



RELIABILITY FIRST

**RELIABILITYFIRST CORPORATION
2019 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS
APRIL 26, 2018 FOR STAKEHOLDER COMMENT**

VERSION 1

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Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2019.

	2019 Budget			
	(in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	78.2			
Non-statutory FTEs	-			
Total FTEs	78.2			
Statutory Expenses	\$ 22,904,361			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 22,904,361			
Statutory Inc(Dec) in Fixed Assets	\$ (255,903)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (255,903)			
Statutory Working Capital Requirement	\$ (1,015,412)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (1,015,412)			
Total Statutory Funding Requirement	\$ 21,633,046			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 21,633,046			
Statutory Funding Assessments	\$ 21,255,831	\$ 21,255,831	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL (MWH)	-	-	-	-
NEL%	100%	100%	0%	0%

Organizational Overview

ReliabilityFirst is a not-for-profit company incorporated in the State of Delaware and authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. ReliabilityFirst is responsible for promoting and improving the reliability of the Bulk Electric System (BES) in all or parts of thirteen states and the District of Columbia. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by the Electric Reliability Organization (ERO), the North American Electric Reliability Corporation (NERC). These include:

- Active participation in the development of North American Reliability Standards for the Bulk Electric System (BES), and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, resiliency, security, and risks of the BES.
- Promoting effective training and education of personnel and entities.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO in 2019.

Membership and Governance

Members

ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. There are six (6) Industry Sectors: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs, and Large LSEs. There are three (3) Classes of Members: Regular Members, Associate Members, and Adjunct Members (an Associate Member is an affiliate or related party of a Regular Member, and an Adjunct Member is an entity that does not qualify to join an Industry Sector but has been approved for membership).

There are currently 58 Members of ReliabilityFirst; 42 are Regular Members with voting rights, 6 are Associate Members, and 10 are Adjunct Members. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability, security, and resiliency of the BES. ReliabilityFirst believes that partnering with industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a cost effective approach that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

Board of Directors

ReliabilityFirst is governed by a hybrid, independent, and balanced stakeholder Board that consists of 14 directors.

- Eight (8) directors are elected by the Industry Sectors as follows:
 - Suppliers elect two (2) directors;
 - Transmission Companies elect two (2) directors;
 - RTOs elect one (1) director;
 - Small LSEs elect one (1) director;
 - Medium LSEs elect one (1) director; and
 - Large LSEs elect one (1) director.
- Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.
- Three (3) directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent directors are elected by all of the Industry Sectors voting together as a single class.

2019 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of strategic and operating objectives developed jointly by NERC and the Regional Entities. These strategic and operating

objectives are set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan¹.

2019 Key Deliverables

- Promote a culture that addresses reliability risks across the ReliabilityFirst Region and the ERO.
 - Ensure that the industry understands the essential reliability purpose of Reliability Standards and the corresponding expectations for those Reliability Standards.
 - Work with the industry to maintain and continuously improve effective risk control programs for reliability, security, and resiliency.
 - Use efficient processes and proportional exercise of discretion to verify that the industry meets reliability objectives.
- Identify the risks to reliability in the ReliabilityFirst Region.
 - Identify, understand, and prioritize risks based on reliability impacts, projected resources, and emerging issues.
 - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to define reliability, resiliency, and security related activities.
 - Ensure that the industry is well informed of emerging trends, risk analysis, lessons learned, and expected actions.
- Mitigate reliability risks.
 - Ensure that the industry understands identified risks and addresses them promptly and effectively.
 - Facilitate information sharing among the industry, Regions, ERO, and government.
 - Work with the ERO to track industry accountability for critical reliability recommendations.
- Communicate reliability risks.
 - Communicate identified and prioritized risks and mitigation strategies to the ERO Enterprise, across the ReliabilityFirst footprint, and/or to targeted entities, as appropriate.
 - Share staff expertise and leverage the expertise of ReliabilityFirst entities to advance industry practices surrounding risk identification, mitigation, and prevention.
- Promote a culture of reliability excellence, and facilitate and encourage continuous improvement through training and education.

¹ See, [ERO Enterprise Long-Term Strategy](#) and [ERO Enterprise Operating Plan](#).

- Ensure useful and reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among entities.
- Serve as a leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair compliance monitoring and enforcement authority, without conflicts of interest.
 - Register entities commensurate to the risk they pose to the BES and ensure that all key entities are certified to have essential capabilities.
 - Ensure that all compliance monitoring and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the ReliabilityFirst delegation agreement and the Risk Based Compliance Monitoring and Enforcement Program.
 - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
- Improve transparency, consistency, quality and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - Identify, understand, and manage internal risks.
 - Ensure processes are effective, efficient, and continually improving.

2019 Overview of Budget

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2019. Overall, the ReliabilityFirst 2019 budget of \$22,648,458 increased 5.86% over the 2018 budget of \$21,393,899. The 2019 assessment of \$21,255,831 represents a 5.5% increase over the 2018 assessment of \$20,147,707.

Personnel costs increased by \$1,139,233, an increase of 6.4% over the 2018 budget. Incorporated into the personnel costs are 2 additional Full Time Equivalent (FTEs), a 3% general wage increase, and a 15% medical premium increase. For 2019, ReliabilityFirst did not include a personnel vacancy rate because the corporation has recently reached full staffing levels and operates with a turnover rate well below 5%. Any remaining personnel dollars resulting from vacancies could be used to fund the company's recruitment activities to attract necessary employee candidates.

The meetings, operating and fixed asset costs of \$3,580,236 increased by 3.3% over the 2018 budget of \$3,464,909.

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2019, which is the same level that existed in 2018. This level of operating reserve is believed to be sufficient for any unbudgeted and unexpected expenditures of the organization, and is consistent with Board Policy.

The ReliabilityFirst Board also approved a decrease in the working capital reserve. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In concert with the ERO Enterprise wide effort to better manage and stabilize

assessments, the working capital reserve is managed to include additional funds that will be used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. The operating and working capital reserves have been differentiated to enable more granular identification and control in the utilization and monitoring of these funds in the appropriate manner.

The executive management group for NERC and the Regional Entities (known as the ERO EMG) concentrates on various initiatives to improve efficiency and consistency across NERC and the Regional Entities, including the development of enterprise-wide applications. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed at NERC. ReliabilityFirst assumes agreed upon ERO Enterprise wide applications will be available, and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the operating and strategic objectives referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2019 yielded a requirement of 84.4 FTEs in order to fully address the expected workload.

Although ReliabilityFirst's manpower analysis justifies a need for 84.4 FTEs, its philosophy is to seek and achieve greater efficiencies in its tasks and workload each year. On this basis, ReliabilityFirst believes a staffing level of 78.2, which includes 2 additional FTE's, will be sufficient to perform its work. The need for these additional FTE's are described in the Information Technology and Enforcement sections below.

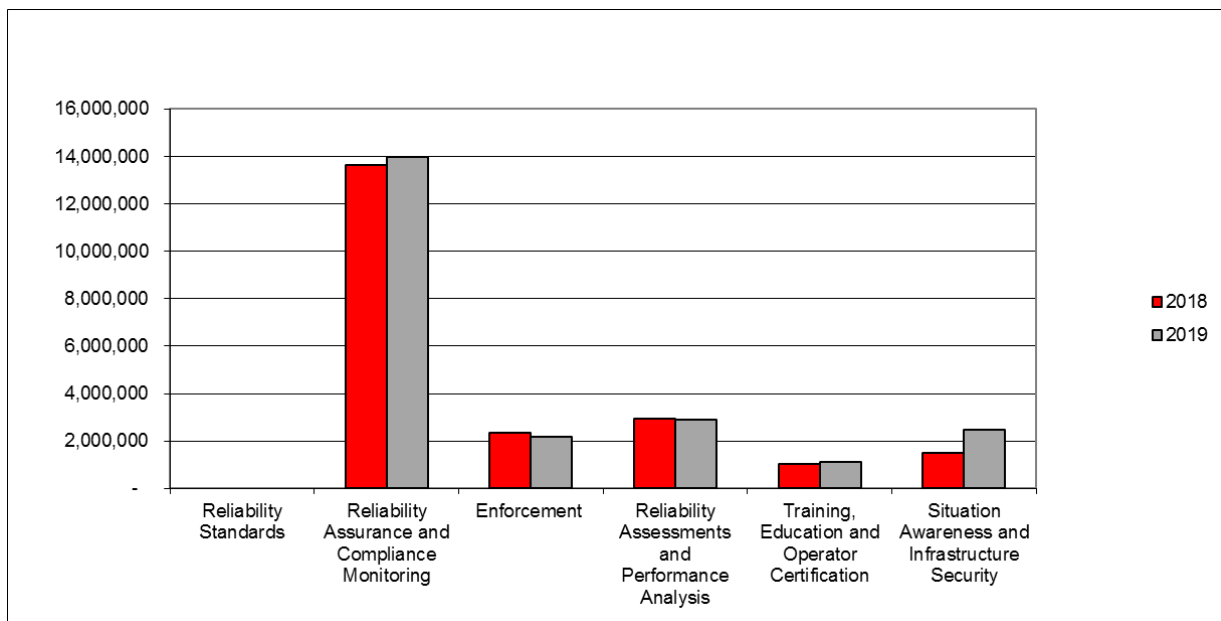
ReliabilityFirst will continue to ensure enhancements are being made in many process areas and that the maturation of the organization will continue to result in expected efficiency improvements.

Summary of Budget by Program Area

The following table and figure summarize and illustrate ReliabilityFirst's budget by program area.

Program	Budget 2018	Projection 2018	Budget 2019	Variance	
				2018 Budget v 2019 Budget	Variance %
Reliability Standards	-	-	-	-	0.00%
Reliability Assurance and Compliance Monitoring	13,622,989	13,622,989	13,908,238	285,249	2.09%
Enforcement	2,337,124	2,106,600	2,177,382	(159,742)	-6.83%
Reliability Assessments and Performance Analysis	2,929,290	2,852,449	2,895,671	(33,619)	-1.15%
Training, Education and Operator Certification	1,019,452	1,019,452	1,214,414	194,962	19.12%
Situation Awareness and Infrastructure Security	1,485,044	1,792,409	2,452,752	967,708	65.16%
Total	21,393,899	21,393,899	22,648,458	1,254,559	5.86%

2019 Versus 2018 Cost Allocation by Program Summary of Expenses



FTEs by Program Area

Total FTEs by Program Area	Budget 2018	Projection 2018	Total FTEs 2019 Budget	Change from 2018 Budget
STATUTORY				
Operational Programs				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability Assurance and Compliance Monitoring Enforcement	37.00	37.00	37.00	0.00
Reliability Assessment and Performance Analysis	8.25	6.00	7.00	-1.25
Training and Education	8.35	7.60	7.60	-0.75
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	4.00	7.00	7.00	3.00
Total FTEs Operational Programs	60.60	60.60	61.60	1.00
Administrative Programs				
General & Administrative	3.00	3.00	3.00	0.00
Legal and Regulatory Affairs	2.00	3.00	3.00	1.00
Information Technology	5.00	5.00	6.00	1.00
Human Resources	3.00	2.00	2.00	-1.00
Finance and Accounting	2.60	2.60	2.60	0.00
Total FTEs Administrative Programs	15.60	15.60	16.60	1.00
Total FTEs	76.20	76.20	78.20	2.00

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2018 Budget and Projection and 2019 Budget Comparisons

The following table lists the 2018 budget and projection compared to the 2019 budget.

2018 Budget and Projection, and 2019 Budget					
STATUTORY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 20,147,707	\$ 20,147,707	\$ -	\$ 21,255,831	\$ 1,108,123
Penalty Sanctions	1,912,877	1,912,877	-	327,215	(1,585,662)
Total ReliabilityFirst Funding	\$ 22,060,585	\$ 22,060,585	\$ -	\$ 21,583,046	\$ (477,539)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	50,000	50,000	(0)	50,000	-
Miscellaneous	-	-	-	-	-
Total Funding	22,110,585	22,110,585	(0)	21,633,046	(477,539)
Expenses					
Personnel Expenses					
Salaries	\$ 12,975,641	\$ 12,975,641	\$ -	\$ 13,701,387	\$ 725,746
Payroll Taxes	765,357	765,357	-	807,085	41,728
Benefits	2,049,654	2,049,654	-	2,307,002	257,347
Retirement Costs	2,138,337	2,138,337	-	2,252,748	114,411
Total Personnel Expenses	\$ 17,928,989	\$ 17,928,989	\$ -	\$ 19,068,222	\$ 1,139,233
Meeting Expenses					
Meetings	\$ 300,375	\$ 300,375	\$ -	\$ 314,200	\$ 13,825
Travel	713,250	713,250	-	678,600	(34,650)
Conference Calls	50,400	50,400	-	52,200	1,800
Total Meeting Expenses	\$ 1,064,025	\$ 1,064,025	\$ -	\$ 1,045,000	\$ (19,025)
Operating Expenses					
Consultants & Contracts	\$ 390,132	\$ 390,132	\$ -	\$ 528,612	\$ 138,480
Office Rent	519,595	519,595	-	521,086	1,491
Office Costs	831,717	831,717	-	815,130	(16,587)
Professional Services	411,245	411,245	-	423,522	12,277
Miscellaneous	40,696	40,696	-	43,886	3,190
Depreciation	373,325	373,325	-	458,903	85,578
Total Operating Expenses	\$ 2,566,709	\$ 2,566,709	\$ -	\$ 2,791,139	\$ 224,429
Total Direct Expenses	\$ 21,559,724	\$ 21,559,724	\$ -	\$ 22,904,361	\$ 1,344,637
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 21,559,724	\$ 21,559,724	\$ -	\$ 22,904,361	\$ 1,344,637
Change in Assets	\$ 550,861	\$ 550,861	\$ (0)	\$ (1,271,315)	\$ (1,822,176)
Fixed Assets					
Depreciation	(373,325)	(373,325)	-	(458,903)	(85,578)
Computer & Software CapEx	207,500	207,500	-	180,000	(27,500)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	23,000	23,000
	\$ (165,825)	\$ (165,825)	\$ -	\$ (255,903)	\$ (90,078)
Allocation of Fixed Assets	-	-	0	-	-
Inc/(Dec) in Fixed Assets	\$ (165,825)	\$ (165,825)	\$ 0	\$ (255,903)	\$ (90,078)
Total Budget	\$ 21,393,899	\$ 21,393,899	\$ 0	\$ 22,648,458	\$ 1,254,559
Change in Working Capital	\$ 716,687	\$ 716,686	\$ (0)	\$ (1,015,412)	\$ (1,732,098)
FTEs	76.20	76.20	-	78.20	2.00

Section A: Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

ReliabilityFirst provides input to the NERC Reliability Standards development process to help ensure the Standards adequately mitigate the risks they are intended to address, particularly those risks facing the ReliabilityFirst footprint. ReliabilityFirst also may develop Regional Reliability Standards as necessary. ReliabilityFirst Standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional matter that the NERC Reliability Standard does not, or a regional difference necessitated by a physical difference in the BES.

