPCC Resources Consistent with Current Statutory and Non-Statutory Definitions (in whole dollars)			
	Statutory	Non-Statutory	Total Region
2007 Budget as Submitted	5,214,361	2,142,549	7,356,910
2007 with Consistent Definitions	6,621,219	735,691	7,356,910
Variance	1,406,858	(1,406,858)	0
2008 with Consistent Definitions	7,358,813	817,646	8,176,459
2008 Increase w/ Consistent Definitions	737,594	81,955	819,549

Executive Summary

Restructuring: Beginning in 2006, the voluntary international regional reliability organization for Northeastern North America, the Northeast Power Coordination Council initiated its restructuring efforts. In 2007, with the clear definitions of statutory and non-statutory in place and FERC rulings which allow for divisional separation within regional entities, the Northeast Power Coordinating Council, Inc. ("NPCC, Inc."), developed a plan of merger to combine with its independent affiliate corporation; Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. (NPCC CBRE) which had been created as an fluid interim step in restructuring. The resultant Northeast Power Coordinating Council, Inc. (to be referred to as NPCC) will provide the statutory functions and services for Northeastern North America of a cross-border regional entity through a regional entity division, as well as non-statutory criteria services for Northeastern North America through a criteria services division. This divisional separation will not only enhance efficiency, but also allows for distinct funding with regard to activities determined to be statutory and in the furtherance of NERC's mission and for criteria services particular and essential to reliability in Northeastern North America.

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

Regulatory Actions

On March 16, 2007 FERC approved 83 reliability standards as mandatory for all users, owners and operators of the interconnected bulk power systems in the United States of America. The approved standards will become effective for enforcement purposes in the U.S. on June 4, 2007. NERC standards are already mandatory and enforceable in the provinces of Ontario and New Brunswick in the NPCC region. The Provinces of Québec and Nova Scotia are drafting Memoranda of Understanding with regard to compliance and enforcement in the post Energy Policy Act of 2005 era. The NPCC region has completed its submission to the NERC compliance registry identifying the users, owners, and operators of the international, interconnected bulk power system in Northeast North America.

The Northeast Power Coordinating Council: Cross-Border Regional Entity (NPCC CBRE) has been recognized as the regional entity for Northeastern North America through the FERC April 19th, 2007 approval of the NERC Uniform Compliance Monitoring and Enforcement Program and the delegation agreements NERC had proposed with the eight regional entities in North America. Under authority delegated by NERC, through the delegation agreement, the cross-

border regional entity will have primary responsibility for the day-to-day compliance monitoring and enforcement of reliability standards that become effective June 4, 2007. Upon conclusion of the *Agreement and Plan of Merger between Northeast Power Coordinating Council, Inc. and Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc.* including all filings and reviews with the New York State (NYS) Department of State, NYS Attorney General and associated governmental approvals and consents, the merged NPCC will assume NPCC CBRE delegated authorities and incorporate necessary changes into a revised regional delegation agreement to be executed between NERC and NPCC.

FERC stipulated in its April 19th, 2007 ruling on the Regional Delegation Agreements that by October 16th, 2007 (a 180 day period), regional entities will take such actions as required to meet the mandates in that order. Information and guidance that have been provided in the past year allow for the region to continue its restructuring to capture organizational efficiencies and comply with FERC directives.

Business Plan Overview

In 2007 NPCC moved from an annual scope of activities to multiyear formalized task force and working group work plans to maintain a forward outlook, identify challenges and opportunities and to align with the NERC annual business planning cycle. Work plans for the years 2007/2008 were submitted and reviewed by the region's Reliability Coordinating Committee.

The Northeast Power Coordinating Council, Inc.'s (NPCC) first full calendar year as a FERC certified Regional Entity will be 2008. This business plan presents NPCC's functions and services as well as financial requirements for meeting its responsibilities under the Delegation Agreement, and in anticipation of executed Canadian Memoranda of Understanding, so that reliability of the international, interconnected systems of Northeastern North America may be assured.

In the Business Plan section of this document, NPCC demonstrates that the majority of its programs, including Standards Development, Compliance Monitoring and Enforcement, Readiness Evaluations, Reliability Assessments and Studies, and most committee, task force and working group activities, are required to maintain reliability as intended under Section 215 of the Federal Power Act. NPCC considers its workshops and training activities to be statutory. Activities that are non-statutory are criteria services in the areas of regionally-specific reliability criteria development and criteria compliance.

Detailed Program Business Plan and Budget

Details of the planning, operation, and review for each program area are included in Section A. The corresponding budget details are shown in Section B. NPCC has provided a Section C. for its member funded, non-statutory, criteria services which account for 10% of the total regional resources required.

Funding for the statutory program areas identified in the NPCC 2008 Business Plan and Budget is through NERC, which assesses all the load serving entities in Northeastern North America, or their designees, on an NEL basis, consistent with NERC's Rules of Procedure. In addition, the

NERC Finance and Audit Committee approved on May 1, 2007 a “Policy on Allocation of Certain Compliance and Enforcement Costs”, which allows for a special adjustment for jurisdictions outside of the United States, consistent with applicable, executed agreements or memoranda of understanding with provincial regulatory and/or governmental authorities. The application of this policy within NPCC is to provide monetary recognition of the costs incurred by an entity, such as the IESO, for compliance monitoring and enforcement activities conducted that would otherwise have been incurred by NPCC.

Section A — 2008 NPCC Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.5	2	3.5
Total Direct Funding	\$768,642	\$614,914	\$760,728
Total Indirect Funding [1]	\$202,957	\$234,384	\$620,273
Total Funding	\$971,599	\$849,298	\$1,381,000

Background

In order to enhance the quality of reliability standards as well as educate and inform users, owners and operators of the international bulk power system in Northeastern North America of the standard's requirements and track the progress and implementation plans of these standards, NPCC has a number of task forces and working groups engaged in the coordination of reliability related activities. These groups provide a coordinated review of all ERO Reliability Standards and will serve to develop the NPCC Regional Reliability Standards.

The activities of the reliability standards program will be conducted, to the extent possible, by conference calls, use of e-mail, Web site postings, and other means of electronic communications. In the event face-to-face meetings of participants are needed, those meetings will take place at NPCC's headquarters in New York City, or at other locations in various cities within the northeastern United States and Canada, as selected from time to time for the convenience of the meeting attendees.

The majority of the proposed reliability standards activities for the NPCC region for 2008 will be directly related to development of ERO Reliability Standards, which will be submitted to FERC and applicable Canadian Provincial regulatory and/or governmental authorities for approval, as well as the implementation of the NPCC Regional Reliability Standard Development Procedure. In addition, FERC staff has referred to some of the NERC standards that assign to regional reliability organizations the responsibility of establishing reliability requirements for regional members as "fill in the blank" standards, because Section 215 of the U.S. Federal Power Act does not allow enforcement of an ERO reliability standard upon a Bulk Power System owner, operator or user, including the setting of financial penalties and sanctions, to the extent a portion of the requirements exists outside the standard. NPCC is working closely with NERC in the Regional Reliability Standards Working Group (RRSWG) to address all these "fill in the blank" standards. The results of the RRSWG effort appear in the NERC 3 year work plan to revise standards. NPCC regional standards development will be fully coordinated with the development of the standards appearing in the NERC work plan.

ERO Standards Process

During 2008 NPCC will be refining and revising its Regional Reliability Standards Development Procedure, enhancing the web based tools to increase functionality and promulgating information regarding all ERO and NPCC standards and standards development activities and procedures to those registered entities within the NPCC geographic footprint. NPCC will have mechanisms in place to assist the ERO in development of standards as well as refine ERO procedure through the 2008 NPCC Business Plan and Budget

active involvement of NPCC staff and membership in the NERC committee process. The NPCC Regional Standards Committee (RSC) will manage the regional reliability standards development procedure and also be responsible for development of any transitional activities associated with the ERO standards development.

Standards Program Goals and Objectives

The standards program goals and objectives for 2008 are grouped into six categories: participation in ERO standards development; regional reliability standards development; standards improvement; business practice interface; process improvement, and communications. The goals and objectives of the standards program for 2008 are to:

1) Participate in the ERO Standards Development

- Coordinate the development of ERO reliability standards within NERC work plan
- Conduct a thorough review of all NERC standards being developed or revised and coordinate comments for Northeastern North America
- Solicit technically qualified candidates from Northeastern North America to participate on each of the NERC drafting teams
- Review and develop comments on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide recommendations to the NPCC Members of the NERC Registered Ballot Body
- Review and develop comments on FERC Notice of Proposed Rulemaking (NOPR) for any and all standards related issues as appropriate
- Evaluate proposed standards utilizing regional technical committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)

2) Regional Standards Development

- Develop four regional standards utilizing the NPCC Regional Reliability Standard Development Procedure
- Identify additional future regional standard opportunities by developing a set of Regional Reliability Directories incorporating the ERO Reliability Standards, Regional Standards and regionally-specific more stringent Criteria
- Draft proposed standards utilizing regional technical committees
- Accomplish all directives of ERO and governmental/regulatory authorities with regard to regional standards development and procedures
- Adhere to and surpass the ERO work plan milestones as they pertain to targets for the regional standards

3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating and efficiently completing standards activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of regional reliability standards
- Establish long-term strategy for standards improvement and initiate implementation

- Ensure the topics addressed by the reliability standards parallel changing industry needs

4) Business Practices Interface

- Coordinate the review of standards with NPCC members of the North American Electric Standards Review Board
- Identify potential market issues for Regional Standards through Reliability Coordinating Committee (RCC) reviews

5) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable
- Participate in the revision and redrafting of the NERC procedure
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy
- Streamline and improve the regional standards process and enhance program tools

6) Communications

- Automate notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development
- Sponsor NPCC Workshops and participate in NERC/ERO to promote awareness and educate the industry
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body

ERO Standards Development

Technically excellent standards that enhance reliability require the full participation of industry experts from all regional entities as well as experts from different stakeholder segments to provide diverse yet helpful perspectives when developing standards. The NPCC RSC will promote the drafting team process and solicit drafting team members from appropriate NPCC technical bodies.

NPCC RSC will also provide notifications to its NERC Registered Ballot Body members of applicable deadlines for ballot pool registration and for casting ballots thereby promoting achievement of quorum requirements. This support will enhance efficiency of the NERC procedure.

NPCC will also participate in the development and revision of standards as directed by FERC and other governmental and/or regulatory authorities. FERC has identified 56 NERC Reliability Standards needing "further work". These 56 standards, along with 28 additional standards delineated in the NERC 3 Year Workplan needing revision, will be ready to be reviewed and revised in 2007 into 2008 and are all included below.

NPCC will provide support and coordination of NERC standards development activities for the following;

2007 Standards Scheduled for Revision (56 total standards) include:

- 2007-01 Under-frequency Load Shedding (PRC-006 to PRC-009)
- 2007-02 Operating Personnel Communications Protocols (COM-002)
- 2007-03 Real-time Transmission Operations and Balancing of Load and Generation (TOP-001 to TOP-008, ORG-001 to ORG-018, and COM-001 and COM-002)
- 2007-04 Certifying System Operators (PER-003)
- 2007-05 Balancing Authority Controls (BAL-002 and BAL-004 to BAL-006)
- 2007-06 System Protection (PRC-001)
- 2007-07 Vegetation Management (FAC-003)
- 2007-08 Emergency Operations (EOP-001 to EOP-003)
- 2007-09 Generator Verification (MOD-024 and MOD-025)
- 2007-10 Modeling Data (MOD-010 to MOD-015, PRC-013, PRC-015, PRC-020 and PRC-021)
- 2007-11 Disturbance Monitoring (PRC-002, PRC-018)

2008 Standards Scheduled for Revision (28 total standards) include:

- 2008-01 Voltage and Reactive Control (VAR-001 and VAR-002)
- 2008-02 Under Voltage Load Shedding (PRC-010, PRC-011 and PRC-022)
- 2008-03 Demand Data (MOD-016 to MOD-021)
- 2008-04 Protection Systems (PRC-003 to PRC-005, PRC-012, PRC-014, PRC-016 and PRC-017)
- 2008-05 Cyber Security (CIP-002 to CIP-009)
- 2008-06 Phasor Measurement Units (new)
- 2008-07 Resource Adequacy Assessments (new)

The above standards, taken from the NERC three-year work plan account for 84 total standards that will be reviewed, commented on as necessary, and coordinated, tracked and communicated with the NPCC membership. NPCC will also participate in the development of new standards resulting from lessons learned through NPCC and NERC programs (e.g., reliability performance assessment, compliance enforcement, readiness evaluations, training, and situation awareness and infrastructure protection).

