



## **2019 Business Plan and Budget**

**Texas Reliability Entity, Inc.**

**Approved by Texas RE Board of Directors**

**Date: May 23, 2018**

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## Introduction

	<b>TOTAL RESOURCES</b> (in whole dollars)			
	<b>2019 Budget</b>	<b>U.S.</b>	<b>Canada</b>	<b>Mexico</b>
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
<b>Total FTEs</b>	65.00			
Statutory Expenses	\$ 13,143,872			
Non-Statutory Expenses	\$ 1,124,495			
<b>Total Expenses</b>	\$ 14,268,367			
Statutory Inc(Dec) in Fixed Assets	\$ (74,273)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (74,273)			
Statutory Working Capital Requirement	\$ 307,850			
Non-Statutory Working Capital Requirement				
<b>Total Working Capital Requirement</b>	\$ 307,850			
Total Statutory Funding Requirement	\$ 13,377,449			
Total Non-Statutory Funding Requirement	\$ 1,124,495			
<b>Total Funding Requirement</b>	\$ 14,501,944			
<b>Statutory Funding Assessments</b>	\$ 13,248,000			
<b>Non-Statutory Fees</b>	\$ 1,124,495			
NEL	359,022,162	359,022,162		
NEL%	100.00%	100.00%		

\*Refer to Table B-1 Reserve Analysis on page 38 in Section B.

## Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC) effective January 1, 2016. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region on behalf of the Public Utility Commission of Texas (PUCT). As the Reliability Monitor, Texas RE monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols, Operating Guides, and Texas rules (ERCOT Regional Rules).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the PUCT and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 90% of Texas load and 75% of the Texas land area.

## **Membership and Governance**

### **Members**

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE as a member and complies with the Texas RE Bylaws requirements. There is no charge for membership with Texas RE. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has one stakeholder committee, the Member Representatives Committee (MRC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC facilitates the Regional Standards Development Process, and coordinates the development of Regional Standards and variances with the development of continent-wide standards. A subcommittee of the MRC, the NERC Standards Review Forum (NSRF), monitors, reviews, and discusses NERC (continent-wide) Reliability Standards under development and Reliability Standards interpretation requests.

### **Board of Directors**

Texas RE is governed by a hybrid Board of Directors (Board), comprised of the following nine individuals:

- The Texas RE President and Chief Executive Officer (CEO)
- Four Independent Directors (elected by membership)

- Two Affiliated Directors (the Chair and Vice-Chair of the Member Representatives Committee)
- Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an *ex officio* non-voting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an *ex officio* non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a CEO to manage and be responsible for the day-to-day on-going activities of Texas RE.

### **Statutory Functional Scope**

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards, or modifications thereof, and facilitation of developing needed Regional Standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved NERC Reliability Standards and Regional Standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promotion of effective training and education of personnel, and assistance in the certification of operating personnel.
- Promotion of situation awareness and the protection of critical infrastructure.

### **Financial Policies**

Texas RE has policies and procedures in place that address its overall financial management, including procurement and business expense reimbursement. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

### **2019 Overview of Cost Impacts**

In developing the Texas RE 2019 Business Plan and Budget, Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-term Strategy and the

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ERO Enterprise Operating Plan.<sup>1</sup> Texas RE also seeks input from its MRC, and posts the budget for comment. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiative for the ERO Enterprise.

Overall, the Texas RE 2019 statutory expenses (\$13,143,872) increased by 2.7% from the 2018 statutory expenses (\$12,795,453).

The 2019 statutory assessment (\$13,248,000) represents an increase of 17.5% from the 2018 assessment (\$11,271,986).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 3.5%. Salaries expense is increasing 3.4%, which includes an allowance for 3% salary increases and reflects a 0.4% increase due to market adjustments and promotions. Payroll taxes are increasing 7.5% which includes a significant increase in State Unemployment Insurance Tax. Total Benefits expense is increasing 4.7%. Health-plan expense is projected to increase 15% in 2019. Employee Benefits include education reimbursement, relocation expenses, and training and professional development. The budget for these costs is remaining consistent with 2018. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are only increasing 0.4%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost keeping the expense lower.
- Total Meeting and Travel expenses are decreasing 8.0%. The budget for all categories travel has been reduced due to cost saving efforts and to align with actual costs in the prior year.
- Total Operating Expenses are increasing by 1.6%. The Consultants and Contracts expense includes IT Managed Services and is increasing 14% primarily due to participation in the Cybersecurity Risk Information Sharing Program (CRISP). Rent cost is increasing 2.5% due to an escalation in utilities and maintenance. Office cost is increasing 6% primarily due to a new lease for copy machines. Depreciation expense is decreasing 38.1% due to certain assets fully depreciating.