ReliabilityFirst may also develop regional criteria, which are good utility practices used to enhance the reliability of the BES and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. ReliabilityFirst regional criteria are developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

2019 Key Assumptions

The Reliability Standards Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

ReliabilityFirst previously reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program, due to decreased activity in the Reliability Standards Program. If ReliabilityFirst needs to develop any Reliability Standard or regional criteria, ReliabilityFirst will temporarily redeploy the necessary resources from the existing Reliability Assurance and Compliance Monitoring and Reliability Assessment and Performance Analysis Programs.

2019 Key Deliverables

- Review and provide feedback on potential reliability, security, or resiliency concerns associated with NERC Reliability Standards and RSAWs under development.
- Although none are anticipated, submit to NERC, and subsequently file with FERC any new Regional Reliability Standards that:
 - May be needed to support revised NERC Reliability Standards.

- May address reliability gaps not currently covered by NERC Reliability Standards.
- Although none are anticipated, submit to ReliabilityFirst Board any new regional criteria that:
 - Address issues not within the scope of NERC Reliability Standards.
 - Promote more consistent implementation of a NERC Reliability Standard within the Region.
- Initiate and coordinate revisions to Regional Reliability Standards or regional criteria in any stage of development to align with NERC and FERC requirements.
 - Support for enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards.
 - Support for ERO activities necessary to incorporate Regional Reliability Standards into continent-wide Standards.
 - Retire Regional Reliability Standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Compliance Monitoring and Enforcement, and Organization Registration and Certification Program

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	45.25	44.00	(1.25)
Direct Expenses	\$ 11,311,462	\$ 11,269,889	\$ (41,574)
Indirect Expenses	\$ 4,760,031	\$ 4,986,395	\$ 226,363
Inc(Dec) in Fixed Assets	\$ (111,381)	\$ (170,663)	\$ (59,282)
Total Funding Requirement	\$ 15,960,112	\$ 16,085,620	\$ 125,508

Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Program performs a variety of risk-based and dynamic activities to identify, communicate, and mitigate reliability, security and resiliency risks facing the ReliabilityFirst footprint. To achieve maximum effectiveness and consistency, ReliabilityFirst has delineated the responsibility to execute the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program among three coordinated groups: Reliability Assurance, Compliance Monitoring, and Enforcement.

The Reliability Assurance group performs activities to drive continuous improvement; assess risk; and scope compliance monitoring and enforcement activities in accordance with risk. These activities, discussed in further detail in the Reliability Assurance section, include: (1) conducting Inherent Risk Assessments to assess the risk posed by each entity and help determine the scope of compliance monitoring activities; (2) conducting Internal Controls Evaluations to drive continuous improvement and refine the scope of compliance monitoring activities, based upon the maturity of the entity's internal controls; (3) conducting industry training and education; (4) developing lessons learned and identifying key trends to share with the industry; (5) performing registration and certification activities; and (6) conducting risk assessments and supporting mitigation plan activities associated with noncompliances.

The Compliance Monitoring group monitors compliance to the NERC Reliability Standards (Reliability Standards) across 243 registered owners, operators, and users of the BES through a variety of risk-based activities. These monitoring activities are key to reliability, as they ensure that entities have effective controls in place and are following the requirements of the Reliability Standards. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, guided self-certifications, investigations, assessing complaints, and assessing system events from a reliability and compliance perspective to identify and ensure the mitigation of potential risks.

The Enforcement group is responsible for performing ReliabilityFirst's delegated function to enforce, where necessary, compliance with the Reliability Standards. These efforts, discussed in further detail in the Enforcement section, involve ensuring that the selected disposition method for any noncompliance is (1) clearly communicated; (2) appropriately supported by the record in light of the risk posed by the noncompliance; and (3) promotes the desired entity behavior. The Enforcement group focuses on understanding the risks behind each noncompliance and how to effectively mitigate those risks, as well as sending the appropriate message to the noncompliant entity and the broader regulated community (whether deterrent-driven for undesired behavior or incentive-driven for desired behavior).

Major activities for the Reliability Assurance, Compliance Monitoring, and Enforcement groups include the continued implementation of the Risk-Based Compliance Monitoring and Enforcement Program, and efforts connected to the continuing transition to the CIP Version 5 Standards (CIP V5) and future revisions. These are joint ERO Enterprise level initiatives that benefit NERC, the Regional Entities, and the Registered Entities.

A detailed Program Scope and Functional Description for the Reliability Assurance, Compliance Monitoring, and Enforcement groups, as well as the Key Assumptions and Deliverables for each of these groups, can be found in their respective sections below.

Reliability Assurance and Compliance Monitoring (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	37.00	37.00	0.00
Direct Expenses	\$ 9,819,591	\$ 9,854,668	\$ 35,077
Indirect Expenses	\$ 3,892,180	\$ 4,193,105	\$ 300,924
Inc(Dec) in Fixed Assets	\$ (88,783)	\$ (139,535)	\$ (50,752)
Total Funding Requirement	\$ 13,622,989	\$ 13,908,238	\$ 285,249

Reliability Assurance

Program Scope and Functional Description

The activities performed by the Reliability Assurance group include: Inherent Risk Assessments (identifying risks impacting an entity); Internal Controls Evaluations (evaluating the effectiveness of entity internal controls around specific Standards and Requirements); Management Practice Appraisals (evaluating an entity's capability in key management practice areas); and Assist Visits (tailored training centered on the needs of the entity). The group's activities also include organization registration and certification activities; mitigation plan acceptance, approval, and verification; processing and assessment of periodic data submittals; winter preparedness evaluations; risk-harm analysis of non-compliances and participating in the review of self-logged minimal risk issues; creating compliance oversight plans to align monitoring activities with potential risks; providing industry training; BES Definition Exception Process activities; and serving as a technical resource for the Corporation.

2019 Key Assumptions

The Reliability Assurance group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. The Reliability Assurance group also includes the following regional assumptions:

1. Inherent Risk Assessment and Internal Controls Evaluation activities are expected to increase with the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program. This implementation includes completing Inherent Risk Assessments for all Registered Entities, implementing refinements to the Internal Controls Evaluation process and conducting Internal Controls Evaluations upon request by an entity, and ensuring that compliance oversight plans address emerging risks to reliability and are tailored to the inherent risks posed by specific entities.
2. Monitoring and management of compliance monitoring and enforcement metrics in support of NERC's Strategic Plan and Oversight Program is expected to continue.

3. The Multi-Regional Registered Entity (MRRE) process expanded in 2018 and is expected to continue maturing in 2019. To date, ReliabilityFirst has been designated Lead Region for 12 MRRE Groups encompassing 41 entities, and Affected Region for 13 MRRE Groups encompassing 78 entities. It is anticipated, taking into account ReliabilityFirst's location and impact on the eastern interconnection, that ReliabilityFirst may be designated as the Lead Region for additional MRREs. The expansion of the MRRE program has increased the workload associated with coordinating compliance monitoring and enforcement processes under the MRRE process.
4. In accordance with FERC's Order approving NERC's Risk-Based Registration Initiative, registration staff continues to participate in the NERC-led review panels described in the NERC ROP, Appendix 5A, Section III.D.
5. Assist Visits, Management Practice Appraisals, and Internal Controls Evaluations will continue to take place to collaboratively assist an entity's drive for continuous improvement and reliability excellence and its capability in key management practice areas. There was continued high demand for Assist Visits in 2017 and 2018, most of which focused on the transition to and implementation of the CIP V5 Standards. The demand for Assist Visits, including requests for onsite Assist Visits at entity offices, is expected to continue and potentially expand in 2019.
6. ReliabilityFirst has seen an increase in "Extended Assist Visits" in 2018, to support entities who have experienced major challenges related to Reliability Standards compliance or program implementation. These Extended Assist Visits require resource commitments beyond a normal Assist Visit, and can consist of multiple meetings and visits to the entity spread over the course of six to twelve months. These Extended Assist Visits are expected to continue and potentially increase in 2019.
7. There will be an effort to ensure that a specific risk targeted by a particular Reliability Standard is being adequately addressed (i.e., whether the Reliability Standard as written, monitored and enforced for compliance, is effectively mitigating the identified risk.)
8. Work with NERC will continue on the development of educational materials for Registered Entities regarding the Risk-Based Compliance Monitoring and Enforcement Program, Risk-Based Registration, and new and revised Reliability Standards.
9. There will be continued ERO Enterprise-wide collaboration and implementation of consistent risk-based compliance monitoring and enforcement practices and new tools.

2019 Key Deliverables

- Process all registration requests and implement the Risk-Based Registration Initiative.
- Process BES Exception Requests submittals.
- Provide technical assessment of periodic data submittals.

- Provide technical subject matter expertise and support for compliance monitoring and enforcement activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Support the development and integration of advanced analytical capabilities for identifying and determining reliability risks, and conducting various risk assessments (i.e. Regional Risk Assessments, Inherent Risk Assessments, Risk-Harm Assessments, and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Participate in the annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold weather.
- Support the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program, with a focus on the ongoing assessment of ReliabilityFirst Regional Risk Elements, and maturation of the Inherent Risk Assessment and Internal Controls Evaluation processes.
- Support development of the annual CMEP implementation Plan with a focus on Risk Elements and alignment of Areas of Focus.
- Perform Inherent Risk Assessments of entities in alignment with the ERO Guide for Compliance Monitoring to define the scope, recommended process (e.g., audit, spot check, guided self-certification), and interval of compliance monitoring activities for a given entity.
- Conduct risk-harm assessments and develop associated risk statements for all possible noncompliances to assess the potential risk posed by each noncompliance and inform the proper enforcement action(s).
- Perform mitigation plan activities in an effort to return entities to compliance and prevent reoccurrence by:
 - Reviewing proposed mitigation plans and accepting those that contain effective corrective and preventative actions.
 - Communicating with Enforcement and the entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the noncompliance.
 - Verifying mitigation plan completion through the evaluation of evidence provided by the entity to demonstrate that agreed-to actions have been implemented according to established milestones.
 - Conducting outreach activities to help entities move beyond baseline compliance.
- Perform reviews of self-logged non-compliances, submitted quarterly by entities granted logging privileges, to assess the non-compliances and their associated risk determinations and mitigating activities.

- Support the development, training, and outreach for entities to continue successful transition to the CIP V5 Standards.
- Perform Assist Visits, facilitate and support regional workshops, and support monthly “open” reliability and compliance calls to educate entities on reliability and compliance topics.
- Support the integration and use of the ERO Enterprise Learning Management System.
- Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
- Participate in the ERO Enterprise staff learning development process through the ERO working groups and functional area program leaders.

Resource Requirements

- **Personnel**

As noted above in the 2019 Key Assumptions, the demand for Assist Visits and Extended Assist Visits is expected to continue and potentially expand in 2019. Additionally, the MRRE process expanded in 2018 and is expected to continue maturing in 2019. Coordination and workload associated with administering the program has increased in the Inherent Risk Assessments area under the MRRE process. ReliabilityFirst is not adding FTE’s in this area in 2019, but will monitor this area and will reassess whether to add FTE’s to this area in the 2020 Business Plan & Budget. Additionally, plans have been developed to overlap key personnel who have indicated they are near retirement, to allow for adequate knowledge transfer and training of their successors. The potential impact on the budget will be managed and monitored closely as these personnel commit to specific retirement dates.

- **Contractors and Consultants**

Contractor and/or consultant support is budgeted for 2019 to support risk and mitigation activities in the event workload exceeds available resources.

Compliance Monitoring

Program Scope and Functional Description

The activities performed by the Compliance Monitoring group to monitor and help ensure the reliability, security, and resiliency of the BES include: Operations and Planning (O&P) and Critical Infrastructure Protection (CIP) audits; guided self-certifications; investigations; spot checks; assessing complaints; assessing system events from a reliability and compliance perspective to identify and ensure mitigation of potential risks; assisting in the review, approval, and verification of mitigation plans for noncompliances identified during compliance monitoring activities; and managing Technical Feasibility Exceptions (TFEs). The group also serves as industry subject matter experts and technical resources for the Corporation.

2019 Key Assumptions

The Compliance Monitoring group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. The Compliance Monitoring group also includes the following regional assumptions:

1. Assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., audits, spot checks), using a risk-based approach, ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
2. Pursuant to the Risk-Based Compliance Monitoring and Enforcement Program, all entities will have an Inherent Risk Assessment completed to determine their Compliance Oversight Plans and the scope of their engagements. As required by the NERC ROP, Balancing Authority, Transmission Operator, and Reliability Coordinator audits will continue to occur on a three year cycle. For all other entities, ReliabilityFirst will evaluate the entity's Inherent Risk Assessment results to determine if its engagement will continue, be delayed, or be replaced by an alternate compliance monitoring method.
3. NERC has instructed all the Regional Entities to perform Internal Controls Evaluations as part of the compliance monitoring engagement process. This will add time to the monitoring process and increase workload.
4. The implementation of the entity Compliance Oversight Plans has resulted in (and is expected to continue to result in) more frequent touch points across each calendar year, especially in the O&P area, and increased workload.
5. ReliabilityFirst will continue to implement the guidance and process steps contained in the ERO Auditor Handbook and Checklist, and support the continued use and development of ERO auditor tools. ReliabilityFirst will support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide.
6. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. Through NERC training

and other available training courses, ReliabilityFirst will provide the necessary training to continue to provide a credible, skilled, competent, and respected compliance monitoring staff.