Regional Standards Development

The NPCC Regional Standards Development Procedure will develop a minimum of four regional reliability standards as noted below and in accordance with the timelines in the NERC three-year standards work plan. These regional standards will include, but not be restricted to the following:

- Underfrequency Load Shedding (UFLS)
- Disturbance Monitoring Equipment
- Special Protection Systems
- Balancing Resource and Demand, reserve sharing and requirements

All regional entities will develop these four standards to support the corresponding NERC ERO standards outlined in the work plan. These four standards, along with the associated ERO standards address the “fill in the blank” standards which FERC currently is “holding” for future action. In addition, NPCC is participating in the NERC Regional Reliability Standards Working Group to strive to achieve uniformity and coordination between the regional entities’ standards.

Standards Improvement

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved should not be the focus of the process. Full participation from industry experts to provide proper technical guidance as well as multiple segments to provide diverse viewpoints is critical to the quality of the resultant standard. These attributes, along with open postings and sufficient notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

NPCC is committed to providing support to the ERO in its standard development activities. Process improvements resulting from conducting a thorough review of standards and the procedure itself will result in technically superior and excellent standards.

Business Practice Interface

NPCC is an open organization and has market participants as well as individuals involved with the North American Electricity Standards Board. During open process review of regional standards and the posting for comment on the NERC website, effective interfacing with those entities most familiar with the business practices is achieved.

Standards Process Improvement

NPCC RSC and staff regularly participate in the NERC Standards Committee activities and contribute to develop revisions of the standards procedure manual. The RSC also seeks efficiencies in the regional standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

Communications

- Educate and inform industry stakeholders through web based tools and participation in NERC Reliability Standards Workshops
- Update and inform governmental regulators on the standards development work plan and processes through individual project discussions and annual meetings/conferences
- Develop standards program communications that support NERC's overall communications platform
- Develop and maintain NPCC Reliability Directories that will enable users, owners and operators of the international bulk power system in the Region the ability to apply reliability requirement in NERC and NPCC as well as the more stringent NPCC regionally-specific criteria

Compliance Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	5.5	6	7.5
Total Direct Funding	\$1,688,256	\$1,841,295	\$2,074,307
Total Indirect Funding	\$446,506	\$703,153	\$1,329,156
Total Funding	\$2,134,762	\$2,544,448	\$3,403,462

Background

In 2008 NPCC will engage in the first full year implementation of the Compliance Monitoring and Enforcement Program (CMEP) to meet its statutory requirements of NERC Program #400 – Compliance Enforcement. This program, initiated June 4, 2007, monitors, assesses and enforces compliance to ERO Reliability Standards and Regional Reliability Standards of those entities contained in the Compliance Registry for entities in the United States.

In Canada, NPCC will monitor, assess and enforce compliance to ERO Reliability Standards and Regional Reliability Standards in accordance with approved Memoranda of Understanding and Implementation Agreements that are in place with each Canadian province within the Region. An agreement has been executed with Ontario and implementation agreements are still being reviewed in the Québec, New Brunswick and Nova Scotia provinces. Each agreement should describe the particular process that will be utilized, by NPCC, to conduct the monitoring and assessment of compliance requirements in the associated province. Penalties and sanctions will be administered by the defined provincial governmental and/or regulatory authorities as described in each discreet agreement.

The CMEP identifies eight sources of an alleged violation: self report, self certification, compliance audit, spot check, investigation, exception reporting, complaint or data submittal. Each alleged violation will be reviewed and processed by NPCC and if confirmed will have an appropriate sanction recommended to NERC and FERC or the appropriate Canadian governmental and/or regulatory entity.

The NPCC Compliance Committee (CC), a Committee of the NPCC Board of Directors (BOD), will provide policy input and final approval of compliance assessments, including sanction recommendations for the CMEP. This balanced stakeholder committee consists of representatives of the eight voting sectors as described in the NPCC *Bylaws* and is chaired by the Assistant Vice President - Compliance. The CC is also responsible for impaneling a Hearing Body to resolve contested compliance and/or sanction or penalty determinations. Hearings will be conducted by an independent Hearing Officer. The CC is also responsible for the implementation of a settlement process. The CC will also have working groups reporting to it as deemed necessary.

NPCC is utilizing its web-based CMEP Data Administration Application (CDAA) to receive, review and analyze all data associated with the CMEP. NPCC staff will enhance the CDAA to

address the recommendations of its membership. The CDAA Users Group will be the forum for membership input and recommendations for the application.

In 2008 NPCC, under NERC Program #500 - Organization Registration and Certification, will continue to maintain and revise the Compliance Registry to assure that the Registry contains the most current and accurate information. It will also assure that the necessary certification processes are implemented keeping Organization Certification current.

In 2008 there is an increase in the manpower requirements in the Compliance Monitoring and Enforcement and Organization Registration and Certification Programs of an additional 1.5 FTE. This increase is based on the full year implementation of the CMEP including an expanded Compliance Audit and Spot Check Program, continued monitoring, maintenance and revision of the NPCC Compliance Registry and further enhancements and development of the CMEP Data Administration Application (CDAA).

Compliance Enforcement Program Objectives

- Conduct 2008 Compliance Monitoring and Enforcement Program incorporating all NERC Reliability Standards contained in the NERC Monitored list for 2008 and any approved and applicable Regional Reliability Standards
 - Implement settlement process when applicable and send proper notifications to NERC and FERC
 - Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC
- Implement compliance responsibilities identified in the approved Canadian Memoranda of Understanding and Implementation Agreements
- Provide NPCC Regional input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance, including the development of compliance elements for all new or revised NERC Reliability Standards
- Provide required information to NERC on a timely basis including reporting of alleged violations and quarterly reporting of confirmed violations
- Track the progress and report status of all outstanding mitigation plans
- Conduct a full year Compliance Audit Schedule or an estimated total of 100 Compliance Audits, which would represent a significant increase over the 2007 Compliance Audit Program. The 2008 Audits can be categorized by the scope of the audit based on the number of requirements for each registered entity contained on the monitored list of reliability Standards for 2007 and 2008. Three categories have been established based on the above criteria. In 2008 there are projected to be nine “large” audits, 40 “medium” audits and 51 “small” audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-year cycle for RC, BA, TOP Compliance Audits and the established six-year cycle for all other registered entity types
- Conduct an increased number of spot checks during the year. The spot checking process is part of the Compliance Audit Program. A spot check can be viewed as a limited unscheduled off-site compliance audit that will be utilized to verify self certification submittals that have been done earlier in the year. In 2007, NPCC will

- conduct approximately 125 spot checks. In 2008 the number of spot checks is estimated to be 200
- Assure that NPCC Staff is appropriately trained to conduct Compliance Audits
 - Maintain Regional Compliance Auditor Training Program, including the implementation of the “train- the- trainer” function envisioned by the Region. This function is contingent upon the development, by NERC, of the proper training module. Absent of this available module Compliance Auditor Training will be done at the NERC level
 - Work with the Training, Education and Operator certification and Reliability Readiness Evaluation and Improvement Programs to review and maintain compliance auditor training requirements
 - Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective. Use established CDAA Users Group to seek input from the user community as to ways to improve the application. Provide applicable training to staff personnel to allow for the development of enhanced compliance program reporting
 - Conduct 2008 Compliance Workshop(s)

Organization Registration and Certification Objectives

- Maintain and Update Compliance Registry to assure that most accurate listing of registered entities is available
 - Review current Compliance Registry at least twice a year
 - Provide latest Registration Criteria to current or potential registrants
 - Continue to identify new registrants throughout the year
 - Maintain appeal process for entity registration
- Certify necessary Functional Model entities
 - Review current certification requirements contained in latest version of Functional Model
 - Assure that certification processes and procedures are current
 - Assure availability of appropriately trained individuals for certification activities (audits)

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.8	0.8	1
Total Direct Funding	\$244,863	\$244,863	\$268,375
Total Indirect Funding	\$64,946	\$93,754	\$177,221
Total Funding	\$309,809	\$338,617	\$445,596

Background

The Reliability Readiness Evaluation and Improvement Program, a collaborative program conducted by the Regional Entities and NERC, assesses the readiness of the operational entities to continue to oversee the reliable operation of the bulk power system. Readiness evaluations are conducted on a three-year cycle for the Reliability Coordinator, the Transmission Operator and the Balancing Authority. The Transmission Owner, which supports the operation of the RC, TOP and BA, is also to be reviewed on a cycle of three years. The NERC Reliability Readiness Evaluation and Improvement Program promotes excellence in operations by establishing a dialogue between the review team and the entity being reviewed and by providing a forum for the exchange of ideas. Opportunities for improvement and examples of excellence are identified in the review process that will assist not only the audited entity, but all entities of the North American power system improve their ability to operate the power system.

The Reliability Readiness Evaluation team itself consists of industry volunteers with the necessary technical expertise, with a member of the NERC staff assuming the lead for each evaluation team. Reliability Readiness Evaluation activities are conducted on-site at the locations of the evaluated entities. The full evaluation team prepares, and concurs in the preparation of, a final report summarizing the conclusions and observations of the team, and, when finalized, it is made publicly available on the NERC Web site.

The calendar year 2007 commenced the first year of the second three-year cycle of reliability Readiness Evaluations of Reliability Coordinators, Balancing Authorities and Transmission Operators.

The program is expanding to accommodate the Transmission Owner (formerly referred to as the local control center) that has been delegated authority to conduct reliability functions in support of supervising reliability entities. In 2008, NPCC will provide the team co-lead and ensure the completion of the NERC Reliability Readiness Evaluation and Improvement Program review team for the evaluation of one Reliability Coordinator and six Transmission Owners. NPCC will further assist the Reliability Readiness Evaluation and Improvement Program by participating in the evaluation of approximately ten entity evaluations external to the NPCC region.

Communication efforts will be expanded to provide additional program metrics as well as to gain additional industry feedback. When identified in a Readiness Evaluation, examples of excellence are published by the NERC in its quarterly bulletin, "Examples of Excellence."

Reliability Readiness Evaluation and Improvement Objectives

- Serve as the team co-lead and ensure the completion of the NERC Reliability Readiness Evaluation and Improvement Program review team for the Readiness Evaluation of one Reliability Coordinator and six Transmission Owners
- Participate in ten Reliability Evaluations of entities outside of the NPCC region.
- Monitor and report quarterly the status and mitigation of each recommendation directed to an NPCC entity in the Readiness Evaluation process
- Track the status of progress to completion of those recommendations directed to the NPCC entities through the NERC Reliability Readiness Evaluation and Improvement Program

Regional Standards Development

- Identify possible enhancements to reliability standards identified during the Readiness Evaluation process

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.2	0.2	0.5
Total Direct Funding	\$61,216	\$61,216	\$117,152
Total Indirect Funding	\$16,237	\$23,438	\$88,610
Total Funding	\$77,453	\$84,654	\$205,762

Background

System Operator Certification Program

To ensure the basic competencies of operating personnel of the owners, operators and users of the bulk power systems of North America, the System Operator Certification Program has, for several years, provided a certification credential for the operating personnel of the owners, operators and users of the bulk power system, initially certifying the competency of operating personnel through class room administered examinations. Operating personnel seeking certification, or wishing to maintain certification through the System Operator Certification Program, support the program through fees covering the expenses of the examinations and other continuing education activities. Beginning in 2007, the program was expanded to include periodic recertification of system operators through the accumulation of Continuing Education Hours administered in accredited training content, permitting the system operator to submit qualifying Continuing Education Hours to maintain his or her credential in lieu of recertifying via an examination. In this way the system operator maintains his or her credentials through ongoing training as opposed to a rote examination process, and, at the same time, continues to enhance his or her skills and remains current in a changing industry.