All statutory activity in the 2019 Business Plan and Budget aligns with the ERO Enterprise Long-term Strategy and the ERO Enterprise Operating Plan.

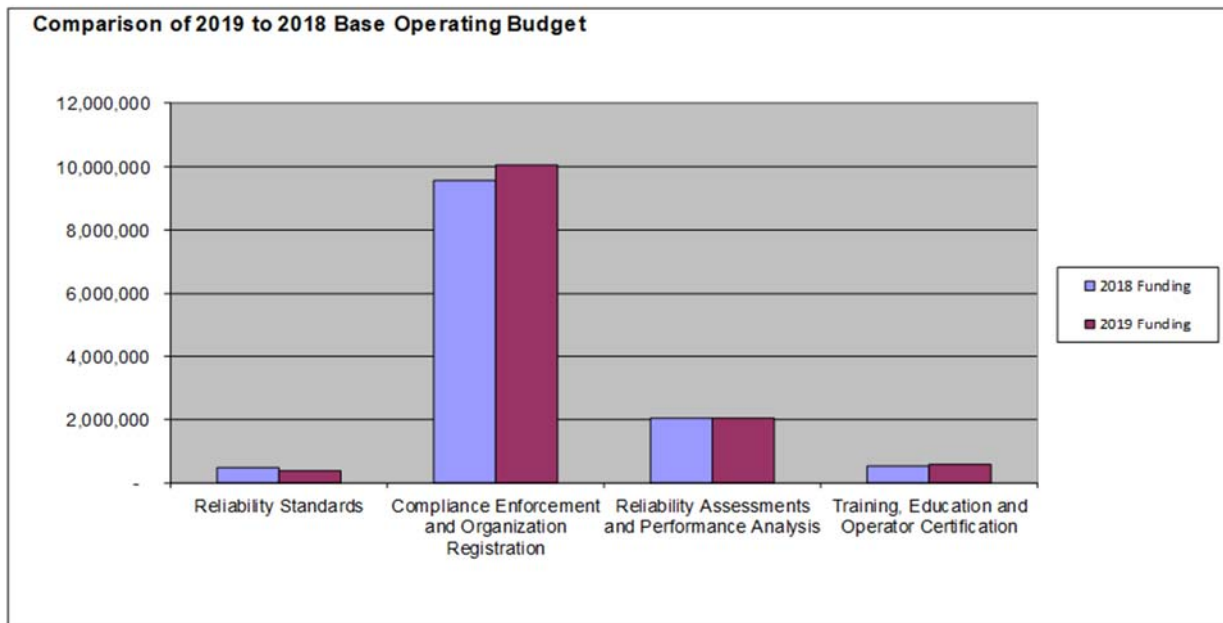
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<sup>1</sup> These documents are available on the NERC website at <https://www.nerc.com/AboutNERC/Pages/Strategic-Documents.aspx>.

## Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget 2018	Projection 2018	Budget 2019	Variance	
				2019 Budget v 2018 Budget	Variance %
Reliability Standards	\$ 462,175	\$ 462,175	\$ 386,410	\$ (75,764)	-16.4%
Compliance Enforcement and Organization Registration	9,593,152	9,593,152	10,068,946	475,794	5.0%
Reliability Assessments and Performance Analysis	2,053,795	2,053,795	2,051,498	(2,297)	-0.1%
Training, Education and Operator Certification	547,832	547,832	562,745	14,913	2.7%
Total Situation Awareness and Infrastructure Security	-	-	-	-	-
<b>Total by Program</b>	<b>\$ 12,656,953</b>	<b>\$12,656,953</b>	<b>\$ 13,069,599</b>	<b>\$ 412,646</b>	<b>3.3%</b>



## FTEs by Program Area

### Personnel Analysis

The following table displays total full-time equivalents (FTEs) by program area.