7. ReliabilityFirst will continue to seek and implement initiatives to increase efficiencies and productivity. Staff will continue to collaborate with NERC as it develops an ERO Enterprise-wide audit management tool, which will improve the efficiency of monitoring processes and NERC oversight for all the Regions.
8. With the CIP V5 Standards in place, the ERO Enterprise continues to evaluate:
 - a. Whether the approved and ongoing changes in the CIP area will materially change the amount of rigor and time Regional Entities will need to spend on compliance monitoring activities for entities with High, Medium, and Low BES Assets, and BES Cyber Systems, including whether field visits will be required; and
 - b. Whether material changes or additions will be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.

Results of this evaluation may impact the audit scope, regional resource requirements, and expectations that will need to be factored into future resource recommendations for the budget.

9. The increased complexity of the new CIP Standards, and the substantial increase of assets within scope for the CIP Standards has increased the workload for CIP auditors. Moreover, the time required to complete onsite CIP audit reviews often includes site and field visits, based on the scope of the audit and whether initial evidence provided is sufficient to substantiate that an entity is compliant. This has increased the time required for CIP audits, and has added workload in the CIP Monitoring area that is expected to continue. The supply chain management Reliability Standard that is currently being developed is also expected to add workload in the CIP Monitoring area.

The transition to the CIP V5 Standards has also resulted in an additional workload to provide outreach and training to entities owning Low Impact BES Cyber Systems who are new to the monitoring process; and to all entities on the effective implementation of the CIP Standards. Entity outreach is expected to be an ongoing need, given the increasing complexity and continually evolving nature of cybersecurity and the CIP Standards

10. A Technical Feasibility Exception (TFE) Task Force was formed to assure consistency in the administration of TFE requests and to support the preparation of the TFE annual report submitted to FERC. The immediate impact of required changes will be determined as the TFE Task Force moves forward. ReliabilityFirst will continue to support the TFE program with existing CIP staff and will monitor the impact, which will guide the development of any future resource recommendations.

11. CIP Staff will support ERO and Regional outreach and training efforts including the NERC Security Reliability Program, CIP Small Group Advisory Sessions, ReliabilityFirst CIP Workshops, ReliabilityFirst CIP Focus Group Sessions, and CIP-related Assist Visits.

2019 Key Deliverables

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.
- Conduct thorough and professional compliance audits consistently with all Regions through the incorporation of the Auditor Handbook and Checklist. Audit teams will consist of staff supplemented, when necessary, by independent contractors.
- Prepare and distribute compliance monitoring process reports to NERC and Registered Entities.
- Ensure all auditors receive adequate training and meet all NERC auditor training requirements.
- Provide efficiencies in compliance monitoring processes through continued auditor training, development and enhancement of auditor tools, and process improvements.
- Support outreach activities, including two reliability workshops, monthly "open" reliability and compliance calls, bimonthly newsletter articles, CIP V5 Outreach Workshops and training sessions, Assist Visits (as needed), and provide Registered Entity assistance as required.
- CIP audits will be performed as separate audits from Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP audits targeted for 2019 is defined below:
 - 15 CIP audits of entities on the three year cycle (onsite).
 - These audits will be conducted on larger entities with High, Medium, and Low impact BES Cyber Systems.
 - CIP audits of entities with only Low impact BES Cyber Systems will begin in 2019. Historically these audits have been performed as off-site engagements, but it is anticipated that a number of these entities will need to be monitored on site. This will add additional workload to the CIP monitoring team.
- The number of Operations/Planning engagements planned for 2019 is defined below and will be based on the entity's Inherent Risk Assessment and risk the entity poses to the BES.
 - 9 audits of entities on the three year cycle (onsite).
 - 40 audits of entities based upon the Inherent Risk Assessment (previously six year entities).
 - 45 other engagements of entities based upon the Compliance Oversight Plans, which include either Spot Checks and or Guided Self-Certifications.

- Participating as Affected Regional Entity on MRRE Spot Checks, Guided Self-Certifications and Audits: to be determined, based upon risk and the entity's compliance oversight program.
- Spot Checks and Guided Self-Certifications will be used: (1) to assess performance to selected Reliability Standards when an audit is delayed; (2) as an alternate means of monitoring lower risk entities; and (3) on an as-needed basis to address identified risks. Guidance on when a Spot Check or Guided Self-Certification may be appropriate is outlined in the annual CMEP Implementation Plan and will be augmented by ReliabilityFirst's Regional Risk Assessment, Inherent Risk Assessments, and results from compliance monitoring activities that identify emerging risks. Spot Checks and Guided Self-Certifications may also be used to confirm prior self-certifications, self-reports, and the status of mitigation plans or agreed-to mitigation activities associated with settlement agreements.
- Support NERC in continuing the training and outreach for Registered Entities to successfully implement revisions to the CIP standards and Operations/Planning standards.
- Lead development of the annual CMEP implementation Plan with a focus on overall content in coordination with cross-functional groups.
- Complete Compliance Assessment Reviews of system events according to the ReliabilityFirst Compliance Assessment process, to determine if reliability issues associated with the system event require the initiation of a compliance monitoring process; performance of mitigation activities by involved entities; and/or industry outreach and education.

Resource Requirements

- **Personnel**

As discussed above in the 2019 Key Assumptions, the workload in the O&P and CIP monitoring area has continually increased and is expected to continue increasing. This is primarily driven by the expanded CIP scope for entities with only Low Impact BES Cyber Systems, and the fact that more Compliance Oversight Plans also include either Spot Checks or Guided Self-Certifications. Additionally, the MRRE process expanded in 2018 and is expected to continue maturing in 2019. Coordination and workload associated with administering the program has increased in the compliance monitoring area under the MRRE process.

ReliabilityFirst is not adding FTE's in this area in 2019, but will monitor this area and will reassess whether to add FTE's to this area in the 2020 Business Plan & Budget. Additionally, plans have been developed to overlap key personnel who have indicated they are near retirement, in order to allow for adequate knowledge transfer and training of their successors. The potential impact on the budget will be managed and monitored closely as these personnel commit to specific retirement dates.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2019 to temporarily supplement staff in the event workload exceeds available resources.

Reliability Assurance and Compliance Monitoring Budget Detail

The following table shows funding sources and related expenses for the Reliability Assurance and Compliance Monitoring section of the 2019 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2018 Budget and Projection, and 2019 Budget					
Reliability Assurance and Compliance Monitoring					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 12,424,532	\$ 12,424,532	\$ -	\$ 13,747,063	\$ 1,322,530
Penalty Sanctions	1,167,928	1,167,928	-	196,542	(971,387)
Total ReliabilityFirst Funding	\$ 13,592,461	\$ 13,592,461	\$ -	\$ 13,943,605	\$ 351,144
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	30,528	30,528	-	30,032	(496)
Miscellaneous	-	-	-	-	-
Total Funding	13,622,989	13,622,989	-	13,973,637	350,648
Expenses					
Personnel Expenses					
Salaries	\$ 6,499,775	\$ 6,499,775	\$ -	\$ 6,588,226	\$ 88,450
Payroll Taxes	389,918	389,918	-	403,367	13,449
Benefits	1,000,275	1,000,275	-	1,052,759	52,483
Retirement Costs	1,012,231	1,012,231	-	1,028,338	16,107
Total Personnel Expenses	\$ 8,902,200	\$ 8,902,200	\$ -	\$ 9,072,689	\$ 170,490
Meeting Expenses					
Meetings	\$ 44,675	\$ 44,675	\$ -	\$ 20,900	\$ (23,775)
Travel	456,300	456,300	-	413,000	(43,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 500,975	\$ 500,975	\$ -	\$ 433,900	\$ (67,075)
Operating Expenses					
Consultants & Contracts	\$ 111,600	\$ 111,600	\$ -	\$ 88,950	\$ (22,650)
Office Rent	-	-	-	-	-
Office Costs	293,885	293,885	-	250,379	(43,506)
Professional Services	-	-	-	-	-
Miscellaneous	3,500	3,500	-	3,750	250
Depreciation	7,432	7,432	-	5,000	(2,432)
Total Operating Expenses	\$ 416,417	\$ 416,417	\$ -	\$ 348,079	\$ (68,338)
Total Direct Expenses	\$ 9,819,591	\$ 9,819,591	\$ -	\$ 9,854,668	\$ 35,077
Indirect Expenses	\$ 3,892,180	\$ 3,892,180	\$ -	\$ 4,261,174	\$ 368,994
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 13,711,772	\$ 13,711,772	\$ -	\$ 14,115,843	\$ 404,071
Change in Assets	\$ (88,783)	\$ (88,783)	\$ -	\$ (142,206)	\$ (53,423)
Fixed Assets					
Depreciation	(7,432)	(7,432)	-	(5,000)	2,432
Computer Hardware & Software CapEx	20,000	20,000	-	30,000	10,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ 12,568	\$ 12,568	\$ -	\$ 25,000	\$ 12,432
Allocation of Fixed Assets	\$ (101,351)	\$ (101,351)	-	\$ (167,206)	\$ (65,855)
Inc/(Dec) in Fixed Assets	\$ (88,783)	\$ (88,783)	\$ -	\$ (142,206)	\$ (53,423)
Total Budget	\$ 13,622,989	\$ 13,622,989	\$ -	\$ 13,973,637	\$ 350,648
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ (0)
FTEs	37.00	37.00	-	37.00	-

Enforcement

Enforcement (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	8.25	7.00	(1.25)
Direct Expenses	\$ 1,491,871	\$ 1,415,220	\$ (76,651)
Indirect Expenses	\$ 867,851	\$ 793,290	\$ (74,561)
Inc(Dec) in Fixed Assets	\$ (22,598)	\$ (31,128)	\$ (8,530)
Total Funding Requirement	\$ 2,337,124	\$ 2,177,382	\$ (159,742)

Program Scope and Functional Description

The Enforcement group performs ReliabilityFirst's delegated function to enforce compliance with the Reliability Standards. This effort involves ensuring that the selected disposition method for any noncompliance is consistent with the risk posed by the noncompliance; is adequately supported by the record; and promotes desired entity behaviors to enhance reliability.

In the event that a noncompliance is enforced, Enforcement staff is responsible for (1) drafting and negotiating with entities all necessary disposition documents; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; (4) ensuring that the record and related disposition documents comply with all applicable (a) FERC orders, rules, and regulations, (b) NERC ROP and Appendices, guidance, and ERO-wide program documents, and (c) ReliabilityFirst policies and procedures (collectively, "applicable orders, rules, and procedures"); and (5) performing hearings where necessary. In the event that a noncompliance is not enforced (*e.g.*, compliance exception or dismissal), Enforcement staff is responsible for (1) drafting all necessary internal disposition reports and external disposition documents and notices; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; and (4) ensuring that the record and related disposition documents comply with all applicable orders, rules, and procedures.

For continuity and stakeholder convenience, Enforcement staff serve as a single point of contact for entities for noncompliance-related communications, including answering entity questions and providing regular updates on disposition matters. The Enforcement staff is heavily involved in external outreach to help entities understand noncompliance trends and themes that may be early indicators of programmatic or systemic challenges. The Enforcement staff also partners with the Risk Analysis and Mitigation staff to provide targeted training to entities focusing on quality self-reporting and mitigation plans.

ReliabilityFirst frequently serves as the lead Region in resolving multi-regional enforcement actions for designated MRREs. Consequently, Enforcement staff devotes substantial resources to coordinate the enforcement work of various Regions, obtain consensus on a myriad of issues, and negotiate acceptable resolutions.

Enforcement staff regularly works with FERC, NERC, the other Regions, and industry to shape risk-based, effective enforcement policies that drive desired entity behavior. This work includes drafting, or supporting the drafting, of ERO-wide enforcement program documents and enforcement related regulatory filings, presenting and training on enforcement programs in various forums, and monitoring and managing enforcement metrics in support of NERC's strategic Plan and Oversight Program. Enforcement staff also works with NERC and the other Regions to promote and otherwise ensure collaboration and implementation of consistent enforcement practices focused on higher reliability risks.

2019 Key Assumptions

The Enforcement group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. It also includes the following regional assumptions:

1. The number of CIP noncompliances may continue to increase due to implementation of the CIP V5 Standards, which increased the scope of assets covered. The number of Operations and Planning noncompliances may increase due to revisions of certain Reliability Standards and new Reliability Standards becoming effective.
2. ReliabilityFirst anticipates that the majority of noncompliances will continue to trend as minimal or moderate risk, however the complexity of these noncompliances will continue to increase as entities are expected to grow and mature. In light of these developments, an increase in staff would ensure the sustainability of continued success in meeting corporate goals, while continuing to provide substantive support to entities and avoiding the creation of any backlog.
3. Complex, higher-risk noncompliances disposed as Settlement Agreements will require approximately 50% of Enforcement resources. These matters often involve more complex mitigation, above and beyond action items, and the negotiation of sanctions.
4. The Find Fix and Track (FFT) disposition method will be used for moderate risk issues. It will continue to be used less often in favor of the Compliance Exception disposition method, which will be used for almost all qualified minimal risk noncompliances.
5. Enforcement staff will spend significant time ensuring adequate records are created for minimal risk issues. The expenditure of this time will be driven by anticipated receipt of minimal risk issues for the CIP V5 Standards, as well as increased participation in the self-logging program and case by case compliance exception mechanisms.
6. ReliabilityFirst will frequently serve as the lead Region for MRREs. The disposition of MRRE noncompliances takes additional time to coordinate dispositions, review mitigation and negotiate acceptable solutions with Affected Regions.
7. Enforcement staff will work with FERC, NERC, the other Regions, and the industry to shape effective and risk-based enforcement policies that drive desired behavior and ensure consistency.

8. The number of hearings to be conducted is unknown, and therefore no internal or external resources have been budgeted for hearings.
9. Enforcement staff will provide outreach to industry through internal support of functional initiatives (e.g., Inherent Risk Assessments; Regional Risk Assessments; Internal Control Evaluations); workshop presentations and participation in panel discussions; webinars; targeted entity training; identification and sharing of lessons learned; and contributions to the RF newsletter.