Continuing Education Program

The NERC Continuing Education Program fosters the improvement of, and promotes quality in, the training programs implemented by owners, operators and users of the bulk power system. The program approves those activities and entities meeting NERC's continuing education requirements. Specifically, the NERC Continuing Education Program: promotes excellence in training programs, and advances improved performance for, bulk power system operating personnel identified in the preceding paragraph; develops and maintains a process to approve or accredit continuing education providers and activities seeking approval or accreditation and meeting continuing education requirements approved by NERC; periodically audits continuing education providers and training activities to ensure that the approved providers and training activities satisfy NERC's continuing education requirements; and develops and maintains an appeals process for disputed application reviews, interpretations of guidelines and standards, probation or suspension of approved provider status, or continuing education hour disputes.

Continuing Education Program Objectives

- Integrate the NERC Continuing Education program into the respective training programs of the NPCC Areas
- Where achievable, consolidate training among the NPCC Areas in the development of course work accredited for Continuing Education Hours

- Enhance the semiannual NPCC System Operators Training Seminar to permit accredited Continuing Education Hours for its participants
- Identify and establish any necessary training requirements which may result from the entity certification process

Training Background

NPCC establishes and coordinates programs for system dispatcher and scheduler training relating to inter-Area matters, criteria, terminology, policies and operating instructions. It develops training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, internal training methods are exchanged, the implementation of NPCC policies are discussed, significant disturbances are reviewed for lessons to be learned and “table-top” drills and event simulations are conducted to replicate selected operational problems. NPCC also evaluates and proposes new techniques and training aids as they become available.

Training Background Objectives

- Develop topics for use in system operator and dispatcher training addressing NPCC wide-area operations, ERO Reliability Standards, regionally-specific Criteria, Procedures, and operating instructions and terminology
- Establish agendas for seminars in NPCC on a semiannual basis
- Achieve discussion of, and an opportunity for the exchange of, information on and consolidation of internal methods of system operator and dispatcher selection, training and training material

Reliability Standards and Regionally-Specific Criteria Feedback

- Identify any perceived training deficiencies and review ERO Reliability Standards – Regional Standards and NPCC Procedures and Criteria to identify areas for enhancement

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	3	3	3.5
Total Direct Funding	\$918,235	\$918,235	\$812,646
Total Indirect Funding	\$243,549	\$351,577	\$620,273
Total Funding	\$1,161,784	\$1,269,812	\$1,432,919

Background

NPCC coordinates operation and planning among the NPCC Areas and NERC Regions to enhance the reliability of the interconnected bulk power system, and coordinates the development of operating criteria, Regional Standards and procedures affecting the reliability and operability of interconnected power systems in coordination with the NERC.

Seasonal reviews of the overall NPCC resource adequacy assessments of the operational readiness of NPCC and identification of possible actions to mitigate any potential problems identified are performed. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends the necessary follow-up, including the recommendation of remedial or mitigating actions.

If appropriate, enhancements to Regional Criteria are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Areas and with other Regions.

Resource Adequacy Assessments Objectives

NPCC, through its Reliability Coordinating Committee, Task Forces and Working Groups perform assessments of the future resource adequacy of the Region. These efforts are summarized below:

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserve margins in accordance with *Guidelines for Area Review of Resource Adequacy* (NPCC Document B-8) and *Basic Criteria for the Design and Operation of Interconnected Power Systems* (Document A-2)
- Performing pre-seasonal (summer/winter) multi-Area probabilistic reliability assessments of the NPCC area
- Periodically performing an overall interregional resource adequacy overview of the NPCC areas and its neighboring Regions
- Identifying potential reliability impacts associated with existing and proposed NPCC Area and neighboring Regions market mechanisms, and providing Regional liaison with NERC/NAESB goals, objectives and activities

Operations Reliability Objectives

NPCC enhances operational reliability by:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC.
- Reviewing the operational readiness of NPCC and recommending actions to mitigate any potential problems identified for the coming operating period
- Acting upon NERC Standards, actions, motions and recommendations.
- Track to completion the completion of NERC Recommendations.
- Ensuring the effectiveness of NPCC operations through the continual analysis of operational issues and disturbances, and by conducting any identified follow-up, including the recommendation of remedial or mitigating actions
- Coordinating wide-area and interregional studies to enhance reliability and operational effectiveness through the development of common operating criteria, standards and procedures.
- Assisting in the compliance efforts of the NPCC members
- Leading the Eastern Interconnection Reliability Assessment Group (ERAG) in its development of the Multi-regional Modeling Group (MMWG) annual base case development work and the seasonal interregional seasonal system assessment studies for the Eastern Interconnection
- Develop tools to ensure wide-area coordination in evaluating interchange schedules

Planning Reliability Objectives

The ongoing activities are defined within the scope of the NPCC Task Force on Coordination of Planning include, but are not confined to:

2003 Blackout Recommendations

- Completing any outstanding 2003 Blackout Recommendation follow-up analyses, including any further Blackout Recommendation activities as they are developed by the NERC Blackout Recommendation Task Force (BRTF) or NPCC
- Coordinating all activities related to the “TFCP Whitepaper on NERC Recommendation 7a Reactive Power and Voltage Control Practices” with the Task Force on Coordination of Operation and the Task Force on System Studies to ensure that developments in the NERC Planning Committee and its Subcommittees are addressed
- Evaluating Under Voltage Load Shedding (UVLS) applicability and capability within NPCC. Coordinate to ensure that further UVLS analysis beyond the initial feasibility/screening study is completed according to schedules

System Protection

- Evaluating system protection and control to address the limiting propagation of a cascading failure
- Defining and determining the requirements for synchronized reserve
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified Special Protection Systems

Facilitating Wide-Area Planning

- Supporting the Joint ISO/RTO Planning Committee Activities, including implementation of the Northeast Planning Protocol, and performing interconnection reliability analyses, as required
- Following the DOE Eastern Interconnect Phasor Project
- Participating in the DOE Congestion Study and designation of National Interest Electric Transmission Corridors

Standards Activities

- Reviewing the NERC Planning Standards that have been placed into final NERC due process. Recommend changes to those NERC Planning Standards that are scheduled for implementation in latter phases of the NERC Compliance Program. Reviewing the Standards Authorization Requests and Reliability Standards as well as participating in the NERC process
- Educating and informing NPCC membership of standards related developments
- Identifying the need and develop potential new regional planning standards
- Identifying the elements of the NPCC Bulk Power System

Resource Adequacy

- On a consistent basis, periodically estimating the amount of interconnection as NPCC assistance available to the NPCC Areas for today's system and for the near term
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserve margins in accordance with *Guidelines for Area Review of Resource Adequacy* (Document B-8)
- Ensuring coordination of data and assumptions for conducting NPCC planning studies (i.e. load forecasts, reserve requirements, EIA 411 data, new facilities)

Compliance Related Activities

- Coordinating the review of the compliance of future Area plans with the NPCC Basic Criteria, including an analysis of resource and transmission system additions, the potential inter-Area effects of special protection systems, and review of specific projects, which could have an impact on the reliability of the NPCC bulk power system
- Assisting in addressing any identified compliance issues

System Protection Reliability Objectives

The ongoing activities are defined within the scope of the NPCC Task Force on System Protection include, but are not confined to:

System Protection Assessments

- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC in accordance with Procedures for Task Force on *System Protection Review of Disturbances* (Document C-30)
- Reviewing and assessing regulatory and industry based documents as they relate to system protection. Providing technical representation to working groups for review of such documents

- Identifying the need for special studies and new documents, recommend action to the Reliability Coordinating Committee, and performing special assignments and studies as directed or authorized
- Assessing proposed protection systems and special protection systems in accordance with NPCC Procedure for Reporting and Reviewing Proposed Protection Systems for the Bulk Power System

Information Exchange

- Maintaining an effective liaison with North America groups working in the protection areas, for example NERC System Protection & Control Task Force
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection
- Providing technical advice on protection issues to NPCC and coordinating with other Task Force on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions
- Reviewing and assessing significant protection issues of common interest or informational value

Maintenance Evaluation

- Collecting data relative to Bulk Power System maintenance practices to evaluate protection system maintenance costs and the impact on Bulk Power System performance. This data will be used to optimize protection system maintenance requirements

System Studies Reliability Objectives

The ongoing activities are defined within the scope of the NPCC Task Force on System Studies include, but are not confined to:

Reliability Assessments

- Conducting Area Reviews, in accordance with the *Guidelines for NPCC AREA Transmission Reviews* (Document B-4) based on material presented by the Areas. These reviews will assess the impact of planned transmission and resource additions or modifications on system reliability, and determine each Area's conformance with the Basic Criteria
- Reviewing and classifying new and modified Special Protection Systems (SPS), in accordance with the *Procedure for NPCC Review of New or Modified Bulk Power System Special Protection Systems* (Document C-16). Annually review and update the NPCC SPS list and present it to the RCC
- Conducting annual reviews and updates of the NPCC library of power flow base cases and associated dynamics data, for use in and support of planning studies, operating studies, and reliability assessments, and coordinating this effort with the NERC inter-regional base case development process. Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other regional reliability councils. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.

Blackout 2003 Follow-up Reliability Objectives

- Investigating specific protection system changes on NPCC interfaces whose performance proved to be critical during the Blackout sequence of events
- Investigating the coordination between generating unit (generator, excitation system, and prime mover) protections and the Under Frequency Load Shedding (UFLS) program by participation on the NERC System Protection and Control Task Force. Cases where generating unit protection cannot be coordinated with the UFLS program without compromising unit protection in future assessments of the UFLS program will be identified. Reviewing NPCC Criteria to ensure that any required coordination between the UFLS program and generators is included
- Ensuring that future assessments of the Under Frequency Load Shedding (UFLS) program include: sensitivity studies to examine: the impact of unexpected load or generation loss near the electrical center of unstable swings during island formation; simulation of island formation across Area and regional boundaries and modeling more severe conditions including modeling of initiating disturbances and non-coincident tripping of circuits across the island boundary; the impact of low voltages on UFLS relay performance including undervoltage supervision and accuracy of frequency measurements; and identification of large load areas within NPCC that are frequently deficient in generation by more than 25% and that are susceptible to islanding and assessment of the performance of such islands
- Making improvements in modeling tools and data: validate the reactive power, load power factor, and voltage profile data in the NPCC library power flow cases. Surveying methods available now to create accurate power flow models based on actual operating data, what initiatives are underway by NERC, how much effort it would take to develop a common approach within NPCC and identify associated costs
- Reviewing past industry efforts to study dynamic load behavior, and contact others within the industry to benefit from their research. Focusing on load behavior during large frequency and voltage excursions and the ability to model when load is tripped. Recommending whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.5	0.5	1
Total Direct Funding	\$153,039	\$153,039	\$251,981
Total Indirect Funding	\$40,592	\$58,596	\$185,354
Total Funding	\$193,631	\$211,635	\$437,335

Background

The Situation Awareness and Infrastructure Security Program is the combination of near real-time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure. This includes the operation and maintenance of tools and other support services for the benefit of reliability coordinators and other system operators. Maintaining the real-time awareness of conditions on the interconnected bulk power systems of the NPCC Areas (including awareness of abnormal events, communicating information concerning system conditions and abnormal events to, and facilitating real-time communications among, system operators responsible for the reliable operation of the bulk power systems) is critical to maintaining reliable operation within NPCC.

On an ongoing basis, NPCC monitors the operational status of the bulk power system and coordinates communication, awareness and assistance during an emergency among the Areas. The industry is notified of significant bulk power system events that have occurred in one Area, and which have the potential to impact reliability in other Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems of the Areas.

To assist in the evaluation of emerging tools to better identify evolving system conditions, NPCC actively coordinates the implementation of new operational aids, including the Area Control Error (ACE) and Frequency Monitoring System: the NERC Hotline; Real-time Flows; the System Data Exchange (SDX); the Reliability Coordinator Information System (RCIS); the Transmission Services Information Network (TSIN); the Interchange Distribution Calculator (IDC); the interregional Security Network (ISN); and the Central Repository for Security Events (CRC).