Total FTEs by Program Area	Budget 2018	Projection 2018	Direct FTEs 2019 Budget	Shared FTEs 2019 Budget	Total FTEs 2019 Budget	Change from 2018 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.50	1.50	1.25	-	1.25	(0.25)
Compliance and Organization Registration and Certificat	36.25	36.25	35.75	-	35.75	(0.50)
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.25	6.25	6.00	-	6.00	(0.25)
<b>Total FTEs Operational Programs</b>	<b>46.25</b>	<b>46.25</b>	<b>45.25</b>	<b>-</b>	<b>45.25</b>	<b>(1.00)</b>
<b>Administrative Programs</b>						
General & Administrative	3.00	3.00	4.00	-	4.00	1.00
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	5.00	-	5.00	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
<b>Total FTEs Administrative Programs</b>	<b>13.75</b>	<b>13.75</b>	<b>14.75</b>	<b>-</b>	<b>14.75</b>	<b>1.00</b>
<b>Total FTEs</b>	<b>60.00</b>	<b>60.00</b>	<b>60.00</b>	<b>-</b>	<b>60.00</b>	<b>-</b>

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projection, and 2019 Budget					
STATUTORY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2018 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 11,271,986	\$ 11,271,986	\$ -	\$ 13,248,000	\$ 1,976,014
Penalty Sanctions	275,000	275,000	-	114,449	(160,551)
<b>Total NERC Funding</b>	<b>\$ 11,546,986</b>	<b>\$ 11,546,986</b>	<b>\$ -</b>	<b>\$ 13,362,449</b>	<b>\$ 1,815,463</b>
Interest	2,000	2,000	-	15,000	13,000
<b>Total Funding (A)</b>	<b>\$ 11,548,986</b>	<b>\$ 11,548,986</b>	<b>\$ -</b>	<b>\$ 13,377,449</b>	<b>\$ 1,828,463</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 7,151,136	\$ 7,151,136	\$ -	7,394,175	\$ 243,039
Payroll Taxes	470,791	470,791	-	506,088	35,297
Benefits	1,321,116	1,321,116	-	1,383,053	61,936
Retirement Costs	1,015,772	1,015,772	-	1,019,478	3,706
<b>Total Personnel Expenses</b>	<b>\$ 9,958,815</b>	<b>\$ 9,958,815</b>	<b>\$ -</b>	<b>\$ 10,302,794</b>	<b>\$ 343,979</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 23,800	\$ 23,800	\$ -	19,800	\$ (4,000)
Travel	372,900	372,900	-	349,770	(23,130)
Conference Calls	26,950	26,950	-	20,000	(6,950)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 423,650</b>	<b>\$ 423,650</b>	<b>\$ -</b>	<b>\$ 389,570</b>	<b>\$ (34,080)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 351,200	\$ 351,200	\$ -	400,250	\$ 49,050
Office Rent	689,648	689,648	-	707,214	17,566
Office Costs	647,440	647,440	-	686,070	38,630
Professional Services	556,200	556,200	-	553,700	(2,500)
Depreciation	168,500	168,500	-	104,273	(64,227)
<b>Total Operating Expenses</b>	<b>\$ 2,412,988</b>	<b>\$ 2,412,988</b>	<b>\$ -</b>	<b>\$ 2,451,508</b>	<b>\$ 38,520</b>
<b>Total Direct Expenses</b>	<b>\$ 12,795,453</b>	<b>\$ 12,795,453</b>	<b>\$ -</b>	<b>\$ 13,143,872</b>	<b>\$ 348,419</b>
Indirect Expenses	\$ 0	\$ 0	\$ -	\$ -	\$ (0)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses (B)</b>	<b>\$ 12,795,453</b>	<b>\$ 12,795,453</b>	<b>\$ -</b>	<b>\$ 13,143,872</b>	<b>\$ 348,418</b>
<b>Change in Assets</b>	<b>\$ (1,246,468)</b>	<b>\$ (1,246,468)</b>	<b>\$ -</b>	<b>\$ 233,577</b>	<b>\$ 1,480,045</b>
<b>Fixed Assets</b>					
Depreciation	\$ (168,500)	\$ (168,500)	\$ -	(104,273)	64,227
Computer & Software CapEx	30,000	30,000	-	30,000	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(138,500)</b>	<b>(138,500)</b>	<b>-</b>	<b>(74,273)</b>	<b>64,227</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>12,656,953</b>	<b>\$ 12,656,953</b>	<b>\$ -</b>	<b>\$ 13,069,599</b>	<b>\$ 412,645</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,107,967)</b>	<b>\$ (1,107,967)</b>	<b>\$ -</b>	<b>\$ 307,850</b>	<b>\$ 1,415,818</b>
<b>FTEs</b>	60.00	60.00	-	60.00	-

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## Section A – Statutory Programs 2019 Business Plan and Budget

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## Section A — 2019 Business Plan – Statutory Programs

### Reliability Standards Program

<b>Reliability Standards Program (in whole dollars)</b>			
	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.50	1.25	(0.25)
Direct Expenses	\$ 311,392	\$ 245,671	\$ (65,720)
Indirect Expenses	\$ 155,275	\$ 142,791	\$ (12,484)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (4,492)	\$ (2,052)	\$ 2,440
Total Funding Requirement	\$ 462,175	\$ 386,410	\$ (75,764)