2019 Key Deliverables

- Continue to focus on resolving enforcement actions in a thoughtful, risk-based, reliability focused manner.
- Ensure that the use of discretion in Enforcement is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
- Conduct initial fact and circumstance reviews of noncompliances and communicate with the entity through each step of the enforcement process.
- Continue to work with the Reliability Assurance group to refine the risk-harm assessment process, a key input into enforcement decision making.
- Continue to increase efficiency, through process improvement, in dispositioning enforcement actions and preparing settlement agreements.
- Continue to work with NERC and the other Regions to shape a well-reasoned Enforcement philosophy that results in risk-based, uniform, repeatable, transparent, and reliability-focused approaches.
- Use knowledge obtained in the context of Inherent Risk Assessments and Internal Controls Evaluations to assure informed decision-making
- Draft and negotiate with entities all necessary disposition documents
- Ensure all requisite notices are timely issued, and provide post-filing support and advocacy with NERC and FERC
- Ensuring that the record of a noncompliance and the related disposition documents comply with all applicable orders, rules, and procedures.

Resource Requirements

- **Personnel**

An increase of one FTE is budgeted for 2019 in an effort to ensure the department's continuous improvement, ability to timely and effectively enforce complex noncompliances while remaining an accessible single point of contact for our Registered Entities. The quality of risk communication, deeper understanding of our Registered Entities risk profiles and our ability to identify trends, share lessons learned and proactively target and train entities based on risk and compliance history are necessary to the Enforcement department's effectiveness. As described in the Assumptions section, there has been an

increase in the number of noncompliances with the CIP V5 Standards, due to the increased scope of the assets covered and prescriptiveness of the standards which creates more opportunity for noncompliance. There has been a slight increase in the number of noncompliances with the Operations and Planning Standards, due to revised Operations and Planning Standards becoming effective. While Operations and Planning Standards noncompliances have decreased over time, upcoming technical requirements and maintenance and testing standards that drive longer durations before being identified and corrected will continue to provide opportunities for proactive outreach and shared lessons learned. The complexities of our entities and the nature of our industry continue to evolve requiring more in-depth analysis to appropriately dispose of noncompliances. Under the MRRE program, the Enforcement department serves as the Lead Regional Entity for twelve (12) parent registered entities and their subsidiaries. The MRRE Program and efforts to increase transparency and consistency across the Regions has also resulted in additional workload.

Currently the Enforcement group has three (3) Case Managers dedicated to the disposition of noncompliances while also serving as the single point of contact for 246 registered entities. Working at maximum capacity (~200 hours overtime annually per employee), the Enforcement group has struggled over the years to meet internal metrics focused on the timely and efficient processing of noncompliances. In addition to processing noncompliances, the Case Managers also contribute to cross-functional support of risk communication, mitigation, and identification. The 2019 Manpower FTE analysis indicates an additional FTE to support Enforcement's current responsibilities. Noncompliance intake continues to trend upwards which will continue to strain the current Case Manager's ability to process violations in a timely and efficient manner. An additional FTE will better position the Enforcement department to balance caseloads in an effort to be more responsive to the foreseen and unforeseen future needs of the organization and industry.

The Enforcement group has evaluated its processes, workload, and staffing levels and has determined that, due to the volume and complexities of noncompliances, and the criticality of resolving dispositions within a timely manner, an additional staff Case Manager is necessary. The Enforcement group has and will continue to identify and implement various process improvements going forward.

Although the Enforcement group is budgeting an increase of one FTE, the 2019 Business Plan and Budget reflects a net decrease of 1.25 FTEs in the Enforcement group, due to the reallocation of one FTE to the Training, Education, and Operator Certification group; one FTE to the Legal group; and .25 FTE to the Situation Awareness and Infrastructure Security Program. The reallocation of these FTEs was necessary to provide the needed resources and skill sets in these areas, and better reflects work these employees are performing.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Enforcement Budget Detail

The following table shows funding sources and related expenses for the Enforcement section of the *2019 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2018 Budget and Projection, and 2019 Budget					
Enforcement					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,069,900	\$ 2,069,900	\$ -	\$ 2,146,889	\$ 76,989
Penalty Sanctions	260,416	260,416	-	37,184	(223,233)
Total ReliabilityFirst Funding	\$ 2,330,317	\$ 2,330,317	\$ -	\$ 2,184,073	\$ (146,244)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	6,807	4,950	(1,856)	5,682	(1,125)
Miscellaneous	-	-	-	-	-
Total Funding	2,337,124	2,335,267	(1,856)	2,189,755	(147,369)
Expenses					
Personnel Expenses					
Salaries	\$ 1,058,684	\$ 1,058,684	\$ -	\$ 987,123	\$ (71,561)
Payroll Taxes	71,181	71,181	-	64,657	(6,524)
Benefits	163,026	163,026	-	178,498	15,472
Retirement Costs	165,691	165,691	-	152,760	(12,931)
Total Personnel Expenses	\$ 1,458,582	\$ 1,458,582	\$ -	\$ 1,383,038	\$ (75,544)
Meeting Expenses					
Meetings	\$ 2,500	\$ 2,500	\$ -	\$ 1,600	\$ (900)
Travel	23,000	23,000	-	23,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 25,500	\$ 25,500	\$ -	\$ 24,600	\$ (900)
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	7,789	7,789	-	7,582	(207)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 7,789	\$ 7,789	\$ -	\$ 7,582	\$ (207)
Total Direct Expenses	\$ 1,491,871	\$ 1,491,871	\$ -	\$ 1,415,220	\$ (76,651)
Indirect Expenses	\$ 867,851	\$ 631,164	\$ (236,687)	\$ 806,168	\$ (61,683)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,359,722	\$ 2,123,035	\$ (236,687)	\$ 2,221,388	\$ (138,334)
Change in Assets	\$ (22,598)	\$ 212,232	\$ 234,830	\$ (31,634)	\$ (9,035)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (22,598)	\$ (16,435)	6,163	\$ (31,634)	\$ (9,035)
Inc/(Dec) in Fixed Assets	\$ (22,598)	\$ (16,435)	\$ 6,163	\$ (31,634)	\$ (9,035)
Total Budget	\$ 2,337,124	\$ 2,106,600	\$ (230,523)	\$ 2,189,755	\$ (147,369)
Total Change in Working Capital	\$ -	\$ 228,667	\$ 228,667	\$ -	\$ -
FTEs	8.25	6.00	(2.25)	7.00	(1.25)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	8.35	7.60	(0.75)
Direct Expenses	\$ 2,076,169	\$ 2,071,633	\$ (4,536)
Indirect Expenses	\$ 878,370	\$ 861,286	\$ (17,084)
Inc(Dec) in Fixed Assets	\$ (25,249)	\$ (37,248)	\$ (11,999)
Total Funding Requirement	\$ 2,929,290	\$ 2,895,671	\$ (33,619)

Program Scope and Functional Description

ReliabilityFirst's Reliability Assessment and Performance Analysis (RAPA) staff independently analyzes, assesses, and reports on the reliability and adequacy of the BES within the ReliabilityFirst footprint. RAPA staff helps identify and assess risks across the ReliabilityFirst footprint, and its deliverables are a major contributor to the risk-based efforts of the entire organization. This work includes the performance of resource and transmission assessment studies; special analyses and investigations as warranted; and the collection and dissemination of data, lessons learned, and other information. The RAPA program provides resources and data input for the technical analyses and support of the many risk-based activities described in the Reliability Assurance and Compliance Monitoring sections.

2019 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the Reliability Assessment and Performance Program.

2019 Key Deliverables

- Assessments of Reliability Performance
 - Perform seasonal (summer and winter) risk analyses of the projected resource adequacy for PJM Interconnection, LLC (PJM) and Midcontinent Independent System Operator (MISO), the two Regional Transmission Organizations (RTO) that operate within ReliabilityFirst. As part of these risk analyses, produce seasonal RTO "waterfall" risk charts depicting the range of available capacity reserves for the forecasted normal (50/50) and extreme (90/10) seasonal peak demand levels; and historical long-term forecast and demand charts.

- Perform seasonal (summer and winter); near-term (typically five years into the future); and extreme transmission assessment studies, and produce reports on these transmission assessment studies.
- Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, special assessment, and long-term reports.
- Provide technical support for the ERO Enterprise's expanded and enhanced system studies and help perform analyses as needed.
- Work with neighboring Regional Entities within the Eastern Interconnection Reliability Assessment Group (ERAG) to perform Eastern Interconnection assessment studies and produce reports.
- Update power flow base case models as needed for regional study efforts.
- Reporting Requirements
 - Submit ReliabilityFirst load, capacity, and transmission data and power flow base cases annually for the US Department of Energy's EIA-411 report.
 - Assist NERC in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), and the Misoperation Information Data Analysis System (MIDAS). All these systems can be used for data analytics across the ERO Enterprise.
- Other Requirements and Activities
 - Publish lessons learned that are developed from misoperation reporting and other sources.
 - Continue to participate in ERAG, the MMWG, and other ERAG groups.
 - Analyze protective relay misoperation information and track corrective action plans, as reported in the NERC MIDAS system. Facilitate a peer review process of this data via the ReliabilityFirst Protection Subcommittee.
 - Conduct initial and periodic Special Protection System reviews and maintain a database of regional Special Protection Systems.
 - Review under-frequency load shed (UFLS) information.
 - Review under-voltage load shed (UVLS) information.
 - Develop and maintain a linear contingency database for transmission assessment studies.
 - In support of the ERO Enterprise, actively participate (and in some cases serve in leadership roles) in NERC committees, subcommittees, task forces, and other technical groups, such as the Planning Committee, Operating Committee, and associated subgroups, as well as the ERO-RAPA group.
 - Continue to support stakeholder participation and interaction through various regional technical groups, including the Reliability Committee (a technical advisory

body to the ReliabilityFirst Board of Directors) and its subcommittees and task forces. These groups provide technical advice, perform technical reviews, and provide input on emerging reliability issues. These groups also provide the opportunity for stakeholders to debate current issues, share lessons learned, and discuss success stories and near-misses in a technical forum.

- Provide the various regional technical groups with information and knowledge to help entities improve human performance.
- Provide Registered Entities with tailored training and interaction through recurring workshops (such as the Protection Workshop for Technical Personnel and training to the Protection Subcommittee by a relay vendor).
- Provide knowledge, techniques, and data input in support of ReliabilityFirst's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year. However, plans have been developed to overlap key personnel who have indicated they are near retirement, in order to allow for adequate knowledge transfer and training of their successors. The potential impact on the budget will be managed and monitored closely as these personnel commit to specific retirement dates.

The 2019 Business Plan and Budget reflects a net decrease of 0.75 FTEs in this group. This decrease is due to the reallocation of FTE hours to the Compliance Monitoring Program and the Situation Awareness and Infrastructure Security Program, to better align administrative resources to support these functions.

- **Contractors and Consultants**

Contractor and consulting support is budgeted to support:

- ERAG steady state and dynamic base case model assembly through the Multiregional Modeling Working Group (MMWG) processes,
- ERAG event analysis process(es) and tools to develop steady state and dynamic models for analyzing system disturbances,
- ERAG reviews of Planning Coordinator assessments, and
- ERAG assessment studies.

The total cost of ERAG contractor and consulting support is shared across all five Regional Entities in the Eastern Interconnection.

Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2019 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2018 Budget and Projection, and 2019 Budget					
Reliability Assessment and Performance Analysis					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,658,828	\$ 2,658,828	\$ -	\$ 2,862,565	\$ 203,737
Penalty Sanctions	263,573	263,573	-	40,371	(223,202)
Total ReliabilityFirst Funding	\$ 2,922,401	\$ 2,922,401	\$ -	\$ 2,902,935	\$ (19,465)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	6,889	6,271	(619)	6,169	(721)
Miscellaneous	-	-	-	-	-
Total Funding	2,929,290	2,928,671	(619)	2,909,104	(20,186)
Expenses					
Personnel Expenses					
Salaries	\$ 1,329,564	\$ 1,329,564	\$ -	\$ 1,343,225	\$ 13,661
Payroll Taxes	83,004	83,004	-	82,910	(94)
Benefits	175,455	175,455	-	156,771	(18,684)
Retirement Costs	215,123	215,123	-	212,370	(2,753)
Total Personnel Expenses	\$ 1,803,146	\$ 1,803,146	\$ -	\$ 1,795,276	\$ (7,870)
Meeting Expenses					
Meetings	\$ 16,700	\$ 16,700	\$ -	\$ 8,000	\$ (8,700)
Travel	91,500	91,500	-	94,650	3,150
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 108,200	\$ 108,200	\$ -	\$ 102,650	\$ (5,550)
Operating Expenses					
Consultants & Contracts	\$ 119,812	\$ 119,812	\$ -	\$ 126,812	\$ 7,000
Office Rent	-	-	-	-	-
Office Costs	42,434	42,434	-	43,443	1,009
Professional Services	-	-	-	-	-
Miscellaneous	200	200	-	-	(200)
Depreciation	2,377	2,377	-	3,452	1,075
Total Operating Expenses	\$ 164,823	\$ 164,823	\$ -	\$ 173,707	\$ 8,884
Total Direct Expenses	\$ 2,076,169	\$ 2,076,169	\$ -	\$ 2,071,633	\$ (4,536)
Indirect Expenses	\$ 878,370	\$ 799,475	\$ (78,896)	\$ 875,268	\$ (3,102)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,954,539	\$ 2,875,644	\$ (78,896)	\$ 2,946,901	\$ (7,638)
Change in Assets	\$ (25,249)	\$ 53,027	\$ 78,277	\$ (37,797)	\$ (12,548)
Fixed Assets					
Depreciation	(2,377)	(2,377)	-	(3,452)	(1,075)
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (2,377)	\$ (2,377)	\$ -	\$ (3,452)	\$ (1,075)
Allocation of Fixed Assets	\$ (22,872)	\$ (20,818)	2,054	\$ (34,345)	\$ (11,473)
Inc/(Dec) in Fixed Assets	\$ (25,249)	\$ (23,195)	\$ 2,054	\$ (37,797)	\$ (12,548)
Total Budget	\$ 2,929,290	\$ 2,852,449	\$ (76,841)	\$ 2,909,104	\$ (20,186)
Total Change in Working Capital	\$ -	\$ 76,222	\$ 76,222	\$ -	\$ 0
FTEs	8.35	7.60	(0.75)	7.60	(0.75)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 712,087	\$ 771,893	\$ 59,806
Indirect Expenses	\$ 315,582	\$ 345,501	\$ 29,918
Inc(Dec) in Fixed Assets	\$ (8,218)	\$ (6,557)	\$ 1,660
Total Funding Requirement	\$ 1,019,452	\$ 1,110,836	\$ 91,385

Program Scope and Functional Description

Effective training and outreach is critical to leverage and advance industry practices surrounding risk identification, mitigation, and prevention. The ReliabilityFirst Training and Education Program focuses on providing relevant training to entities operating in the ReliabilityFirst region. ReliabilityFirst's training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

ReliabilityFirst's Instructional System Designer participates in the NERC Staff Training Group, which helps identify industry and Regional Entity staff training needs. ReliabilityFirst does not provide system operator certification training, as it is provided by the Regional Transmission Organizations within the Region.