System Operations Security Objectives

Coordinate interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system. Assist in the development of real time operating tools that assures cyber security concerns are addressed. Assess and implement NERC Real-Time Tools Best Practices Task Force recommendations applicable to NPCC members.

Critical Infrastructure Objectives

The ongoing activities are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) include:

Standards Activities

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Providing recommendations to RCC regarding NPCC's position concerning proposed NERC security guidelines/standards
- Annually reviewing infrastructure security & technologies and provide recommendations, when appropriate, to RCC to enhance physical and cyber security in compliance with NERC guidelines/standards
- Representing and advocating NPCC's position in the activities of NERC groups involved in the development and/or implementation of Physical and Cyber Security. TFIST will focus on the activities of the NERC CIPC

Reliability Criteria Development

- Formulating and recommending Criteria, Guidelines and Procedures to monitor and report conformance pertaining to the reliability, Cyber Security, Physical Security, availability and performance of member systems Energy Management Systems, SCADA, the Telecommunications Networks and Substation automation technology which serve and interconnect them

Operational Situation Awareness Objectives

Coordinate communications within NPCC and, as required, with neighboring regional entities to rapidly exchange critical information and facilitate the procurement of assistance during emergency conditions by:

- Area Coordination Conference Calls
Conference calls of the operations management personnel are initiated by NPCC to discuss operations expected during the forthcoming ten-day period (weekend and week following)
- Emergency Preparedness Coordination Conference Call
The NPCC Emergency Preparedness Coordination Conference Call augments the Area coordination conference call process to enable the Operations Managers in NPCC, and, as required, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions and facilitate the procurement of assistance during emergency conditions.
- Area Control Room Coordination Conference Calls
The senior shift supervisor of each of the NPCC Balancing Authority Area control rooms also takes part in a regularly scheduled conference call. The goal of this call is to alert all neighboring Balancing Authority Areas of any potential emerging problems. Subjects for discussion are limited to credible events which could impact the ability of a Balancing Authority Area to serve its load and meet its operating reserve obligations, or which would impose a burden to the Interconnection.

Administrative Services

Administrative Services Resources			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	4.5	6.5	8.2
Total Direct Funding	\$1,380,110	\$1,992,267	\$3,151,018

Members' Forums

The success of the NPCC programs depends on the active and direct participation of its members. The stakeholders are the source of expertise in the industry, and provide the force that raises the bar for enhancing reliability through technical excellence. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and governmental authorities and senior executives from the NPCC Membership to identify and discuss emerging issues related to the reliability of the NPCC Region.

NPCC has established the Reliability Coordinating Committee as the top technical committee to integrate the “deliverables” of NPCC’s programs. The annual NPCC General Meeting provides an opportunity for NPCC Members to meet and discuss topics related to the reliable planning and operation of the power system, including related critical infrastructure and environmental issues. The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, and disseminate appropriate information to the media, as well as respond to related requests for information.

Information Technology

NPCC’s Information Technology team ensures information assets and the environment in which they operate are secure. IT develops and maintains systems used by the electric industry to monitor system conditions in near-real time. NPCC maintains a backup site for continuity of essential operations in the event that its primary location becomes uninhabitable.

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

- Establish and direct the strategic long-term goals, policies, and procedures of NPCC’s information technology department
- Create an information security program aimed at reducing risk to acceptable levels
- Determine long-term systems needs and hardware acquisitions
- Develop and implement information security standards and procedures
- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems

Legal and Regulatory

The NPCC legal consultants provides legal advice to the President and CEO, Board of Directors, Treasurer and staff on legal and regulatory matters including employment law affecting NPCC; review items filed with governmental agencies for legal sufficiency; maintain relationships with U.S. and Canadian jurisdictions; and contract review.

Legal and regulatory had been allocated as a part of direct program costs for the 2007 Business Plan and Budget and have been reallocated in 2007 projections and 2008 estimates to the administrative, indirect costs associated with operations.

Legal and Regulatory Objectives

- Assure continuing recognition of NPCC as a cross-border regional entity
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis
- Process all appeals of compliance actions in an effective and efficient manner
- Liaison with the appropriate U.S. and Canadian authorities regarding responses/filings to related governmental and/or regulatory directives/orders
- Liaison with federal, State and Provincial and/or Regulatory Authorities

Human Resources Objectives

- Recruit exceptional employees
- Conduct surveys on competitive salaries
- Provide for employee training programs
- Update employee policies
- Develop employee manual
- Review employee benefits

Finance and Accounting Objectives

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements through:

- Cash Management
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit
- NERC Audit

Section B – 2008 NPCC Budget

2007 Total Budget & Projection, and 2008 Budget Comparisons

Table 1

Statement of Activities						
2007 Budget & Projection, and 2008 Budget						
	2007	2007		2008		
	Budget	Projection	Variance	Budget	Variance	
Funding						
Assessments - ERO	\$ 5,214,360	\$ 5,214,360	\$ -	\$ 7,358,813	\$ 2,144,453	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Interest	-	-	-	-	-	
Total Funding	\$ 5,214,360	\$ 5,214,360	\$ -	\$ 7,358,813	\$ 2,144,453	
Expenses						
Personnel Expenses						
Salaries	\$ 1,806,305	\$ 1,806,305	\$ -	\$ 2,630,103	\$ 823,798	
Payroll Taxes	121,694	118,012	(3,682)	161,016	43,004	
Benefits	426,372	405,054	(21,318)	608,774	203,720	
Retirement Costs	232,995	257,995	25,000	315,000	57,005	
Total Personnel Expenses	\$ 2,587,366	\$ 2,587,366	\$ -	\$ 3,714,893	\$ 1,127,527	
Meeting Expenses						
Meetings	\$ 110,612	\$ 110,612	\$ -	\$ 145,800	\$ 35,188	
Travel	434,722	434,722	-	585,000	150,278	
Conference Calls	31,875	31,875	-	40,500	8,625	
Total Meeting Expenses	\$ 577,209	\$ 577,209	\$ -	\$ 771,300	\$ 194,091	
Operating Expenses						
*Consultants	\$ 550,659	\$ 506,659	\$ (44,000)	\$ 972,000	\$ 465,341	
Contracts	382,545	407,545	25,000	255,600	(151,945)	
Office Rent	178,571	187,571	9,000	297,000	109,429	
Office Costs	280,613	290,613	10,000	336,870	46,257	
Professional Services	295,072	295,072	-	686,700	391,628	
**Miscellaneous & Contingency				289,800		
Computer Purch. & Maint.	40,000	40,000	-	23,400	(16,600)	
Furniture & Equipment	322,325	322,325	-	11,250	(311,075)	
Total Operating Expenses	\$ 2,049,785	\$ 2,049,785	\$ -	\$ 2,872,620	\$ 533,035	
Total Expenses	\$ 5,214,360	\$ 5,214,360	\$ -	\$ 7,358,813	\$ 1,854,653	
Change in Assets		\$ -	\$ -	\$ -	\$ 289,800	

* Industry Support of \$378,000 used for fixed rate reimbursements to members for working group participation

** Miscellaneous Expenses including contingency account projected at \$322,325 for 2007 and 289,800 for 2008

Personnel Analysis

Table 2 shows staffing by program area for both 2007 budget and projection and 2008 budget. 2008 Budget levels show an increase of 4 FTEs compared to the 2007 projection.

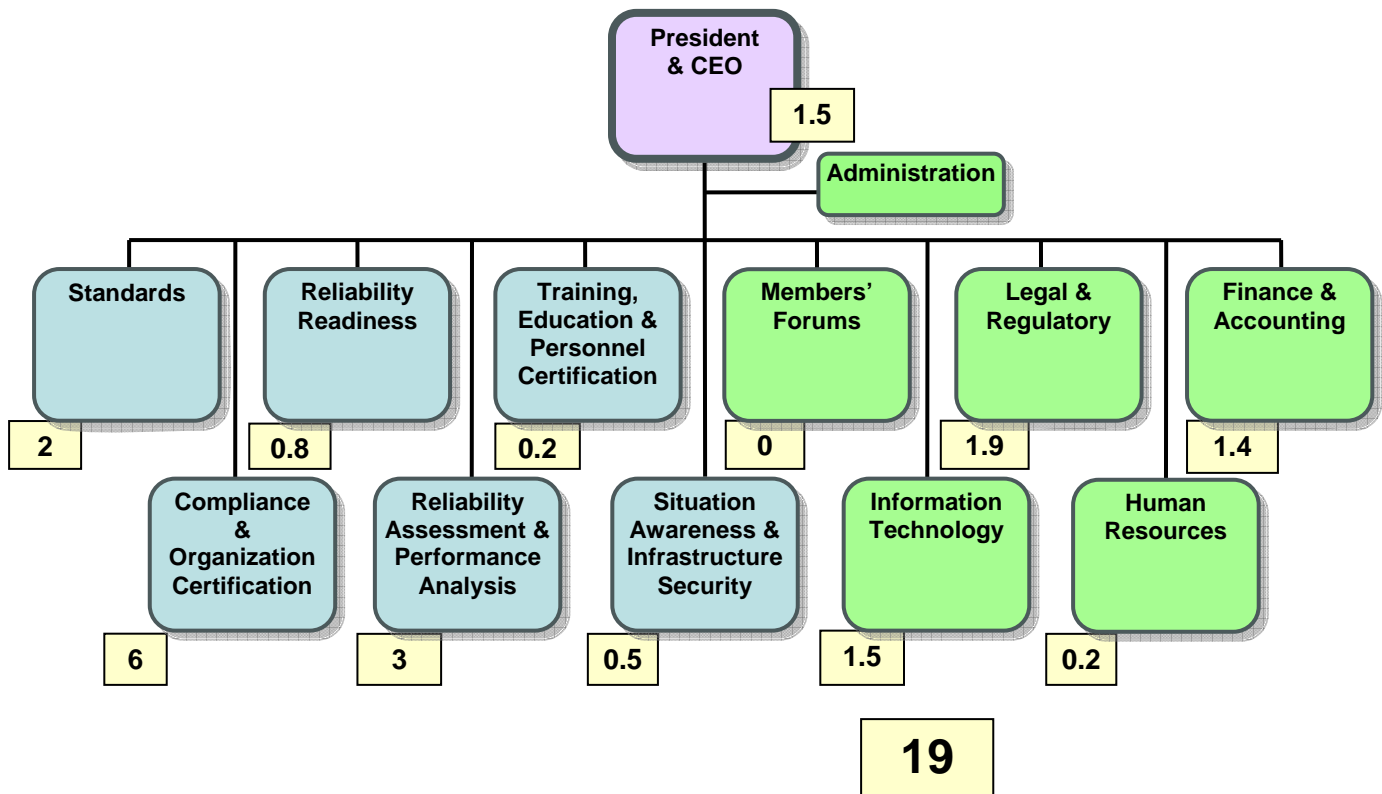
Table 2

FTE's by Program Area	Budget 2007	Projection 2007	Budget 2008	Change
Operational Programs				
Reliability Standards	2.5	2.0	3.5	1.5
Compliance and Organization Registration and Certification	5.5	6.0	7.5	1.5
Reliability Readiness Audit and Improvement	0.8	0.8	1.0	0.2
Training and Education	0.2	0.2	0.5	0.3
Reliability Assessment and Performance Analysis	3.0	3.0	3.5	0.5
Situational Awareness and Infrastructure Security	0.5	0.5	1.0	0.5
FTEs Operational Programs	12.5	12.5	17.0	4.5
Administrative Programs				
Member Forums	0.5	0.0	0.3	0.3
General & Administrative	0.5	1.5	1.9	0.4
Information Technology	1.5	1.5	1.8	0.3
Legal and Regulatory	0.2	1.9	1.8	-0.1
Human Resources	0.4	0.2	0.3	0.1
Accounting	1.4	1.4	2.1	0.7
FTEs Administrative Programs	4.5	6.5	8.2	1.7
FTEs	17.0	19.0	25.2	6.2

2007 Organizational Chart

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

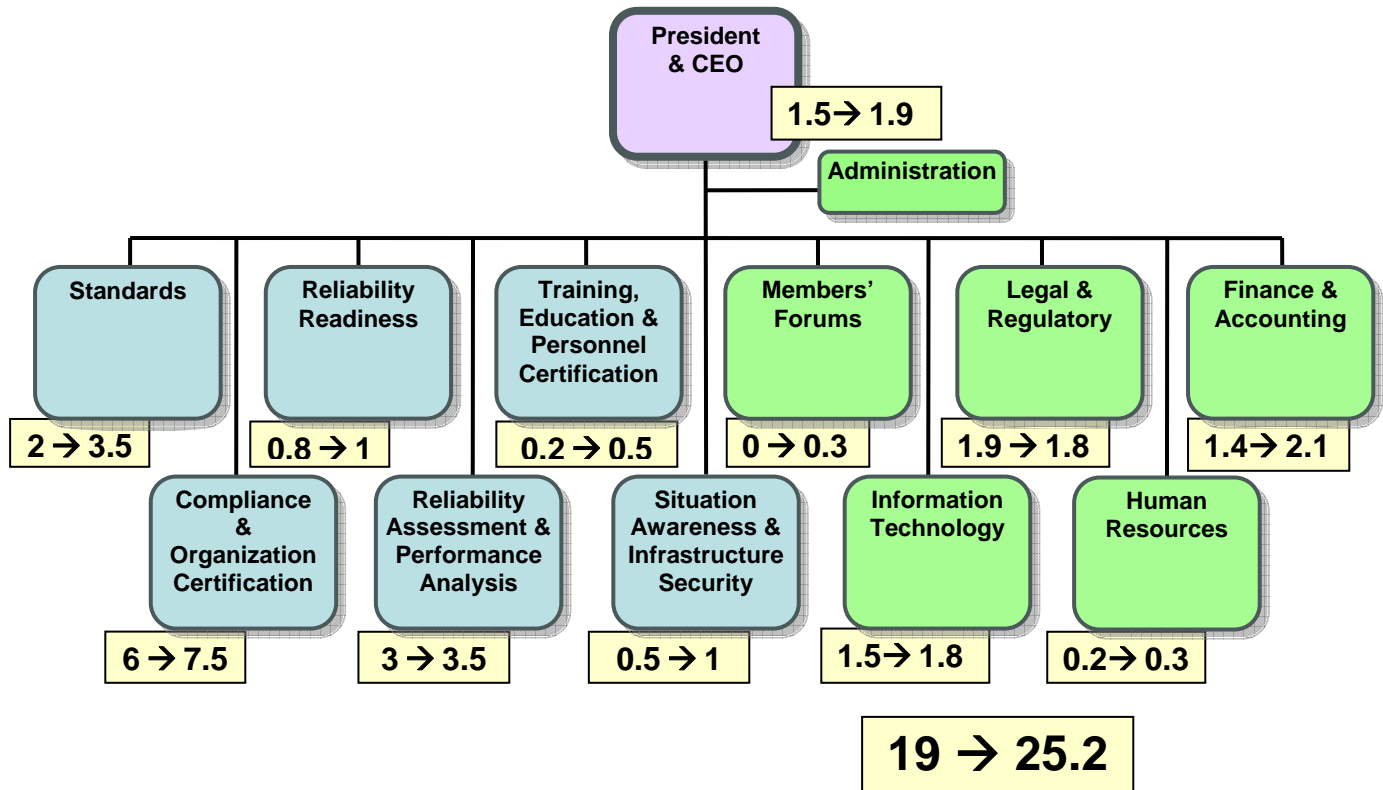
Table 3



2008 Organizational Chart

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

Table 4



Reserve Balance

Table 5 shows the analysis of the cash needed to fund the 2008 budgeted expenses for functions and services performed by NPCC as the cross-border regional entity and criteria services corporation for Northeastern North America and to maintain a 20% operating cash balance for 2008. The cash balance at December 31st, 2006 represents the cash portion of the NPCC Council which had no statutory funding component prior to restructuring to two independent, affiliate corporations: NPCC, Inc., the criteria services corporation providing non-statutory services within Northeastern North America and NPCC CBRE, the cross-border regional entity performing delegated statutory functions and services effective in 2007. All assets and liabilities of NPCC (Council) were transferred to NPCC, Inc. by year end 2006 and are now held by the merged corporation, NPCC.

Table 5

Reserve Analysis 2007-08	
Cash Available Balance 2006:	
Cash Balance @ 12/31/06 (NPCC Member reserves)	1,357,170
2007 Assessment Funding (from ERO - NERC)	5,214,360
2006 other funding sources (Cash basis)	-
Change in assets ¹	-
Total Cash Available 2007	6,571,530
Cash Needed 2007:	
Projected Expenses 2007 (Cash basis)	(5,214,360)
Change in liabilities ²	-
Total Cash Needed 2006	(5,214,360)
Projected Ending Cash Balance @ 12/31/07	1,357,170
Desired Cash Balance @ 12/31/08 (20% of Stat NPCC)	1,471,763
Less:	
Projected Cash Balance @ 12/31/07	1,357,170
Increase in assessments needed to raise cash balance	114,593
2008 Assessment	-
Adjustment to increase cash balance	114,593
2008 Assessment and reserve adjustment	114,593

¹Assumes all other assets remain at same levels as 12/31/06

²Assumes all other assets remain at same levels as 12/31/06

Assessments by Balancing Authority Area



Draft - NPCC 2008 NEL Based Assessments Without Allocation Considerations

Regional NEL within ISO and/or Balancing Authority Area

A	B	C	D	E	F	G	H
NPCC ISO and/or Balancing Authority Area	2006 Net Energy for Load (GWh)	2006 % of NPCC Total	2008 NPCC Regional Entity Division	2008 NPCC Criteria Services Division	2008 NPCC Regional **Assessment	2007 NPCC Inc. & CBRE Regional Assessment	2008 Projected Regional Increase
New England	132,077	20.10546%	1,479,523	164,392	1,643,915	1,484,159	159,756
New York	162,238	24.69673%	1,817,386	201,932	2,019,318	1,820,036	199,282
Ontario	151,055	22.99434%	1,692,111	188,012	1,880,123	1,708,302	171,821
Quebec	185,829	28.28787%	2,081,651	231,295	2,312,946	2,046,312	266,634
New Brunswick	14,755	2.24614%	165,289	18,365	183,655	163,743	19,912
Nova Scotia	<u>10,967</u>	<u>1.66946%</u>	<u>122,852</u>	<u>13,650</u>	<u>136,502</u>	<u>134,360</u>	<u>2,143</u>
<i>Total</i>	656,921	100.00000%	\$7,358,813	\$817,646	\$8,176,459	\$7,356,912	\$819,547

**Draft 2 Submission of Statutory and Non-Statutory 2008 NPCC Budget Projections due to NERC in early June, 2007*

***Projected 11.1% increase in assessment for information only based upon Draft #1 and subject to adjustment consistent with ERO policy on compliance allocations (ERO bills quarterly for Regional Entity and ERO apportionment and NPCC bills annually for Criteria Services) 2008 NERC Assessment consistent with funding allocation policy to be available early August 2008 Total Northeast Assessment to be available early August, 2007*

Appendix A - Breakdown by Program Category

Reliability Standards Program

Funding sources and related expenses for the NPCC reliability standards section of the 2008 business plan are shown in Table A-1.

Table A-1

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Reliability Standards					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 266,265	\$ -	\$ (266,265)	\$ 301,206	\$ 301,206
Payroll Taxes	17,939	-	(17,939)	20,942	20,942
Benefits	62,851	-	(62,851)	84,552	84,552
Retirement Costs	34,345	-	(34,345)	43,750	43,750
Total Personnel Expenses	\$ 381,401	\$ -	\$ (381,401)	\$ 450,451	\$ 450,451
Meeting Expenses					
Meetings	\$ 16,305	\$ -	\$ (16,305)	\$ 20,250	\$ 20,250
Travel	64,082	-	(64,082)	81,250	81,250
Conference Calls	4,699	-	(4,699)	5,625	5,625
Total Meeting Expenses	\$ 85,086	\$ -	\$ (85,086)	\$ 107,125	\$ 107,125
Operating Expenses					
Contracts & Consultants	\$ 137,562	\$ -	\$ (137,562)	\$ 203,152	\$ 203,152
Office Rent	26,323	-	(26,323)	-	-
Office Costs	41,365	-	(41,365)	-	-
Professional Services	43,496	-	(43,496)	-	-
Computer Purch. & Maint.	5,896	-	(5,896)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	47,514	-	(47,514)	-	-
Total Operating Expenses	\$ 302,156	\$ -	\$ (302,156)	\$ 203,152	\$ 203,152
Total Expenses	\$ 768,642	\$ -	\$ (768,642)	\$ 760,728	\$ 760,728
Change in Assets		\$ -	\$ 768,642	\$ (760,728)	\$ (760,728)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2 FTEs for the 2007 projection and 3.5 FTEs for the 2008 budget

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the NERC Standards Committee and the NPCC Regional Standards Committee

Operating Expenses

- Consultant expenses:
 - Consultant expenses to assist in the regional standards development process and facilitation of SARs

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the NPCC compliance enforcement and organization registration and certification section of the 2008 business plan are shown in Table A-2.

Table A-2

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Compliance Enforcement and Organization Registration and Certification					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 478,800	\$ -	\$ (478,800)	\$ 679,505	\$ 679,505
Payroll Taxes	32,258	-	(32,258)	47,076	47,076
Benefits	113,019	-	(113,019)	181,183	181,183
Retirement Costs	61,760	-	(61,760)	93,750	93,750
Total Personnel Expenses	\$ 685,837	\$ -	\$ (685,837)	\$ 1,001,513	\$ 1,001,513
Meeting Expenses					
Meetings	\$ 29,320	\$ -	\$ (29,320)	\$ 43,393	\$ 43,393
Travel	115,232	-	(115,232)	174,107	174,107
Conference Calls	8,449	-	(8,449)	12,054	12,054
Total Meeting Expenses	\$ 153,001	\$ -	\$ (153,001)	\$ 229,554	\$ 229,554
Operating Expenses					
Contracts & Consultants	\$ 247,366	\$ -	\$ (247,366)	\$ 573,240	\$ 573,240
Office Rent	47,334	-	(47,334)	-	-
Office Costs	74,382	-	(74,382)	-	-
Professional Services	78,215	-	(78,215)	-	-
Computer Purch. & Maint.	10,603	-	(10,603)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	85,439	-	(85,439)	270,000	270,000
Total Operating Expenses	\$ 543,339	\$ -	\$ (543,339)	\$ 843,240	\$ 843,240
Total Expenses	\$ 1,382,177	\$ -	\$ (1,382,177)	\$ 2,074,307	\$ 2,074,307
Change in Assets		\$ -	\$ 1,382,177	\$ (2,074,307)	\$ (2,074,307)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 6 FTEs for the 2007 projection and 7.5 FTEs for the 2008 budget

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Compliance Enforcement and Organization Registration and Certification Program

Operating Expenses

- Consultant expenses to assist in the compliance audit programs for mandatory reliability standards
- Software costs to support the transition to the NPCC CBRE Compliance Monitoring and Enforcement Program Data Administration Application

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the NPCC reliability readiness evaluations and improvement section of the 2008 business plan are shown in Table A-3.