2019 Key Assumptions

The Training and Education Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the ReliabilityFirst Training and Education Program.

2019 Key Deliverables

- Industry Education
 - ReliabilityFirst will continue its effort to increase and add greater focus to its activities aimed at helping entities achieve excellence in reliability, security and resiliency. These activities include:
 - The issuance of announcements, newsletters, and reports on key reliability, security, and resiliency issues facing ReliabilityFirst and the industry.
 - Communication of key risks and risk mitigation strategies.

- In concert with the ERO Event Analysis team, the development and publishing of lessons learned/best practices from system events and disturbances.
 - Guidance on the CIP V5 Reliability Standards, including a focus on “Low Impact Only” entities, and on other new and revised Reliability Standards.
 - Guidance on the implementation of the Risk-Based Compliance Monitoring and Enforcement Program, including on Inherent Risk Assessments and Internal Controls Evaluations
 - Identification and communication of common themes and root causes of Reliability Standard violations.
 - Efforts to better prepare entities for compliance audits and enforcement activities.
 - Open compliance and enforcement calls that cover a span of compliance, CIP V5 transition, and enforcement related topics.
 - Sharing best practices concerning generator plant winter readiness.
 - Webinars on the compliance monitoring and enforcement process.
 - Increased focus on any lessons learned or trends identified from reliability assessments.
 - Posting educational materials on the ReliabilityFirst public website on pertinent reliability, security, and resiliency topics
- Industry Workshops
 - Continue workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders. Workshops and forums will focus on understanding and mitigating risks to reliability, security, and resiliency within the ReliabilityFirst footprint. Workshops to be conducted include:
 - Two Reliability workshops (spring and fall) to promote a culture of reliability focusing on security, resiliency, risk management, and targeted discussion on methods to demonstrate compliance.
 - Open forums to provide insight into new Reliability Standards developed and approved by the industry, changes in the Compliance Monitoring and Enforcement Program, communications with our registered entities around identified and emerging risks, Critical Infrastructure Protection issues, trends that could develop into a risk or other topics requested by entities.
 - CIP Standards Workshop to provide insight into the evolution of these Standards and to provide a forum for entities to share thoughts, problems, and solutions.
 - Additional, targeted workshops to address emerging risks (e.g., misoperations, human performance, and technology) as the need is identified and the sessions can be scheduled.

Resource Requirements

- **Personnel**

Although there was no change in the total number of FTEs in this program, there was a decrease in personnel expenses due to realignment of staff.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2019 to assist with the initiatives aimed at helping entities achieve excellence in reliability, security, and resiliency.

Training, Education, and Operator Certification Program Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the *2019 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2018 Budget and Projection, and 2019 Budget					
Training, Education, and Operator Certification Program					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 922,279	\$ 922,279	\$ -	\$ 1,092,466	\$ 170,186
Penalty Sanctions	94,697	94,697	-	15,936	(78,761)
Total ReliabilityFirst Funding	\$ 1,016,976	\$ 1,016,976	\$ -	\$ 1,108,401	\$ 91,425
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	2,475	2,475	-	2,435	(40)
Miscellaneous	-	-	-	-	-
Total Funding	1,019,452	1,019,452	-	1,110,836	91,385
Expenses					
Personnel Expenses					
Salaries	\$ 416,078	\$ 416,078	\$ -	\$ 386,731	\$ (29,347)
Payroll Taxes	28,228	28,228	-	24,369	(3,859)
Benefits	65,095	65,095	-	80,980	15,885
Retirement Costs	66,286	66,286	-	61,091	(5,195)
Total Personnel Expenses	\$ 575,687	\$ 575,687	\$ -	\$ 553,171	\$ (22,516)
Meeting Expenses					
Meetings	\$ 136,400	\$ 136,400	\$ -	\$ 181,500	\$ 45,100
Travel	-	-	-	6,000	6,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 136,400	\$ 136,400	\$ -	\$ 187,500	\$ 51,100
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	8,222	8,222
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	3,000	3,000
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 31,222	\$ 31,222
Total Direct Expenses					
	\$ 712,087	\$ 712,087	\$ -	\$ 771,893	\$ 59,806
Indirect Expenses					
	\$ 315,582	\$ 315,582	\$ -	\$ 345,501	\$ 29,918
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,027,669	\$ 1,027,669	\$ -	\$ 1,117,394	\$ 89,724
Change in Assets	\$ (8,218)	\$ (8,218)	\$ -	\$ (6,557)	\$ 1,660
Fixed Assets					
Depreciation	-	-	-	(3,000)	(3,000)
Computer Hardware & Software CapEx	-	-	-	10,000	10,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ -	\$ -	\$ -	\$ 7,000	\$ 7,000
Allocation of Fixed Assets	\$ (8,218)	\$ (8,218)	-	\$ (13,557)	\$ (5,340)
Inc/(Dec) in Fixed Assets	\$ (8,218)	\$ (8,218)	\$ -	\$ (6,557)	\$ 1,660
Total Budget	\$ 1,019,452	\$ 1,019,452	\$ -	\$ 1,110,836	\$ 91,385
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ 0
FTEs	3.00	3.00	-	3.00	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	4.00	7.00	3.00
Direct Expenses	\$ 1,085,245	\$ 1,696,667	\$ 611,422
Indirect Expenses	\$ 420,776	\$ 806,168	\$ 385,392
Inc(Dec) in Fixed Assets	\$ (20,977)	\$ (37,710)	\$ (16,733)
Total Funding Requirement	\$ 1,485,044	\$ 2,465,125	\$ 980,081

Program Scope and Functional Description

In support of the ERO, the Situation Awareness and Infrastructure Security staff, in coordination with members of the Reliability Assessment and Performance Analysis and Reliability Assurance groups, monitors present conditions on and emerging threats to the BES. The Situation Awareness and Infrastructure Security staff also performs event analysis for system disturbances and events. During the event analysis process, ReliabilityFirst works with entities to identify and analyze the root causes of system events, complete event analysis reports, and communicate the resulting information and lessons learned to the industry.

The Situation Awareness and Infrastructure Security activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection. The Situation Awareness and Infrastructure Security program area addresses two separate but related functions, Situation Awareness and Critical Infrastructure Protection (CIP).

The Situation Awareness and Infrastructure Security program supports the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, implementing Reliability Standards developed to reinforce infrastructure security, maintaining an awareness of conditions on the BES, and identifying potential and emerging threats to the BES.

In 2018, as part of a corporate reorganization, the Situation Awareness and Infrastructure Security Program expanded to include Analytics and Configuration Management functions, which support the entire ReliabilityFirst organization. This consolidation of Analytics, Configuration Management, and Situation Awareness will improve the timeliness and value of information used by ReliabilityFirst in its focus on risk-based reliability.

2019 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. It also includes the following regional assumptions:

1. National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and

Data Acquisition, and information technology assets. ReliabilityFirst will participate in these exercises as appropriate.

2. ReliabilityFirst Situation Awareness and Infrastructure Security staff will monitor projects related to grid resilience and security such as the Cyber Resilient Energy Delivery Consortium. Staff will participate in these projects as appropriate, incorporate lessons learned from these projects into ReliabilityFirst's tools and processes, and share lessons learned with entities as appropriate.
3. The event analysis program was reallocated from the Reliability Assurance and Compliance Monitoring Program to the Situation Awareness and Infrastructure Security Program, in order to group together ReliabilityFirst's activities connected to event analysis, situational awareness, and emerging threats. This centralizes and clarifies ReliabilityFirst's work in these three interrelated areas, as the work associated with them was previously dispersed across the organization.
4. The Analytics and Configuration Management functions were recently transferred from the Reliability Assurance and Compliance Monitoring program, respectively, in order to align advanced analytical capabilities and configuration management principles with activities connected to event analysis, situational awareness, and emerging threats. Analytics continues to mature as a service across the entire organization. The intent of the Analytics program at ReliabilityFirst is to develop and evolve the corporation's statistical analysis capabilities and use of data to gain a better understanding of the risks facing the industry. ReliabilityFirst is poised to integrate Analytics as a key component of the risk based decision-making strategy adopted by ReliabilityFirst. ReliabilityFirst also continues to evolve the Configuration Management program, which organizes and manages changes to RF's complete library of data, documents, software and hardware.

2019 Key Deliverables

- Support of the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC)
 - The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the Region. Situation Awareness and Infrastructure Security staff will support the CIPC through the scheduling and facilitation of CIPC meetings and webinars and the dissemination of messages, alerts, and warnings from NERC, the Electricity Information Sharing and Analysis Center (E-ISAC), and the U.S. Department of Homeland Security (U.S. DHS) to the CIPC as permitted. Staff will also work to encourage and support sharing of information between entities and the E-ISAC.
- Support/Oversee ReliabilityFirst Staff Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-014)
 - ReliabilityFirst is committed to complying with the intent of the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security staff will provide training, guidance, and oversight to the ReliabilityFirst staff, particularly the Information Technology staff, in achieving compliance to these Standards.

- Provide Information on CIP-Related Issues
 - This activity involves dissemination of information to entities from agencies such as the E-ISAC, the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.
 - Situation Awareness and Infrastructure Security staff will work with other members of the NERC CIPC and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience and will promote the use of this messaging system for exchange of security-related information.
- Monitor the Health of the BES
 - The use of situation awareness tools by staff has been evolving over the last few years. Situation Awareness and Infrastructure Security staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and uses the SAFNRv2 displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such, will use tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to SAFNR Version 2, to monitor the health of the BES within the ReliabilityFirst geographical area. In addition to the tools just mentioned, ReliabilityFirst will investigate other tools for monitoring the grid.
- Facilitate the ReliabilityFirst Threats and Vulnerabilities Team
 - In early 2014, ReliabilityFirst created a cross-functional team of subject matter experts to monitor, quantify, and assess new and emerging threats to the BES. The team continues to mature the tools and techniques used to perform this activity in support of the Reliability Assurance program. In 2019, the team will enhance its ability to collect and analyze data, leveraging the Analytics program to better identify and quantify emerging threats to the BES and to provide additional input to the ReliabilityFirst Regional Risk Assessment program. Tools used to quantify threats will continue to be assessed for applicability to the work of the Threats and Vulnerabilities Team.
- Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office
 - A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets.
 - A disaster recovery plan deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout.
 - A pandemic plan focuses on business continuity in the face of a declared pandemic.

- Assist stakeholders in complying with CIP Standards
 - As the NERC Cyber Security Standards (CIP-002 - CIP-011), the Physical Security Standard (CIP-014), and the Supply Chain Standard (CIP-13) evolve, entities will continue to monitor and implement revisions to the Standards. Situation Awareness and Infrastructure Security staff will be available to answer questions concerning these Standards and, in coordination with the ReliabilityFirst CIPC, will sponsor/support regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by entities.
- Support the Compliance Monitoring and Enforcement Program
 - Support the activities involving CIP-related issues and events in the Compliance Monitoring and Enforcement program, by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the CIP Standards (CIP-002 - CIP-014).
- Collect, validate, review, and analyze data for system events and disturbances as described in the NERC ERO Event Analysis Process and the ReliabilityFirst Event Analysis Process.
 - For system events and disturbances, cooperate with NERC and FERC staff and other Regional staff to ensure root causes, corrective actions, lessons learned, and recommendations are identified and shared across the ERO Enterprise and the industry.
 - Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Continue to expand and enhance the ReliabilityFirst Analytics capabilities to provide improved statistics and modeling across the organization.
- Lead the development and integration of advanced analytic & business intelligence capabilities for identifying and determining reliability risks and conducting various risk assessments (e.g., Regional Risk Assessments and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Support and leverage cross-functional collaboration to use Analytics within RF and across the ERO Enterprise.
 - Collaborate with RAPA in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), and the Misoperation Information Data Analysis System (MIDAS).
 - Collaborate with Reliability Assurance and Monitoring, Enforcement, and Legal, to explore and develop analytical solutions, where applicable.
- Lead the development and integration of Data Warehousing Governance, Management, and underlying databases.

- Lead further integration and use of Configuration Management within RF.
- Lead the annual Regional Risk Assessment execution and output, supported by a cross-functional team.
- Provide technical subject matter expertise and support for regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.

Resource Requirements

- **Personnel**

As discussed above in the 2019 Key Assumptions Section, ReliabilityFirst’s Analytics and Configuration Management functions were recently reallocated from the Reliability Assurance and Reliability Standards groups, respectively, to the Situation Awareness and Infrastructure Security group. Two FTEs transitioned into the Situation Awareness and Infrastructure Security group as part of this reallocation. Additionally, one administrative FTE from the Human Resources group was reallocated to the Situation Awareness and Infrastructure Security group as part of a realignment of administrative resources. At this time, no additional FTEs are planned. In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff.

- **Contractors and Consultants**

Contractor support is budgeted to support the ReliabilityFirst data warehouse project. The data warehouse project is intended to centralize ReliabilityFirst’s data sets and provide business intelligence capabilities for better integration of disparate data sets and add visualization functions to better identify areas of concern or areas needing additional analysis.