Table A-3

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Reliability Readiness Evaluation and Improvement					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 84,823	\$ -	\$ (84,823)	\$ 134,448	\$ 134,448
Payroll Taxes	5,715	-	(5,715)	8,619	8,619
Benefits	20,022	-	(20,022)	24,158	24,158
Retirement Costs	10,941	-	(10,941)	12,500	12,500
Total Personnel Expenses	\$ 121,501	\$ -	\$ (121,501)	\$ 179,725	\$ 179,725
Meeting Expenses					
Meetings	\$ 5,194	\$ -	\$ (5,194)	\$ 5,786	\$ 5,786
Travel	20,414	-	(20,414)	23,214	23,214
Conference Calls	1,497	-	(1,497)	1,607	1,607
Total Meeting Expenses	\$ 27,105	\$ -	\$ (27,105)	\$ 30,607	\$ 30,607
Operating Expenses					
Contracts & Consultants	\$ 43,823	\$ -	\$ (43,823)	\$ 58,043	\$ 58,043
Office Rent	8,386	-	(8,386)	-	-
Office Costs	13,177	-	(13,177)	-	-
Professional Services	13,856	-	(13,856)	-	-
Computer Purch. & Maint.	1,878	-	(1,878)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	15,136	-	(15,136)	-	-
Total Operating Expenses	\$ 96,256	\$ -	\$ (96,256)	\$ 58,043	\$ 58,043
Total Expenses	\$ 244,863	\$ -	\$ (244,863)	\$ 268,375	\$ 268,375
Change in Assets		\$ -	\$ 244,863	\$ (268,375)	\$ (268,375)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 0.8 FTEs for the 2007 projection and 1 FTE for the 2008 budget

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the participation in and facilitation of readiness evaluations of reliability coordinators, balancing authorities and transmission operators both internal and external to the NPCC region

Operating Expenses

-

Training, Education, and Operator Certification Program

Funding sources and related expenses for the NPCC training, education, and operator certification section of the 2008 business plan are shown in Table A-4.

Table A-4

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Training, Education, and Operator Certification					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 21,206	\$ -	\$ (21,206)	\$ 71,641	\$ 71,641
Payroll Taxes	1,429	-	(1,429)	4,379	4,379
Benefits	5,006	-	(5,006)	12,079	12,079
Retirement Costs	2,735	-	(2,735)	6,250	6,250
Total Personnel Expenses	\$ 30,375	\$ -	\$ (30,375)	\$ 94,348	\$ 94,348
Meeting Expenses					
Meetings	\$ 1,299	\$ -	\$ (1,299)	\$ 2,893	\$ 2,893
Travel	5,104	-	(5,104)	11,607	11,607
Conference Calls	374	-	(374)	804	804
Total Meeting Expenses	\$ 6,776	\$ -	\$ (6,776)	\$ 15,304	\$ 15,304
Operating Expenses					
Contracts & Consultants	\$ 10,956	\$ -	\$ (10,956)	\$ 7,500	\$ 7,500
Office Rent	2,096	-	(2,096)	-	-
Office Costs	3,294	-	(3,294)	-	-
Professional Services	3,464	-	(3,464)	-	-
Computer Purch. & Maint.	470	-	(470)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	3,784	-	(3,784)	-	-
Total Operating Expenses	\$ 24,064	\$ -	\$ (24,064)	\$ 7,500	\$ 7,500
Total Expenses	\$ 61,216	\$ -	\$ (61,216)	\$ 117,152	\$ 117,152
Change in Assets		\$ -	\$ 61,216	\$ (117,152)	\$ (117,152)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 0.2 FTEs for the 2007 projection and 0.5 FTEs for the 2008 budget

Meeting Expenses

- Meeting and staff travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Training, Education, and Operator Certification Program

Operating Expenses

-

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the NPCC reliability assessment and performance analysis section of the 2008 business plan are shown in Table A-5.

Table A-5

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Reliability Assessment and Performance Analysis					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 371,100	\$ -	\$ (371,100)	\$ 432,523	\$ 432,523
Payroll Taxes	25,002	-	(25,002)	27,836	27,836
Benefits	87,597	-	(87,597)	84,552	84,552
Retirement Costs	47,868	-	(47,868)	43,750	43,750
Total Personnel Expenses	\$ 531,567	\$ -	\$ (531,567)	\$ 588,661	\$ 588,661
Meeting Expenses					
Meetings	\$ 22,725	\$ -	\$ (22,725)	\$ 20,250	\$ 20,250
Travel	89,312	-	(89,312)	81,250	81,250
Conference Calls	6,549	-	(6,549)	5,625	5,625
Total Meeting Expenses	\$ 118,586	\$ -	\$ (118,586)	\$ 107,125	\$ 107,125
Operating Expenses					
Contracts & Consultants	\$ 191,724	\$ -	\$ (191,724)	\$ 116,860	\$ 116,860
Office Rent	36,687	-	(36,687)	-	-
Office Costs	57,651	-	(57,651)	-	-
Professional Services	60,622	-	(60,622)	-	-
Computer Purch. & Maint.	8,218	-	(8,218)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	66,221	-	(66,221)	-	-
Total Operating Expenses	\$ 421,122	\$ -	\$ (421,122)	\$ 116,860	\$ 116,860
Total Expenses	\$ 1,071,275	\$ -	\$ (1,071,275)	\$ 812,646	\$ 812,646
Change in Assets		\$ -	\$ 1,071,275	\$ (812,646)	\$ (812,646)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for three FTEs for the 2007 projection and 3.5 FTEs for the 2008 budget

Meeting Expenses

- Meeting and staff travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Reliability Assessment and Performance Analysis Program

Operating Expenses

-

Situational Awareness and Infrastructure Program

Funding sources and related expenses for the NPCC situational awareness and infrastructure section of the 2008 business plan are shown in Table A-6.

Table A-6

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Situational Awareness and Infrastructure					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 106,029	\$ -	\$ (106,029)	\$ 142,582	\$ 142,582
Payroll Taxes	7,144	-	(7,144)	8,746	8,746
Benefits	25,028	-	(25,028)	24,158	24,158
Retirement Costs	13,677	-	(13,677)	12,500	12,500
Total Personnel Expenses	\$ 151,876	\$ -	\$ (151,876)	\$ 187,985	\$ 187,985
Meeting Expenses					
Meetings	\$ 6,493	\$ -	\$ (6,493)	\$ 5,786	\$ 5,786
Travel	25,518	-	(25,518)	23,214	23,214
Conference Calls	1,871	-	(1,871)	1,607	1,607
Total Meeting Expenses	\$ 33,882	\$ -	\$ (33,882)	\$ 30,607	\$ 30,607
Operating Expenses					
Contracts & Consultants	\$ 54,778	\$ -	\$ (54,778)	\$ 33,388	\$ 33,388
Office Rent	10,482	-	(10,482)	-	-
Office Costs	16,472	-	(16,472)	-	-
Professional Services	17,320	-	(17,320)	-	-
Computer Purch. & Maint.	2,348	-	(2,348)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	18,920	-	(18,920)	-	-
Total Operating Expenses	\$ 120,321	\$ -	\$ (120,321)	\$ 33,388	\$ 33,388
Total Expenses	\$ 306,078	\$ -	\$ (306,078)	\$ 251,981	\$ 251,981
Change in Assets		\$ -	\$ 306,078	\$ (251,981)	\$ (251,981)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 0.5 FTEs for the 2007 projection and one FTE for the 2008 budget

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Situational Awareness and Infrastructure Program

Operating Expenses

-

Technical Committees and Member Forums Program

Funding sources and related expenses for the NPCC technical committees and member forums section of the 2008 business plan are shown in Table A-7.

Table A-7

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Technical Committees and Member Forums					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 53,014	\$ -	\$ (53,014)	\$ 57,563	\$ 57,563
Payroll Taxes	3,572	-	(3,572)	2,856	2,856
Benefits	12,514	-	(12,514)	7,247	7,247
Retirement Costs	6,838	-	(6,838)	3,750	3,750
Total Personnel Expenses	\$ 75,938	\$ -	\$ (75,938)	\$ 71,417	\$ 71,417
Meeting Expenses					
Meetings	\$ 3,246	\$ -	\$ (3,246)	\$ 1,736	\$ 1,736
Travel	12,759	-	(12,759)	6,964	6,964
Conference Calls	936	-	(936)	482	482
Total Meeting Expenses	\$ 16,941	\$ -	\$ (16,941)	\$ 9,182	\$ 9,182
Operating Expenses					
Contracts & Consultants	\$ 27,389	\$ -	\$ (27,389)	\$ 4,500	\$ 4,500
Office Rent	5,241	-	(5,241)	-	-
Office Costs	8,236	-	(8,236)	-	-
Professional Services	8,660	-	(8,660)	-	-
Computer Purch. & Maint.	1,174	-	(1,174)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	9,460	-	(9,460)	-	-
Total Operating Expenses	\$ 60,160	\$ -	\$ (60,160)	\$ 4,500	\$ 4,500
Total Expenses	\$ 153,039	\$ -	\$ (153,039)	\$ 85,099	\$ 85,099
Change in Assets		\$ -	\$ 153,039	\$ (85,099)	\$ (85,099)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 0 FTEs for the 2007 projection and 0.3 FTEs for the 2008 budget

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Technical Committees and Member Forums Program

Operating Expenses

-

Information Technology Program

Funding sources and related expenses for the NPCC information technology section of the 2008 business plan are shown in Table A-8.

Table A-8

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Information Technology					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 159,282	\$ -	\$ (159,282)	\$ 184,410	\$ 184,410
Payroll Taxes	10,731	-	(10,731)	13,974	13,974
Benefits	37,598	-	(37,598)	43,484	43,484
Retirement Costs	20,546	-	(20,546)	22,500	22,500
Total Personnel Expenses	\$ 228,156	\$ -	\$ (228,156)	\$ 264,368	\$ 264,368
Meeting Expenses					
Meetings	\$ 9,754	\$ -	\$ (9,754)	\$ 10,414	\$ 10,414
Travel	38,334	-	(38,334)	41,786	41,786
Conference Calls	2,811	-	(2,811)	2,893	2,893
Total Meeting Expenses	\$ 50,899	\$ -	\$ (50,899)	\$ 55,093	\$ 55,093
Operating Expenses					
Contracts & Consultants	\$ 82,291	\$ -	\$ (82,291)	\$ 104,478	\$ 104,478
Office Rent	15,747	-	(15,747)	67,671	67,671
Office Costs	24,745	-	(24,745)	-	-
Professional Services	26,020	-	(26,020)	156,463	156,463
Computer Purch. & Maint.	3,527	-	(3,527)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	28,423	-	(28,423)	-	-
Total Operating Expenses	\$ 180,752	\$ -	\$ (180,752)	\$ 328,612	\$ 328,612
Total Expenses	\$ 459,807	\$ -	\$ (459,807)	\$ 648,074	\$ 648,074
Change in Assets		\$ -	\$ 459,807	\$ (648,074)	\$ (648,074)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 1.5 FTEs for the 2007 projection and 1.8 FTEs for the 2008 budget

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Information Technology Program

Operating Expenses

-

Legal and Regulatory Program

Funding sources and related expenses for the NPCC legal and regulatory section of the 2008 business plan are shown in Table A-9.

Table A-9

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Legal and Regulatory					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 21,253	\$ -	\$ (21,253)	\$ -	\$ -
Payroll Taxes	1,432	-	(1,432)	-	-
Benefits	5,017	-	(5,017)	43,484	43,484
Retirement Costs	2,741	-	(2,741)	22,500	22,500
Total Personnel Expenses	\$ 30,444	\$ -	\$ (30,444)	\$ 65,984	\$ 65,984
Meeting Expenses					
Meetings	\$ 1,301	\$ -	\$ (1,301)	\$ 10,414	\$ 10,414
Travel	5,115	-	(5,115)	41,786	41,786
Conference Calls	375	-	(375)	2,893	2,893
Total Meeting Expenses	\$ 6,792	\$ -	\$ (6,792)	\$ 55,093	\$ 55,093
Operating Expenses					
Contracts & Consultants	\$ 10,980	\$ -	\$ (10,980)	\$ 27,000	\$ 27,000
Office Rent	2,101	-	(2,101)	67,671	67,671
Office Costs	3,302	-	(3,302)	-	-
Professional Services	3,472	-	(3,472)	156,463	156,463
Computer Purch. & Maint.	471	-	(471)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	3,793	-	(3,793)	-	-
Total Operating Expenses	\$ 24,118	\$ -	\$ (24,118)	\$ 251,134	\$ 251,134
Total Expenses	\$ 61,354	\$ -	\$ (61,354)	\$ 372,211	\$ 372,211
Change in Assets		\$ -	\$ 61,354	\$ (372,211)	\$ (372,211)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 1.9 FTEs for the 2007 projection and 1.8 FTEs for the 2008 budget

Meeting Expenses

- Meeting and staff travel, and conference call expenses in support of the Legal and Regulatory Program

Operating Expenses

-

Human Resources Program

Funding sources and related expenses for the NPCC Human Resources section of the 2008 business plan are shown in Table A-10.

Table A-10

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Human Resources					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 42,602	\$ -	\$ (42,602)	\$ 21,510	\$ 21,510
Payroll Taxes	2,870	-	(2,870)	1,920	1,920
Benefits	10,056	-	(10,056)	7,247	7,247
Retirement Costs	5,495	-	(5,495)	3,750	3,750
Total Personnel Expenses	\$ 61,024	\$ -	\$ (61,024)	\$ 34,428	\$ 34,428
Meeting Expenses					
Meetings	\$ 2,609	\$ -	\$ (2,609)	\$ 1,736	\$ 1,736
Travel	10,253	-	(10,253)	6,964	6,964
Conference Calls	752	-	(752)	482	482
Total Meeting Expenses	\$ 13,614	\$ -	\$ (13,614)	\$ 9,182	\$ 9,182
Operating Expenses					
Contracts & Consultants	\$ 22,010	\$ -	\$ (22,010)	\$ 4,500	\$ 4,500
Office Rent	4,212	-	(4,212)	11,278	11,278
Office Costs	6,618	-	(6,618)	-	-
Professional Services	6,959	-	(6,959)	26,077	26,077
Computer Purch. & Maint.	943	-	(943)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	7,602	-	(7,602)	-	-
Total Operating Expenses	\$ 48,345	\$ -	\$ (48,345)	\$ 41,856	\$ 41,856
Total Expenses	\$ 122,983	\$ -	\$ (122,983)	\$ 85,466	\$ 85,466
Change in Assets		\$ -	\$ 122,983	\$ (85,466)	\$ (85,466)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 0.2 FTEs for the 2007 projection and 0.3 FTEs for the 2008 budget

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Human Resources Program

Operating Expenses

-

Accounting Program

Funding sources and related expenses for the NPCC Human Resources section of the 2008 business plan are shown in Table A-11.

Table A-11

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
Accounting					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 148,917	\$ -	\$ (148,917)	\$ 83,159	\$ 83,159
Payroll Taxes	10,033	-	(10,033)	7,850	7,850
Benefits	35,151	-	(35,151)	50,731	50,731
Retirement Costs	19,209	-	(19,209)	26,250	26,250
Total Personnel Expenses	\$ 213,311	\$ -	\$ (213,311)	\$ 167,990	\$ 167,990
Meeting Expenses					
Meetings	\$ 9,119	\$ -	\$ (9,119)	\$ 12,150	\$ 12,150
Travel	35,840	-	(35,840)	48,750	48,750
Conference Calls	2,628	-	(2,628)	3,375	3,375
Total Meeting Expenses	\$ 47,587	\$ -	\$ (47,587)	\$ 64,275	\$ 64,275
Operating Expenses					
Contracts & Consultants	\$ 76,936	\$ -	\$ (76,936)	\$ 31,500	\$ 31,500
Office Rent	14,722	-	(14,722)	78,949	78,949
Office Costs	23,134	-	(23,134)	-	-
Professional Services	24,327	-	(24,327)	182,541	182,541
Computer Purch. & Maint.	3,298	-	(3,298)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	26,574	-	(26,574)	-	-
Total Operating Expenses	\$ 168,991	\$ -	\$ (168,991)	\$ 292,990	\$ 292,990
Total Expenses	\$ 429,888	\$ -	\$ (429,888)	\$ 525,255	\$ 525,255
Change in Assets		\$ -	\$ 429,888	\$ (525,255)	\$ (525,255)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 1.4 FTEs for the 2007 projection and 2.1 FTEs for the 2008 budget

Meeting Expenses

- Meeting and consultant travel, and conference call expenses in support of the committees, task forces and working groups in place to support the Finance and Accounting Program

Operating Expenses

- Consultants to support staff in education materials development

General and Administrative Program

Funding sources and related expenses for the NPCC Human Resources section of the 2008 business plan are shown in Table A-12.

Table A-12

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
General & Administrative					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 53,014	\$ -	\$ (53,014)	\$ 594,072	\$ 594,072
Payroll Taxes	3,572	-	(3,572)	21,694	21,694
Benefits	12,514	-	(12,514)	45,900	45,900
Retirement Costs	6,838	-	(6,838)	23,750	23,750
Total Personnel Expenses	\$ 75,938	\$ -	\$ (75,938)	\$ 685,416	\$ 685,416
Meeting Expenses					
Meetings	\$ 3,246	\$ -	\$ (3,246)	\$ 10,993	\$ 10,993
Travel	12,759	-	(12,759)	44,107	44,107
Conference Calls	936	-	(936)	3,054	3,054
Total Meeting Expenses	\$ 16,941	\$ -	\$ (16,941)	\$ 58,154	\$ 58,154
Operating Expenses					
Contracts & Consultants	\$ 27,389	\$ -	\$ (27,389)	\$ 63,438	\$ 63,438
Office Rent	5,241	-	(5,241)	71,430	71,430
Office Costs	8,236	-	(8,236)	336,870	336,870
Professional Services	8,660	-	(8,660)	165,156	165,156
Computer Purch. & Maint.	1,174	-	(1,174)	13,500	13,500
Furniture & Equipment	-	-	-	21,150	21,150
Miscellaneous/Contingency	9,460	-	(9,460)	19,800	19,800
Total Operating Expenses	\$ 60,160	\$ -	\$ (60,160)	\$ 691,344	\$ 691,344
Total Expenses	\$ 153,039	\$ -	\$ (153,039)	\$ 1,434,914	\$ 1,434,914
Change in Assets		\$ -	\$ 153,039	\$ (1,434,914)	\$ (1,434,914)

Summary of 2007 Projection and 2008 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program in 2008 is provided through assessments to the ERO (NERC)

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 1.5 FTEs for the 2007 projection and 1.9 FTEs for the 2008 budget

Meeting Expenses

- Meeting and consultant travel, and conference call expenses in support of the committees, task forces and working groups in place to support the General and Administrative Program

Operating Expenses

- Consultants to support staff in education materials development

Section C — 2008 NPCC Non-Statutory Business Plan and Budget

Full Member Criteria Services

Criteria Development and Criteria Compliance Enforcement			
(in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	7	5	2.8
Total Direct Funding	\$1,377,353	*	\$584,011
Total Indirect Funding	\$765,196	*	\$233,635
Total Funding	\$2,142,549	\$2,142,549	\$817,646

** As noted in detail on page 1 of the Business Plan, based on current definitions, several 2007 services included as non-statutory would have been included as statutory efforts. Based on definitional clarity, 2.4 FTEs would have been allocated in 2007 to non-statutory services. For 2007 those statutory efforts are being funded by the NPCC member funding mechanism rather than the ERO funding mechanism.*

NPCC Regionally-Specific Criteria Services

Background

NPCC regional non-statutory activities primarily are in the development, maintenance and promulgation of regionally-specific more stringent Criteria and Criteria establishing resource adequacy requirement within the Region.

Planning and Design Objectives

- Initiate reviews of the Basic Criteria for the Design and Operation of Interconnected Power Systems (Document A-2), of other NPCC criteria, guidelines, and procedures related to planning, and of those documents which provide for the uniform implementation, interpretation and monitoring of compliance with criteria, guidelines and procedures related to planning, system studies and system protection. These reviews will be coordinated with the Task Force on Coordination of Operation, based on a schedule set forth in the Reliability Assessment Program
- Initiate and coordinate with designated Task Forces, review of NPCC protection related criteria, guidelines and procedures

Operations Objectives

- Coordinate the development of operating criteria, guidelines and procedures affecting the reliability and operability of interconnected power systems in coordination with, and as directed by, NERC and NPCC
- Recommend revisions to NPCC Criteria and Procedures regarding control performance and conducts investigations of control performance problems

Critical Infrastructure Objectives

- Formulate and recommend Criteria, Guidelines and Procedures to monitor and report conformance pertaining to the reliability, Cyber Security, Physical Security, availability and performance of member systems Energy Management Systems, SCADA, the

Telecommunications Networks and Substation automation technology which serve and interconnect them

Criteria Compliance Enforcement Program Objectives

To meet its non-statutory requirements in the compliance area, specifically the monitoring and assessment of compliance with its more stringent NPCC regional criteria, NPCC, Inc will continue to conduct its Reliability Assessment Program (RCEP). RCEP will continue to be administered through the Areas and focus just on the more stringent and specific NPCC criteria and resource adequacy requirements. Sanctions associated with the requirements of the RCEP will continue to be non-monetary in nature.

- Conduct 2008 NPCC Reliability Compliance and Enforcement Program (RCEP)
 - Assess NPCC Area compliance with NPCC more stringent or specific criteria including requirements in the NPCC RCEP, NPCC Reliability Assessment Program
 - Documenting results and providing appropriate reports to RCC
 - For instances of identified non-compliance, providing a report fully explaining the reason for the non-compliance and recommend to the RCC the appropriate sanction and reviewing any mitigation plan or action proposed to achieve compliance
 - Developing and implementing the necessary processes and procedures to efficiently execute the NPCC Compliance Program
 - Providing information and feedback on compliance program to NPCC Members, RCC, Task Forces and participants in the program
 - Conducting workshops as necessary to communicate NPCC Compliance Program requirements and obtain feedback from the program participants
 - Conducting compliance surveys as required
 - Managing the Review Process for the NPCC RCEP
 - Providing oversight review of NPCC Area compliance programs.
 - Reviewing and proposing changes to existing documents as required for the NPCC Compliance Program, and propose new documents as required

Members Forums

Background

To promote NPCC interaction and coordination with Federal/State/Provincial governmental/regulatory agencies on a coordinated regional basis, and identify and develop policy input for NPCC Inc. and Northeast Regional Governmental/Regulatory bodies.

NPCC Regulatory/Governmental Affairs Advisory Group

The NPCC, Inc. Governmental/Regulatory Affairs Advisory Group provides a forum where industry and governmental/regulatory representatives can exchange views and strive to develop consensus policy recommendations on reliability issues specific to the NPCC Region (Northeastern United States and Eastern Canada) and share actionable information among NPCC, NERC (ERO) and other related governmental/regulatory agencies related to regional energy and reliability matters.

2007 Total Budget & Projection, and 2008 Budget Comparisons

Statement of Activities					
2007 Budget & Projection, and 2008 Budget					
	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
Assessments - NPCC	\$ 2,142,549	\$ 2,142,549	\$ -	\$ 817,646	\$ (1,324,903)
Membership Dues	12,500	11,500	(1,000)	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	140,000	140,000	-	(140,000)
Total Funding	\$ 2,155,049	\$ 2,294,049	\$ 139,000	\$ 817,646	\$ (1,464,903)
Expenses					
Personnel Expenses					
Salaries	\$ 899,348	\$ 899,348	\$ -	\$ 292,234	\$ (607,114)
Payroll Taxes	66,080	66,080	-	17,890	(48,190)
Benefits	227,702	207,702	(20,000)	67,642	(140,060)
Retirement Costs	124,490	144,490	20,000	35,000	(109,490)
Total Personnel Expenses	\$ 1,317,620	\$ 1,317,620	\$ -	\$ 412,766	\$ (904,854)
Meeting Expenses					
Meetings	\$ 45,546	\$ 55,000	\$ 9,454	\$ 16,200	\$ (38,800)
Travel	179,003	169,549	(9,454)	65,000	(104,549)
Conference Calls	13,125	13,125	-	4,500	(8,625)
Total Meeting Expenses	\$ 237,674	\$ 237,674	\$ -	\$ 85,700	\$ (151,974)
Operating Expenses					
*Consultants	\$ 161,902	\$ 132,500	\$ (29,402)	\$ 108,000	\$ (24,500)
Contracts	19,480	19,480	-	28,400	8,920
Office Rent	138,889	138,889	-	33,000	(105,889)
Office Costs	112,151	112,151	-	37,430	(74,721)
Professional Services	142,919	178,118	35,199	76,300	(101,818)
**Miscellaneous & Contingency	11,922	6,125	(5,797)	32,200	26,075
Computer Purch. & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	3,850	3,850
Total Operating Expenses	\$ 587,263	\$ 587,263	\$ -	\$ 319,180	\$ (268,083)
Total Expenses	\$ 2,142,557	\$ 2,142,557	\$ -	\$ 817,646	\$ (1,324,911)
Change in Assets		\$ 151,492	\$ 139,000	\$ -	\$ (139,992)

* Industry Support of \$420,000 would have been allocated 90/10 Statutory/Non-Statutory with consistent definitions

** Miscellaneous Expenses include contingency account projected at \$313,247 for 2007 and \$300,000 for 2008

Personnel Analysis

Table 2 shows staffing by what had originally been assumed to be non-statutory, regional reliability organization program areas for both 2007 budget and projection and 2008 budget.