Situation Awareness and Infrastructure Security Program Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2019 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2018 Budget and Projection, and 2019 Budget					
Situation Awareness and Infrastructure Security					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 1,355,482	\$ 1,355,482	\$ -	\$ 2,422,260	\$ 1,066,778
Penalty Sanctions	126,263	126,263	-	37,184	(89,079)
Total ReliabilityFirst Funding	\$ 1,481,744	\$ 1,481,744	\$ -	\$ 2,459,443	\$ 977,699
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	3,300	5,776	2,475	5,682	2,381
Miscellaneous	-	-	-	-	-
Total Funding	1,485,044	1,487,520	2,475	2,465,125	980,081
Expenses					
Personnel Expenses					
Salaries	\$ 740,911	\$ 740,911	\$ -	\$ 1,056,516	\$ 315,605
Payroll Taxes	43,236	43,236	-	64,475	21,239
Benefits	113,990	113,990	-	217,786	103,796
Retirement Costs	118,000	118,000	-	166,948	48,948
Total Personnel Expenses	\$ 1,016,137	\$ 1,016,137	\$ -	\$ 1,505,725	\$ 489,588
Meeting Expenses					
Meetings	\$ 1,600	\$ 1,600	\$ -	\$ 2,000	\$ 400
Travel	53,750	53,750	-	49,450	(4,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 55,350	\$ 55,350	\$ -	\$ 51,450	\$ (3,900)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 90,000	\$ 90,000
Office Rent	-	-	-	-	-
Office Costs	3,738	3,738	-	43,416	39,678
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	10,020	10,020	-	6,076	(3,944)
Total Operating Expenses	\$ 13,758	\$ 13,758	\$ -	\$ 139,492	\$ 125,734
Total Direct Expenses	\$ 1,085,245	\$ 1,085,245	\$ -	\$ 1,696,667	\$ 611,422
Indirect Expenses	\$ 420,776	\$ 736,358	\$ 315,582	\$ 806,168	\$ 385,392
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,506,021	\$ 1,821,603	\$ 315,582	\$ 2,502,835	\$ 996,814
Change in Assets	\$ (20,977)	\$ (334,084)	\$ (313,107)	\$ (37,710)	\$ (16,733)
Fixed Assets					
Depreciation	(10,020)	(10,020)	-	(6,076)	3,944
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ (10,020)	\$ (10,020)	\$ -	\$ (6,076)	\$ 3,944
Allocation of Fixed Assets	\$ (10,957)	\$ (19,174)	(8,218)	\$ (31,634)	\$ (20,677)
Inc/(Dec) in Fixed Assets	\$ (20,977)	\$ (29,194)	\$ (8,218)	\$ (37,710)	\$ (16,733)
Total Budget	\$ 1,485,044	\$ 1,792,409	\$ 307,365	\$ 2,465,125	\$ 980,081
Total Change in Working Capital	\$ -	\$ (304,889)	\$ (304,889)	\$ -	\$ -
FTEs	4.00	7.00	3.00	7.00	3.00

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2018 Budget	2019 Budget	Increase (Decrease)	2018 Budget	2019 Budget	Increase (Decrease)
General and Administrative	\$ 2,343,480	\$ 2,395,261	\$ 51,780	3.00	3.00	0.00
Legal and Regulatory	\$ 772,830	\$ 999,969	\$ 227,139	2.00	3.00	1.00
Information Technology	\$ 1,595,923	\$ 1,814,287	\$ 218,364	5.00	6.00	1.00
Human Resources	\$ 837,049	\$ 917,081	\$ 80,032	3.00	2.00	(1.00)
Finance and Accounting	\$ 659,482	\$ 689,307	\$ 29,825	2.60	2.60	0.00
Total Administrative Services	\$ 6,208,764	\$ 6,815,905	\$ 607,140	15.60	16.60	1.00

Program Scope and Functional Description

Administrative Services is comprised of the following programs: General and Administrative, Legal and Regulatory Affairs, Information Technology, Human Resources, and Finance and Accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

The majority of the Operating Expenses are accounted for within the related department's budget. If an expense cannot be specifically associated to a department, it is included in one of the Administrative Services programs. All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides improved financial perspective for the direct program areas.

Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the 2019 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2018 Budget and Projection, and 2019 Budget					
Administrative Services					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 716,686	\$ 716,686	\$ -	\$ (1,015,412)	\$ (1,732,098)
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ 716,686	\$ 716,686	\$ -	\$ (1,015,412)	\$ (1,732,098)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	716,686	716,686	-	(1,015,412)	(1,732,098)
Expenses					
Personnel Expenses					
Salaries	\$ 2,930,629	\$ 2,930,629	\$ -	\$ 3,339,566	\$ 408,938
Payroll Taxes	149,790	149,790	-	167,306	17,517
Benefits	531,813	531,813	-	620,207	88,394
Retirement Costs	561,006	561,006	-	631,243	70,237
Total Personnel Expenses	\$ 4,173,237	\$ 4,173,237	\$ -	\$ 4,758,323	\$ 585,085
Meeting Expenses					
Meetings	98,500	98,500	\$ -	\$ 100,200	\$ 1,700
Travel	88,700	88,700	-	92,500	3,800
Conference Calls	50,400	50,400	-	52,200	1,800
Total Meeting Expenses	\$ 237,600	\$ 237,600	\$ -	\$ 244,900	\$ 7,300
Operating Expenses					
Consultants & Contracts	158,720	158,720	\$ -	\$ 202,850	\$ 44,130
Office Rent	519,595	519,595	-	521,086	1,491
Office Costs	483,871	483,871	-	462,088	(21,783)
Professional Services	411,245	411,245	-	423,522	12,277
Miscellaneous	36,996	36,996	-	40,136	3,140
Depreciation	353,496	353,496	-	441,375	87,879
Total Operating Expenses	\$ 1,963,923	\$ 1,963,923	\$ -	\$ 2,091,057	\$ 127,134
Total Direct Expenses	\$ 6,374,760	\$ 6,374,760	\$ -	\$ 7,094,280	\$ 719,519
Indirect Expenses	\$ (6,374,760)	\$ (6,374,760)	\$ -	\$ (7,094,280)	\$ (719,519)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ 0	\$ (0)
Change in Assets	\$ 716,686	\$ 716,686	\$ -	\$ (1,015,412)	\$ (1,732,098)
Fixed Assets					
Depreciation	(353,496)	(353,496)	-	(441,375)	(87,879)
Computer Hardware & Software CapEx	187,500	187,500	-	140,000	(47,500)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	23,000	23,000
	\$ (165,996)	\$ (165,996)	\$ -	\$ (278,375)	\$ (112,379)
Allocation of Fixed Assets	\$ 165,996	\$ 165,996	-	\$ 278,375	\$ 112,379
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ 0	\$ (0)
Total Change in Working Capital	\$ 716,686	\$ 716,686	\$ -	\$ (1,015,412)	\$ (1,732,098)
FTEs	15.60	15.60	-	16.60	1.00

General and Administrative

Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Senior Vice President and Treasurer, and Executive Assistant. Responsibilities include leadership, oversight, and management of all of ReliabilityFirst Corporation's activities, interacting with the Board of Directors and other Regional Entity Management Groups, performing the Corporate Treasurer function, and managing relationships with governmental agencies, regulators, members, stakeholders, and other industry organizations.

2019 Key Assumptions & Deliverables

The General and Administrative Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions or deliverables unique to the General and Administrative Program.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Legal and Regulatory Affairs

Program Scope and Functional Description

The Legal and Regulatory Affairs program is responsible for four key areas: (1) all legal issues germane to the corporation; (2) regulatory affairs (communication and outreach to FERC, NERC, and the States); (3) external affairs (communication and outreach to ReliabilityFirst stakeholders and the public); and (4) corporate governance of the ReliabilityFirst Board of Directors and its committees.

First, the department is responsible for all legal issues germane to the corporation. This includes ensuring legal and regulatory compliance with all applicable laws, orders, rules, and regulations; serving as advisor to the President and CEO and the Board of Directors; providing legal support to all other departments of the corporation; drafting, reviewing, and maintaining the corporation's contracts, policies and procedures, and governance documents; and overseeing all regulatory filings and interactions.

Second, the department is responsible for ReliabilityFirst's regulatory affairs. This includes communication and outreach to FERC, NERC, and the States on specific issues relating to ReliabilityFirst and/or the performance of its delegated functions; working to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions; advising senior executives on various strategic and tactical initiatives for the corporation in light of the regulatory landscape; and advocating and advancing ReliabilityFirst's mission and strategic initiatives in a clear and articulate manner.

Third, the department is responsible for ReliabilityFirst's external affairs. This includes communication and outreach to ReliabilityFirst's stakeholders, the general public, and media. This work concerns media relations, and the issuance of announcements, newsletters, and reports on key issues facing the corporation and the industry. This work generally ensures that ReliabilityFirst clearly communicates and shares relevant and timely information to help enhance the reliability of the BES.

Finally, the department is responsible for the corporate governance of the ReliabilityFirst Board of Directors and its Committees. This includes the completion of all activities associated with the Corporate Secretary function (the General Counsel serves as the corporation's Corporate Secretary), such as preparing Board materials and minutes, facilitating and conducting Board training, and ensuring that director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the ReliabilityFirst Bylaws and other relevant governing documents.

2019 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. There are no additional assumptions or deliverables unique to the Legal and Regulatory Affairs Program.

2019 Key Deliverables

- Support all legal and regulatory needs of the corporation.
- Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.
- Perform the external affairs function for the corporation
- Provide legal support to all other departments to make all necessary regulatory filings with FERC, NERC, and any other applicable regulatory body or agency, as well as support NERC in its efforts to do the same.
- Draft, review, and maintain the corporation's contracts, policies and procedures, and governance documents.
- Lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
- Work to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions, including its leadership role in the MRRE program.
- Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization. This work includes creating and issuing the Board materials prior to Board meetings, providing legal advice as needed during the Board and Committee meetings, and recording minutes for the Board and Committee meetings.

Resource Requirements

- **Personnel**

One FTE was reallocated from the Enforcement group to the Legal and Regulatory Affairs group. Previously, additional legal workload (equaling approximately one FTE) was shared among four attorneys in the Enforcement group. To improve efficiency, this work was consolidated and is now performed by one attorney who has been reallocated to Legal and Regulatory Affairs.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2019 for executive coaching services.

Information Technology

Program Scope and Functional Description

The Information Technology (IT) department provides users with cost-effective information technology tools and proactively delivers enabling technologies to assist the departments in meeting their goals, objectives, and deliverables. The IT department minimizes the outsourcing of any critical infrastructure services and as such must implement and manage controls to maintain a robust security posture that minimizes ReliabilityFirst's risks. The department provides the necessary technical services in the following categories to ensure efficient and effective performance of all corporate functions:

- Infrastructure Maintenance (Data Center Management - Local/Remote)
- Website Hosting and Internal Portal
- Voice, Web, and Video Conferencing
- Vulnerability Management
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management
- Email Management
- Help Desk Support
- Telecommuter Support
- Application Support and Development
- Data Warehousing Management
- Database Administration
- Business Analysis
- Information Security Protection and Monitoring
- Business Continuity and Disaster Recovery

ReliabilityFirst supports the ERO's efforts to implement, operate, and maintain software tools supporting common enterprise-wide IT operations. ReliabilityFirst is committed to working collaboratively with NERC and the other Regions to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

NERC's business plan and budget will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise wide applications. Funding for these applications will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. If implementation of these applications are delayed or otherwise not available as planned, ReliabilityFirst could incur additional costs to conduct operations pending the availability of these applications. ReliabilityFirst assumes agreed upon ERO Enterprise applications will be available and has only included appropriate funding for

applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

The implementation of an offsite Data Management Center will be in its sixth year of operation. Operational experience to date has been excellent and believed to be very effective in IT resource utilization. Performance to date has provided savings in the operation of equipment, while affording the organization many benefits in security, utilities, and back-up capability.

2019 Key Assumptions

The IT Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. This includes the support for building and implementing centralized enterprise applications for the ERO. The IT Program includes the following regional assumptions:

1. Maintain a high-level security posture across the company-wide data infrastructure and remediate any vulnerability to protect sensitive data.
2. Maintain lower fixed asset costs (infrastructure servers) by continuing operations of virtualization technologies, therefore minimizing replacement costs.
3. Maintain a stringent level of control of the Access Management Process that governs physical and electronic access to resources that contain sensitive corporate data.
4. Departmental processes and efficiencies must be continuously improved, including training exercises for implemented technologies in order to maintain proficiency.

2019 Key Deliverables

- Perform necessary software upgrades including, but not limited to, the upgrade of various workstation and server applications and targeted server operating systems.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Continue enhancements of the internal "intranet" website and related applications to further improve employee efficiency and provide better user experience.
- Continue supporting Data Warehousing and Analytics efforts that will support improved risk analysis and decision making for customers.
- Continue the advancement of data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats.
- Perform Security Assessment and Penetration Testing Exercise using external vendor to evaluate the corporation's Security Maturity Level for implemented controls and detectable vulnerabilities.
- Continue refinement of security awareness program by providing training documents, questionnaires, simulated exercises, assessment campaigns, and/or seminars on existing workplace vulnerabilities.

- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

Resource Requirements

- **Personnel**

To effectively manage the increasing demands on IT support, one FTE is being added to the group. With the risk based direction of the ERO, there is a much greater emphasis on data management and associated tools necessary to deal with these changes. Various aspects of the IT functions are affected with these changes from ongoing security initiatives, data management, storage capacity planning, maintenance, to protection of information. The need for data warehousing capability has become apparent and will require programming skills and continual application management going forward. The continuous challenge of security issues is also requiring additional resources to focus on the state of the art tools and applications to assure our stakeholders that we have the latest and most cost effective tools and processes in place to protect critical information. The resource analysis performed for the IT group indicated the need for upwards of two additional individuals, but one additional resource will enable further evaluation going forward.

- **Contractors and Consultants**

Contractors and consultant support is budgeted for 2019 as needed for network maintenance projects, maturing the corporation's incident response program, security assessment activities, enhancing data management systems, and development support of solutions for reliability and resiliency initiatives.

Human Resources

Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest assets, and that finding, nurturing, developing, and retaining that talent is one of its most important tasks. The Human Resources program centers on ReliabilityFirst's greatest resource, the staff. These responsibilities include attraction and retention, employee development through performance management and training initiatives, policy and procedure development and adherence measures, as well as compensation and benefits administration. The Human Resources staff must be vigilant in understanding and complying with federal and state employment laws covering seven states and the respective reporting requirements for each.

ReliabilityFirst will increase its staff to 79 individuals including two part-time positions equaling one (1.2) FTE, which brings the total to an equivalent of 78.2 FTEs. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

2019 Key Assumptions

The Human Resources Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the ReliabilityFirst Human Resources Program.

2019 Key Deliverables

- Recruit highly skilled and excellent employees.
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide staff training and education
 - Train and educate staff on relevant technical topics, including emerging issues and technologies (e.g., virtualization, smart grid technologies).
 - Train and educate staff on the existing and new competencies required to perform their roles and responsibilities (e.g., identify and assess risks, perform internal controls assessments and evaluations).
 - Participate in knowledge management process to gather and utilize expertise from staff subject matter experts.
- Explore, develop and provide training on tools to further enhance staff efficiency and effectiveness.
- Review and manage employee benefits.
- Review succession plans.