Section C – 2008 NPCC Non-Statutory Business Plan and Budget

2008 Budget levels show a decrease of 2.2 FTEs compared to the 2007 projection. FTEs would have increased from 2.4 in 2007 to 2.8 in 2008 using the current definition of non-statutory for consistency.

Table 2

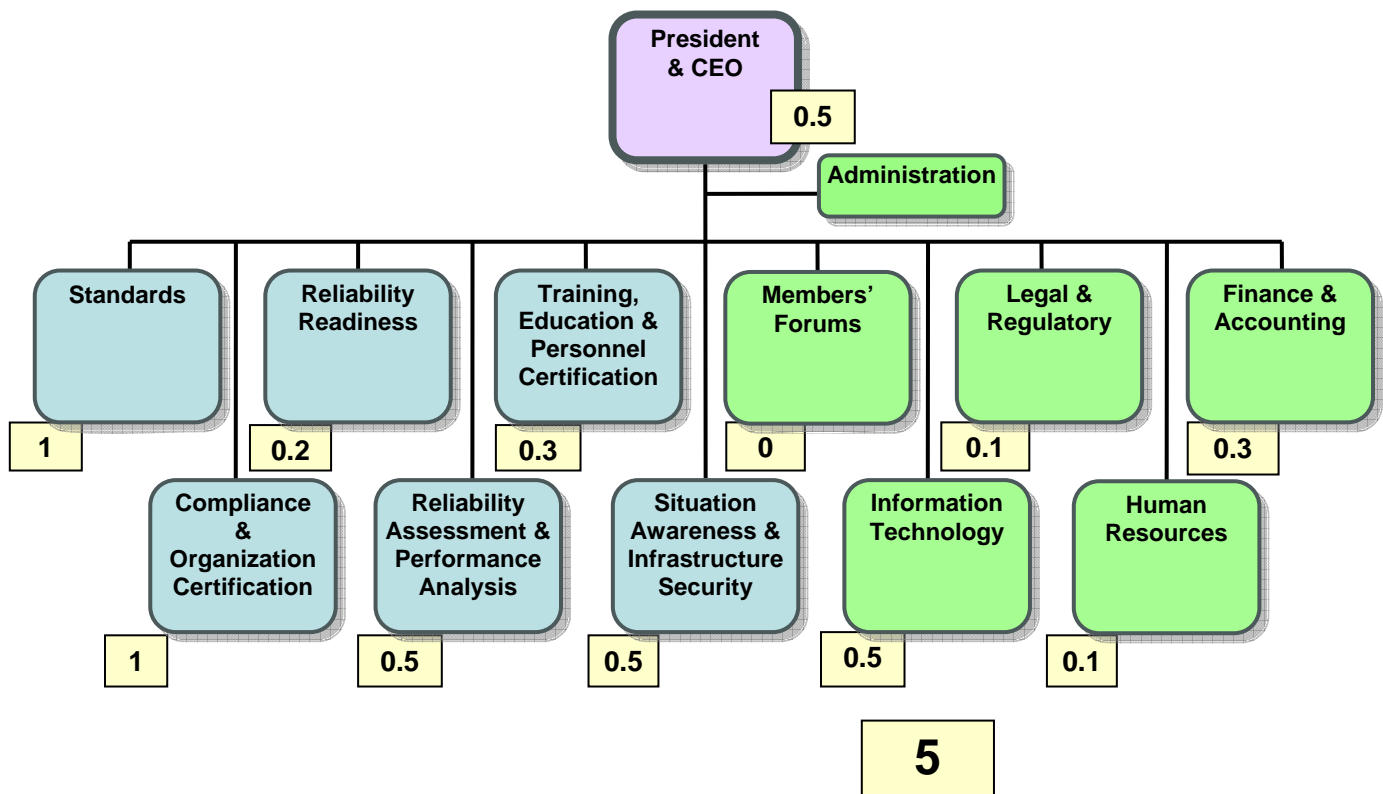
FTE's by Program Area	Budget 2007	Projection 2007	Budget 2008	Change
Operational Programs				
Reliability Standards	1.0	1.0	1.0	0.0
Compliance and Organization Registration and Certification	2.0	1.0	1.0	0.0
Reliability Readiness Audit and Improvement	0.2	0.2	0.0	-0.2
Training and Education	0.3	0.3	0.0	-0.3
Reliability Assessment and Performance Analysis	0.5	0.5	0.0	-0.5
Situational Awareness and Infrastructure Security	0.5	0.5	0.0	-0.5
FTEs Operational Programs	4.5	3.5	2.0	-1.5
Administrative Programs				
Member Forums	1.0	0.0	0.2	0.2
General & Administrative	0.5	0.5	0.1	-0.4
Information Technology	0.5	0.5	0.2	-0.3
Legal and Regulatory	0.1	0.1	0.2	0.1
Human Resources	0.1	0.1	0.0	-0.1
Accounting	0.3	0.3	0.1	-0.2
FTEs Administrative Programs	2.5	1.5	0.8	-0.7
FTEs	7.0	5.0	2.8	-2.2

2007 Organizational Chart

Shown below in Table 3 is the organizational chart for 2007, including the staff expected to be in each program area by the end of 2007. NPCC non-statutory support would have totaled 2.4 FTEs or 10% of the total regional FTEs if the current definitions of statutory and non-statutory had been applied last year.

Full Member Criteria Services

Table 3

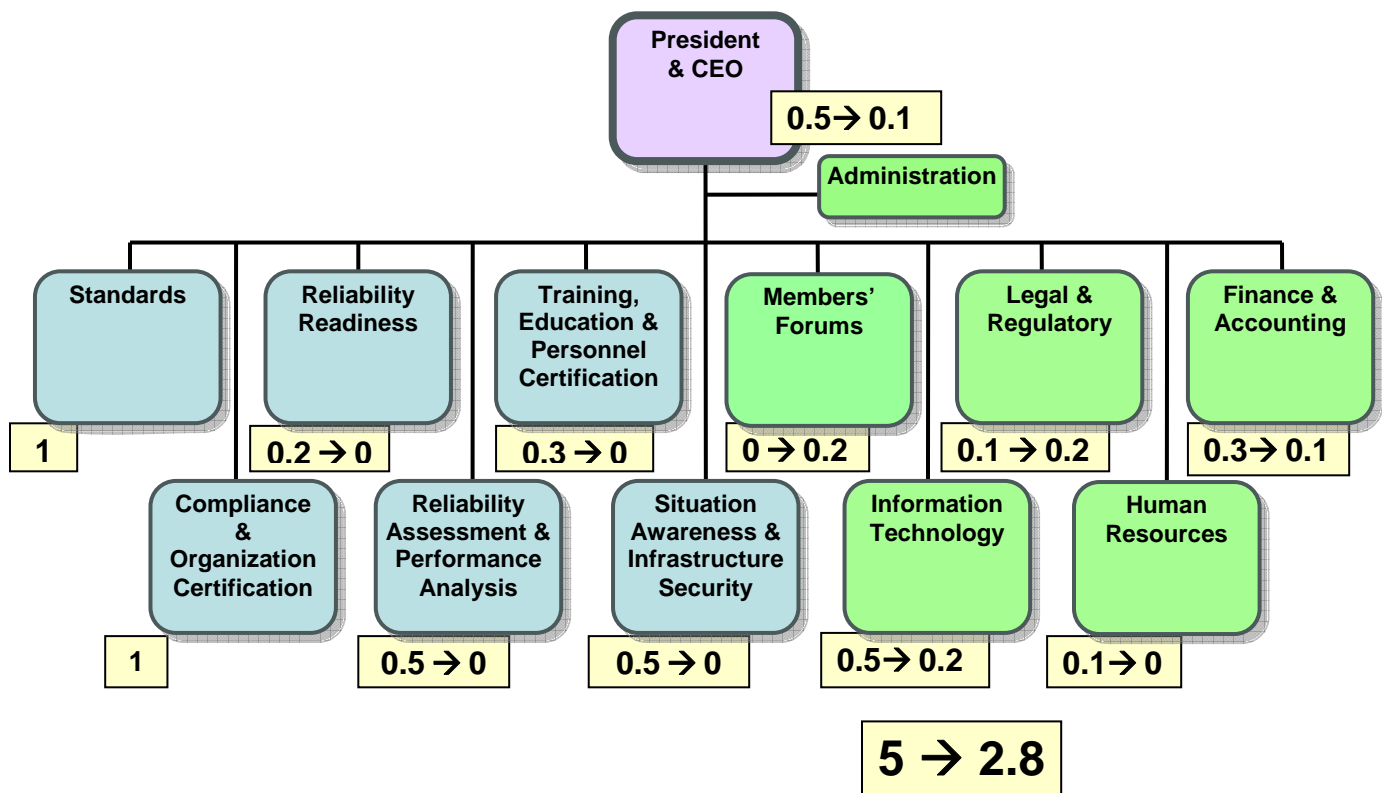


2008 Organizational Chart

Shown below in Table 4 is the organizational chart for 2008 with the 2007 staffing levels allocated to non-statutory functions to support the regional criteria related activities for 2008. NPCC non-statutory support would have grown from 2.4 FTEs to 2.8 FTEs if consistent statutory and non-statutory definitions were applied.

Full Member Criteria Services

Table 4



Reserve Balance

Table 5 shows the analysis of the cash needed to fund the 2008 budgeted expenses for functions and services performed by the merged NPCC as the cross-border regional entity and criteria services corporation for Northeastern North America and to maintain a 20% operating cash balance for 2008. The cash balance at December 31st, 2006 represented the cash portion of the NPCC Council prior to restructuring to two independent, affiliate corporations: NPCC, Inc., the member reliability services corporation providing non-statutory criteria services within Northeastern North America and NPCC CBRE, the cross-border regional entity performing delegated statutory functions and services effective in 2007. All assets and liabilities of NPCC (Council) were transferred to NPCC, Inc. by year end 2006 and are now held by the merged corporation, NPCC. Reserves were member funded from Council – have allocated 10% of 12/31/06 total reserves of \$1,507,967 from PWC audit report and 90% on statutory Table 5.

Table 5

Reserve Analysis 2007-08	
Cash Available Balance 2006:	
Cash Balance @ 12/31/06 (NPCC Member reserves)	150,797
2007 Assessment Funding (from NPCC Members)	2,142,549
2006 other funding sources (Cash basis)	-
Change in assets ¹	-
Total Cash Available 2007	2,293,346
Cash Needed 2007:	
Projected Expenses 2007 (Cash basis)	2,142,549
Change in liabilities ²	(2,142,549)
Total Cash Needed 2006	-
Projected Ending Cash Balance @ 12/31/07	2,293,346
Desired Cash Balance @ 12/31/08 (20% of Non-Statutory)	163,529
Less:	
Projected Cash Balance @ 12/31/07	2,293,346
Increase in assessments needed to raise cash balance	(2,129,817)
2008 Assessment	817,646
Adjustment to increase cash balance	(2,129,817)
2008 Assessment and reserve adjustment	(1,312,171)

¹Assumes all other assets remain at same levels as 12/31/06

²Assumes all other assets remain at same levels as 12/31/06