Resource Requirements

- **Personnel**

The 2019 Business Plan and Budget reflects a net decrease of one FTE in the Human Resources group, due to the reallocation of an administrative employee to the Situation Awareness and Infrastructure Security group as part of a realignment of administrative resources.

- **Contractors and Consultants**

Contractors and consultant support is budgeted in 2019 for an engagement to conduct an employee survey, along with, executive coaching, third party recruiting, and temporary administrative services.

Finance and Accounting

Program Scope and Functional Description

The Finance and Accounting department is responsible for linking the strategy of ReliabilityFirst and its major departments to their annual operating budgets, managing accounting practices to ensure the accuracy of reported results, and making meaningful financial information available to decision makers. The Finance and Accounting department is responsible for directing the complete cycle of the financial management activities of ReliabilityFirst Corporation, including:

- Processing the day to day activities such as travel and expense reporting, monthly financial reporting, accounts payables and receivables, and cash flow management;
- Leading the creation of the annual business plan and budget that adequately supports its delegated functions;
- Establishing and maintaining accounting policies, procedures, and internal controls, including anti-fraud initiatives, to guide the preparation of ReliabilityFirst's internal and external financial statements in accordance with Generally Accepted Accounting Principles;
- Overseeing the annual external audit of ReliabilityFirst's financials and all required filings;
- Supporting the ERO's funding/collection mechanism, ReliabilityFirst will annually collect and supply the ERO with a list of LSEs within the ReliabilityFirst footprint and their associated Net Energy for Load (NEL) data as mandated by FERC;
- Working with the ERO to develop common accounting practices throughout NERC and the Regions;
- Managing the retirement and corporate investment activities; and
- Developing and implementing the necessary internal audit function.

2019 Key Assumptions

The Finance and Accounting Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the Finance and Accounting Program.

2019 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.
- Provide all ReliabilityFirst program areas, the Board of Directors, the ERO, and ReliabilityFirst stakeholders with financial clarity and understanding of ReliabilityFirst's financial position.

- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, payroll, tax, audit activities, and financial and accounting internal controls and standards.
- Participate with NERC on the annual Regional Entity true-up filing, and the quarterly statements of activity.
- In an effort to continuously improve the entire accounting and budgeting process, implement actions to monitor operating expenses at a more granular level with the management staff.
- Provide advice from the financial perspective on contracts into which the organization may enter.
- Perform financial related internal control reviews and internal audit reviews.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Section B: Supplemental Financial Information

Table B-1: Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2018-2019				
STATUTORY				
	Total	Working Capital	Working Capital Reserve	Operating Reserve
Beginning Reserve Balances, January 1, 2018	3,759,627	360,270	2,399,357	1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2018	1,912,877	1,912,877		
Plus: 2018 ReliabilityFirst Funding (from LSEs or designees)	20,147,707	19,198,917	948,790	
Plus: 2018 Other funding sources	50,000	50,000		
Less: 2018 Projected expenses & capital expenditures	(21,393,899)	(21,393,899)		
Other Adjustments to Reserves ¹	(158,074)	(158,074)		
Projected Working Capital and Operating Reserves, December 31, 2018	4,318,238	(29,909)	3,348,147	1,000,000
Targeted Working Capital and Operating Reserves, December 31, 2019 ³	3,144,752	0	2,144,752	1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2018	(4,318,238)	29,909	(3,348,147)	(1,000,000)
Total Adjustments to Reserves	(1,173,486)	29,909	(1,203,395)	0
2019 Expenses and Capital Expenditures	22,648,458			
Less: Penalty Sanctions ²	(327,215)			
Less: Other Funding Sources	(50,000)			
Adjustment to Achieve Reserve Balances	(1,173,486)			
Other Adjustments to Reserve ¹	158,074			
2019 ReliabilityFirst Assessment	21,255,831			

¹ Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

² Represents penalty sanctions collected from July 1, 2017 to June 30, 2018.

³ The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on March 15, 2018 and April 26, 2018, respectively.

Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow needs for daily operations. In an effort to manage assessments more effectively over a three to five year period, the working capital reserve initially increased in value such that additional funds were available to achieve stabilization of future assessments. For 2019, \$1,173K of the working capital reserve is being utilized to offset the assessment and minimize the variance from the 2018 assessment. The Targeted Working Capital balance of \$2,145K will be used to stabilize assessments in future years.

Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On March 15, 2018, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy and historical experience and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

Table B-2: Penalty Sanctions Received

Penalty Sanctions Received Between July 1, 2017 and June 30, 2018	
Dates Received	Amount Received
9/15/2017	92,283
10/19/2017	25,000
11/17/2017	100,000
12/8/2017	45,000
Collected July 1, 2017 to December 31, 2017	<u>262,283</u>
3/9/2018	39,932
3/29/2018	25,000
Collected January 1, 2018 to June 30, 2018	<u>64,932</u>
Total	<u>327,215</u>

Allocation Method

Penalty monies received have been allocated based upon the number of FTEs to the following direct programs to reduce assessments:

- Reliability Standards;
- Reliability Assurance and Compliance Monitoring;
- Enforcement;
- Reliability Assessments and Performance Analysis;
- Training, Education and Operator Certification; and
- Situation Awareness and Infrastructure Security

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget
Interest Income	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Miscellaneous Income	-	-	-	-
Total Outside Funding	\$ 50,000	\$ 50,000	\$ 50,000	\$ -

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- No explanation is needed.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Salaries					
Salaries	\$ 12,945,519	\$ 12,945,519	\$ 13,639,655	\$ 694,136	5.36%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	30,122	30,122	61,732	31,610	104.94%
Total Salaries	\$ 12,975,641	\$ 12,975,641	\$ 13,701,387	\$ 725,746	5.59%
Total Payroll Taxes	\$ 765,357	\$ 765,357	\$ 807,085	\$ 41,728	5.45%
Benefits					
Workers Compensation	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)	-25.00%
Medical Insurance	1,604,591	1,604,591	1,832,775	228,184	14.22%
Life-LTD Insurance	103,758	103,758	111,522	7,764	7.48%
Education	321,305	321,305	332,704	11,399	3.55%
Relocation	-	-	15,000	15,000	
Total Benefits	\$ 2,049,654	\$ 2,049,654	\$ 2,307,001	\$ 257,347	12.56%
Retirement					
Discretionary 401k Contribution	\$ 1,255,523	\$ 1,255,523	\$ 1,318,372	\$ 62,849	5.01%
Savings Plan	753,314	753,314	791,023	37,709	5.01%
Pension & Savings Admin	129,500	129,500	143,352	13,852	10.70%
Total Retirement	\$ 2,138,337	\$ 2,138,337	\$ 2,252,748	\$ 114,411	5.35%
Total Personnel Costs	\$ 17,928,989	\$ 17,928,989	\$ 19,068,220	\$ 1,139,231	6.35%
FTEs	76.20	76.20	78.20	2.00	2.62%
Cost per FTE					
Salaries	\$ 170,284	\$ 170,284	\$ 175,210	4,926	2.89%
Payroll Taxes	10,044	10,044	10,321	277	2.76%
Benefits	26,898	26,898	29,501	2,603	9.68%
Retirement	28,062	28,062	28,808	745	2.66%
Total Cost per FTE	\$ 235,289	\$ 235,289	\$ 243,839	\$ 8,551	3.63%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- The increase in **Salaries** is due to the addition of two new FTEs, a 3% general wage increase, market adjustments, promotions, and an intern program. Additionally, costs have been included to fund the plans to overlap key personnel who have indicated they are near retirement, to allow for adequate knowledge transfer, and training of their successors.
- The increase in **Vacation Expense** is due to the expectation of employees banking more vacation.
- The increase in **Medical Insurance** is primarily due to an estimated 15% increase in medical premiums.
- The increase in **Pension & Savings Admin** is due to the increase in administrative costs relating to the management of the company's retirement plans as they continue to increase in size.

Table B-5: Meeting Expenses

Meeting Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring	500,975	500,975	433,900	(67,075)	-13.39%
Enforcement	25,500	25,500	24,600	(900)	-3.53%
Reliability Assessment and Performance Analysis	108,200	108,200	102,650	(5,550)	-5.13%
Training and Education	136,400	136,400	187,500	51,100	37.46%
Situation Awareness and Infrastructure Security	55,350	55,350	51,450	(3,900)	-7.05%
Administrative Services	237,600	237,600	244,900	7,300	3.07%
Total Meeting Expenses	\$ 1,064,025	\$ 1,064,025	\$ 1,045,000	\$ (19,025)	-1.79%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- The decrease in the **Reliability Assurance and Compliance Monitoring** program results from a detailed evaluation of historical trends of travel expenses and the expected travel requirements across all of the activities within this program. In some areas, such as CIP, there may be a higher probability that additional travel will be required, however, all other activities are expected to have reduced travel expenses. In addition, the activities aimed at helping entities achieve excellence in reliability, security, and resiliency were allocated from the Reliability Assurance and Compliance Monitoring Program to the Training and Education Program.
- The increase in **Training and Education** is due to the increased costs associated with the semiannual Reliability Workshop, along with the activities allocated from the Reliability Assurance and Compliance Monitoring program that are aimed at helping entities achieve excellence in reliability, security, and resiliency.

Table B-6: Consultants and Contracts

Contractors	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Reliability Assurance and Compliance Monitoring Enforcement	111,600	111,600	88,950	(22,650)	-20.30%
Reliability Assessment and Performance Analysis	119,812	119,812	126,812	7,000	5.84%
Training and Education	-	-	20,000	20,000	
Situation Awareness and Infrastructure Security	-	-	90,000	90,000	
Administrative Services	158,720	158,720	202,850	44,130	27.80%
Contractors Total	\$ 390,132	\$ 390,132	\$ 528,612	\$ 138,480	35.50%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- The decrease in the **Reliability Assurance and Compliance Monitoring** program is a result of the allocation of the activities aimed at helping entities achieve excellence in reliability, security, and resiliency to the Training and Education Program.
- The increase in **Training and Education** is due to the activities allocated from the Reliability Assurance and Compliance Monitoring program that are aimed at helping entities achieve excellence in reliability, security, and resiliency.
- The increase in **Situation Awareness and Infrastructure Security** is due to the initiation and advancement of data warehousing capabilities.
- The increase in **Administrative Services** is due to instituting an incident response program, including vulnerability and penetration testing in the Information Technology department.

Table B-7: Office Rent

Office Rent	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Office Rent	\$ 437,530	\$ 437,530	437,530	\$ -	0.00%
Data Center Rent	63,789	63,789	65,280	1,491	2.34%
Utilities	18,276	18,276	18,276	-	0.00%
	-	-	-	-	
Total Office Rent	\$ 519,595	\$ 519,595	\$ 521,086	\$ 1,491	0.29%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- No explanation is needed.

Table B-8: Office Costs

Office Costs	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Telephone	\$ 85,890	\$ 85,890	\$ 76,422	\$ (9,468)	-11.02%
Internet	35,052	35,052	38,496	3,444	9.83%
Office Supplies	22,900	22,900	25,220	2,320	10.13%
Computer Supplies and Maintenance	624,405	624,405	631,739	7,334	1.17%
Publications & Subscriptions	14,886	14,886	13,793	(1,093)	-7.34%
Dues	17,222	17,222	20,114	2,892	16.79%
Postage	1,200	1,200	1,150	(50)	-4.17%
Express Shipping	300	300	100	(200)	-66.67%
Copying	24,120	24,120	2,604	(21,516)	-89.20%
Reports	-	-	-	-	
Stationary Forms	350	350	900	550	157.14%
Equipment Repair/Service Contracts	4,792	4,792	3,992	(800)	-16.69%
Bank Charges	600	600	600	-	0.00%
Total Office Costs	\$ 831,717	\$ 831,717	\$ 815,130	\$ (16,587)	-1.99%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- The increase in Computer Supplies and Maintenance is primarily due to the following program variances:
 - The decrease in the **Reliability Assurance and Compliance Monitoring Program** is due to the anticipated reduction in change orders for the compliance portal and third party audit management tool. Additionally, as a result of a realignment of resources, annual maintenance costs for the data analytics software programs were allocated to the Situational Awareness Program.
 - The increase in the **Situational Awareness Program** is due to the projected annual costs associated with the Cybersecurity Risk Information Sharing Program, the anticipated purchase of software to support the management of risk information, and the annual maintenance costs for the data analytics software programs allocated from the Reliability Assurance and Compliance Monitoring Program.
- The decrease in **Copying** is due to the decrease in the annual service and maintenance fees associated with the new copiers that were purchased in 2017.

Table B-9: Professional Services

Professional Services	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Independent Trustee Fees	\$ 239,100	\$ 239,100	\$ 246,050	\$ 6,950	2.91%
Outside Legal	20,000	20,000	20,000	-	0.00%
Accounting & Auditing Fees	69,045	69,045	61,520	(7,525)	-10.90%
Insurance Commercial	83,100	83,100	95,952	12,852	15.47%
				-	
Total Services	\$ 411,245	\$ 411,245	\$ 423,522	\$ 12,277	2.99%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- The decrease in **Accounting & Auditing Fees** is a result of the reduction in the fees for the annual financial audit.
- The increase in **Insurance Commercial** is due to the addition of a cybersecurity insurance policy.

Table B-10: Miscellaneous

Miscellaneous Expense	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Miscellaneous	\$ 40,696	\$ 40,696	\$ 43,886	\$ 3,190	7.84%
	-	-	-	-	
Total Miscellaneous Expense	\$ 40,696	\$ 40,696	\$ 43,886	\$ 3,190	7.84%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- No explanation is needed.

Table B-11: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- No explanation is needed.

Table B-12: Fixed Assets

Fixed Assets	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Computer Hardware	\$ 167,500	\$ 167,500	\$ 120,000	\$ (47,500)	-28.36%
Computer Software	40,000	40,000	60,000	20,000	50.00%
Furniture & Fixtures	-	-	0	-	
Leasehold Improvements	-	-	23,000	23,000	
Total Fixed Assets	\$ 207,500	\$ 207,500	\$ 203,000	\$ (4,500)	-2.17%

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- The decrease in **Computer Hardware** is due to the change in projects planned in 2019 compared to 2018.
- The increase in **Computer Software** is due to the anticipated purchase of additional licenses for the third party audit management tool.
- The increase in **Leasehold Improvements** is mainly due to the configuration of an IT collaboration room.

Table B-13: 2020 and 2021 Projections

Statement of Activities 2020 and 2021 Projections							
	2019 Budget	2020 Projection	\$ Change 19 v 20	% Change 19 v 20	2021 Projection	\$ Change 20 v 21	% Change 20 v 21
Funding							
ERO Funding							
ERO Assessments	\$ 21,255,831	\$ 22,424,902	\$ 1,169,071	5.5%	\$ 23,658,271	\$ 1,233,370	5.5%
Penalty Sanctions	327,215	1,380,000	1,052,785	322%	300,000	(1,080,000)	-78.3%
Total ERO Funding	\$ 21,583,046	\$ 23,804,902	\$ 2,221,856	10.3%	\$ 23,958,271	\$ 153,370	0.6%
Membership Dues	\$ -	\$ -	\$ -		\$ -	\$ -	
Federal Grants	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	50,000	50,000	-	0.0%	50,000	-	0.0%
Miscellaneous	-	-	-		-	-	
Total Funding	\$ 21,633,046	\$ 23,854,902	\$ 2,221,856	10.3%	\$ 24,008,271	\$ 153,370	0.6%
Expenses							
Personnel Expenses							
Salaries	\$ 13,701,387	\$ 14,166,346	\$ 464,959	3.4%	\$ 15,008,751	\$ 842,406	5.9%
Payroll Taxes	807,085	812,696	5,611	0.7%	845,545	32,849	4.0%
Benefits	2,307,002	2,578,365	271,363	11.8%	2,941,319	362,954	14.1%
Retirement Costs	2,252,748	2,327,846	75,098	3.3%	2,460,326	132,480	5.7%
Total Personnel Expenses	\$ 19,068,222	\$ 19,885,253	\$ 817,031	4.3%	\$ 21,255,941	\$ 1,370,688	6.9%
Meeting Expenses							
Meetings	\$ 314,200	\$ 317,342	\$ 3,142	1.0%	\$ 320,515	\$ 3,173	1.0%
Travel	678,600	695,565	16,965	2.5%	712,954	17,389	2.5%
Conference Calls	52,200	52,722	522	1.0%	53,249	527	1.0%
Total Meeting Expenses	\$ 1,045,000	\$ 1,065,629	\$ 20,629	2.0%	\$ 1,086,719	\$ 21,090	2.0%
Operating Expenses							
Consultants & Contracts	\$ 528,612	\$ 533,898	\$ 5,286	1.0%	\$ 539,237	\$ 5,339	1.0%
Office Rent	521,086	526,297	5,211	1.0%	531,559	5,263	1.0%
Office Costs	815,130	823,281	8,151	1.0%	831,514	8,233	1.0%
Professional Services	423,522	527,757	104,235	24.6%	432,035	(95,722)	-18.1%
Miscellaneous	43,886	44,325	439	1.0%	44,768	443	1.0%
Depreciation	458,903	463,492	4,589	1.0%	468,127	4,635	1.0%
Total Operating Expenses	2,791,139	2,919,050	127,911	4.6%	2,847,241	(71,809)	-2.5%
Total Direct Expenses	\$ 22,904,361	\$ 23,869,932	\$ 965,571	4.2%	\$ 25,189,901	\$ 1,319,969	5.5%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 22,904,361	\$ 23,869,932	\$ 965,571	4.2%	\$ 25,189,901	\$ 1,319,969	5.5%
Change in Assets	\$ (1,271,315)	\$ (15,031)	\$ 1,256,284	-98.8%	\$ (1,181,630)	\$ (1,166,599)	7761.5%
Fixed Assets							
Depreciation	\$ (458,903)	\$ (463,492)	\$ (4,589)	1.0%	\$ (468,127)	\$ (4,635)	1.0%
Computer & Software CapEx	180,000	310,000	130,000	72.2%	280,000	(30,000)	-9.7%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	23,000	200,000	177,000	769.6%	-	(200,000)	-100.0%
	(255,903)	\$ 46,508	\$ 302,411	-118.2%	\$ (188,127)	\$ (234,635)	-504.5%
Allocation of Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -	
Inc/(Dec) in Fixed Assets	\$ (255,903)	\$ 46,508	\$ 302,411	-118.2%	\$ (188,127)	\$ (234,635)	-504.5%
Total Budget	\$ 22,648,458	\$ 23,916,440	\$ 1,267,982	5.6%	\$ 25,001,774	\$ 1,085,334	4.5%
Change in Working Capital	\$ (1,015,412)	\$ (61,539)	\$ 953,873	-93.9%	\$ (993,503)	\$ (931,964)	1514.4%
FTEs	78.2	78.2	-	0.0%	80.2	2	2.6%

Explanation of 2020 and 2021 Budget Projections

ReliabilityFirst has projected budget increases for 2020 and 2021. The projected range for 2020 is 5.6% to 8.2%; and the projected range for 2021 is 4.5% to 7.0%. ReliabilityFirst identified a range for its 2020 and 2021 budget projections to reflect both its baseline projections (the lower end of the range) and its projections of significant at-risk initiatives (the higher end of the range).

These at-risk initiatives primarily concern projected staffing needs to support increased internal workload to implement various programs currently under way or under consideration in support of the five-year strategic plan. Additionally, plans have been developed to overlap key personnel who have indicated they are near retirement in order to allow for adequate knowledge transfer and training of their successors. The potential impact on the budget will be managed and monitored closely as these personnel commit to specific retirement dates. They also concern the need to mature ReliabilityFirst's CIP oversight capability along with risk analytics and management applications. Below is an overview of each of these at-risk initiatives.

Explanation of Other Additions

- With the accumulation of significant amounts of documentation and data, the present documentation management tools need to be updated to assure improved controls, improved configuration management, and advanced data mining capabilities. The migration of data is becoming more of a challenge and will be critical during the transition to the future NERC initiatives for risk based compliance monitoring data management.
- Situational awareness and management software will enable more availability of information and displays from various sources to enhance assessment capability in support of risk based reliability, resiliency, and security activities.
- Office modifications are necessary as the growth and needs of the organization continue to grow. After four years in our present facility we have identified the need to more efficiently utilize the office footprint to facilitate the increased number of in office staff versus telecommuters, while maximizing utilization of the entire office space for the necessary support activities.

The following is a breakdown of the projected budget ranges for 2020.

2020 Lower Range: 5.6%

- Personnel Expense: 4.3%
 - Wages Increase: 3%
 - Market Adjustments/Promotions: 1%
 - Medical/Dental/Vision Premiums: 15%/8%/8%
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: 4.6%
 - Independent Director Search Fee: \$100,000
- Other Additions:
 - Situation Awareness Software/Hardware Support: \$30,000
 - CMEP Data Migration: \$100,000
 - Office Modifications: \$200,000

2020 Higher Range Increase to Address At-Risk Initiatives: 8.2%

- Personnel Expense: 7.3%
 - Wages Increase: 3%
 - Market Adjustments/Promotions: 1%
 - Medical/Dental/Vision Premiums: 15%/8%/8%
 - Aging Workforce Initiative: \$200,000
 - Hire 2 FTEs
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: 4.6%
 - Independent Director Search Fee: \$100,000
- Other Additions:
 - Situation Awareness Software/Hardware Support: \$30,000
 - CMEP Data Migration: \$100,000
 - Office Modifications: \$200,000

Notes:

1. 2020 projections are based on 2019 budget.

The following is a breakdown of the projected budget ranges for 2021.

2021 Lower Range: 4.5%

- Personnel Expense: 6.9%
 - Wages Increase: 3%
 - Market Adjustments/Promotions: 1%
 - Includes the 2 FTEs from the 2020 projection
 - Medical/Dental Premiums: 15%/8%
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: (2.5%)
- Other Additions:
 - CMEP Data Migration: \$100,000

2021 Higher Range Increase to Address At-Risk Initiatives: 7.0%

- Personnel Expense: 9.9%
 - Wages Increase: 3%
 - Market Adjustments/Promotions: 1%
 - Medical/Dental Premiums: 15%/8%
 - Aging Workforce Initiative: \$200,000
 - Hire 2 FTEs
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: (2.5%)
- Other Additions:
 - CMEP Data Migration: \$100,000

Notes:

1. 2021 projections are based on the 2020 lower range.

Section C: Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2018 and the organization does not intend to perform any functions outside its ERO delegated activities in 2019, therefore Section C is not applicable.

**Section D: Additional Consolidated Financial
Statements**

2019 Consolidated Statement of Activities by Program

	Functions in Delegation Agreement												
	Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance and Compliance Monitoring	Enforcement	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ReliabilityFirst Funding													
ReliabilityFirst Assessments	21,255,831	21,255,831	-	13,747,063	2,146,889	2,862,565	1,092,466	2,422,260	(1,015,412)	-	-	-	-
Penalty Sanctions	327,215	327,215	-	196,542	37,184	40,371	15,936	37,184	-	-	-	-	-
Total ReliabilityFirst Funding	21,583,046	21,583,046	-	13,943,605	2,184,073	2,902,935	1,108,401	2,459,443	(1,015,412)	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	50,000	50,000	-	30,032	5,682	6,169	2,435	5,682	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	21,633,046	21,633,046	-	13,973,637	2,189,755	2,909,104	1,110,836	2,465,125	(1,015,412)	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	13,701,387	13,701,387	-	6,588,226	987,123	1,343,225	386,731	1,056,516	1,218,909	708,034	718,695	362,686	331,242
Payroll Taxes	807,085	807,085	-	403,367	64,657	82,910	24,369	64,475	38,710	34,550	50,993	19,821	23,231
Benefits	2,307,002	2,307,002	-	1,052,759	178,498	156,771	80,980	217,786	91,417	78,511	154,153	238,048	58,078
Retirement Costs	2,252,748	2,252,748	-	1,028,338	152,760	212,370	61,091	166,948	164,481	103,797	113,014	57,367	192,583
Total Personnel Expenses	19,068,222	19,068,222	-	9,072,689	1,383,038	1,795,276	553,171	1,505,725	1,513,518	924,892	1,036,855	677,923	605,135
Meeting Expenses													
Meetings	314,200	314,200	-	20,900	1,600	8,000	181,500	2,000	63,700	2,400	1,860	32,000	240
Travel	678,600	678,600	-	413,000	23,000	94,650	6,000	49,450	35,000	30,000	13,500	8,500	5,500
Conference Calls	52,200	52,200	-	-	-	-	-	-	-	-	52,200	-	-
Total Meeting Expenses	1,045,000	1,045,000	-	433,900	24,600	102,650	187,500	51,450	98,700	32,400	67,560	40,500	5,740
Operating Expenses													
Consultants & Contracts	528,612	528,612	-	88,950	-	126,812	20,000	90,000	-	7,500	148,000	47,350	-
Office Rent	521,086	521,086	-	-	-	-	-	455,806	-	-	65,280	-	-
Office Costs	815,130	815,130	-	250,379	7,582	43,443	8,222	43,416	62,751	15,177	335,692	10,836	37,632
Professional Services	423,522	423,522	-	-	-	-	-	246,050	20,000	-	-	116,672	40,800
Miscellaneous	43,886	43,886	-	3,750	-	-	-	12,436	-	-	3,900	23,800	-
Depreciation	458,903	458,903	-	5,000	-	3,452	3,000	6,076	174,804	-	266,571	-	-
Total Operating Expenses	2,791,139	2,791,139	-	348,079	7,582	173,707	31,222	139,492	951,847	42,677	819,443	198,658	78,432
Total Direct Expenses	22,904,361	22,904,361	-	9,854,668	1,415,220	2,071,633	771,893	1,696,667	2,564,065	999,969	1,923,858	917,081	689,307
Indirect Expenses	-	-	-	4,261,174	806,168	875,268	345,501	806,168	(2,564,065)	(999,969)	(1,923,858)	(917,081)	(689,307)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	22,904,361	22,904,361	-	14,115,843	2,221,388	2,946,901	1,117,394	2,502,835	-	-	-	-	-
Change in Assets	(1,271,315)	(1,271,315)	-	(142,206)	(31,634)	(37,797)	(6,557)	(37,710)	(1,015,412)	-	-	-	-
Fixed Assets													
Depreciation	(458,903)	(458,903)	-	(5,000)	-	(3,452)	(3,000)	(6,076)	(174,804)	-	(266,571)	-	-
Computer & Software CapEx	180,000	180,000	-	30,000	-	-	10,000	-	-	-	140,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	23,000	23,000	-	-	-	-	-	6,000	-	-	17,000	-	-
	(255,903)	(255,903)	-	25,000	-	(3,452)	7,000	(6,076)	(168,804)	-	(109,571)	-	-
Allocation of Fixed Assets	-	-	-	(167,206)	(31,634)	(34,345)	(13,557)	(31,634)	168,804	-	109,571	-	-
Inc/(Dec) Fixed Assets	(255,903)	(255,903)	-	(142,206)	(31,634)	(37,797)	(6,557)	(37,710)	-	-	-	-	-
Total Budget	22,648,458	22,648,458	-	13,973,637	2,189,755	2,909,104	1,110,836	2,465,125	-	-	-	-	-
Change in Working Capital	(1,015,412)	(1,015,412)	-	-	-	-	-	-	(1,015,412)	-	-	-	-
FTEs	78.20	78.20	-	37.00	7.00	7.60	3.00	7.00	3.00	3.00	6.00	2.00	2.60

Statement of Financial Position

2017 Statement of Financial Position

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-17
ASSETS	
Current Assets	
Cash	11,027,327
Accounts receivable, net of allowance for uncollectible accounts	97,738
Prepaid expenses	248,059
Total Current Assets	11,373,124
Fixed Assets	
Property and equipment	2,450,519
Total Assets	13,823,643
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	291,726
Accrued expenses	4,448,434
Deferred Rent	177,857
Total Current Liabilities	4,918,017
Long Term Liabilities	
Accrued expenses	98,618
Deferred Revenue	350,000
Deferred Rent	1,870,710
Total Long Term Liabilities	2,319,328
Net Assets - unrestricted	4,411,138
Net Assets - restricted	2,175,160
Total Liabilities and Net Assets	13,823,643

Appendix A: 2018 – 2019 Organization Chart