#### Program Scope and Functional Description

Texas RE's Reliability Standards Program supports the NERC Reliability Standards program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE MRC's standards development activities, the NERC Standards Review Forum (NSRF), and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. The Standards Development Process includes an appeals process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC Reliability Standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

In addition, Texas RE reviews proposed NERC Reliability Standards. This Program area supports and facilitates standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRF provides a regional stakeholder forum for education and discussion of NERC Reliability Standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

When developing Regional Standards, Texas RE is responsible for adhering to its FERC-approved Regional Standards development processes, and for assisting NERC as needed with obtaining NERC Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

### **2019 Key Assumptions**

- Continent-wide NERC Reliability Standards projects will consist primarily of conducting enhanced periodic reviews on existing standards to improve the content and, respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and addressing FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- During the enhanced periodic review of NERC Reliability Standards, any associated Regional Standards will be reviewed for potential incorporation as variances or as improvements to the continent-wide requirements. Regional and NERC Reliability Standards development processes may require modification to accomplish efficiently this task. Each Regional Entity will work with NERC and possibly other Regional Entities on projects where there is a regional standard/variance. Regional Standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Regional Standards development activity is expected to remain low.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations is expected to remain low. However, guidance requests associated with the implementation of standards may increase.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

### **2019 Goals and Key Deliverables**

- Provide input on and facilitate industry review of new and existing NERC Reliability Standards, including cost effectiveness/impact analysis.
- Provide input and feedback for new and existing NERC Reliability Standards using compliance monitoring experience as a basis.
- Provide guidance and outreach on approved NERC Reliability Standards and Regional Standards.

- Develop, as needed, regional variances or Regional Standards to address specific reliability risks and evaluate the need for existing Regional Standards.
- Review existing Regional Standards to determine if any could be incorporated as a regional variance to a continent-wide NERC Reliability Standard.

### **Resource Requirements**

#### Personnel Expenses

The number of FTEs assigned to this Program is .25 less than 2018. The direct costs of the Vice President and Chief Operating Officer have been removed from this Program. Those costs are now assigned to Administrative Services and are allocated among Programs based on Program FTE count during the year.

#### Consultants and Contracts

No consulting support and contracts are budgeted for 2019, which is consistent with the 2018 budget.

Section A — 2019 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2019. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2018 Budget &amp; Projection, and 2019 Budget</b>					
<b>RELIABILITY STANDARDS</b>					
	<b>2018</b>	<b>2018</b>	<b>Variance</b>	<b>2019</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>v 2018 Budget</b>	<b>Budget</b>	<b>v 2019 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 365,578	\$ 365,578	\$ -	\$ 365,967	\$ 389
Penalty Sanctions	8,919	8,919		3,162	(5,757)
<b>Total NERC Funding</b>	<b>\$ 374,497</b>	<b>\$ 374,497</b>	<b>\$ -</b>	<b>\$ 369,128</b>	<b>\$ (5,368)</b>
Interest	65	65	-	414	349
<b>Total Funding</b>	<b>\$ 374,562</b>	<b>\$ 374,562</b>	<b>\$ -</b>	<b>\$ 369,543</b>	<b>\$ (5,019)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 209,027	\$ 209,027	\$ -	\$ 156,651	\$ (52,376)
Payroll Taxes	13,666	13,666	-	11,343	(2,323)
Benefits	43,131	43,131	-	37,794	(5,337)
Retirement Costs	29,268	29,268	-	20,583	(8,685)
<b>Total Personnel Expenses</b>	<b>\$ 295,092</b>	<b>\$ 295,092</b>	<b>\$ -</b>	<b>\$ 226,371</b>	<b>\$ (68,720)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ -	\$ -	\$ -	-	\$ -
Travel	14,500	14,500	-	12,200	(2,300)
Conference Calls	1,700	1,700	-	7,000	5,300
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 16,200</b>	<b>\$ 16,200</b>	<b>\$ -</b>	<b>\$ 19,200</b>	<b>\$ 3,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	-	\$ -
Office Rent	-	-	-	-	-
Office Costs	100	100	-	100	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 100</b>	<b>\$ 100</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 311,392</b>	<b>\$ 311,392</b>	<b>\$ -</b>	<b>\$ 245,671</b>	<b>\$ (65,720)</b>
<b>Indirect Expenses</b>	<b>\$ 155,275</b>	<b>\$ 155,275</b>	<b>\$ -</b>	<b>\$ 142,791</b>	<b>\$ (12,484)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 466,666</b>	<b>\$ 466,666</b>	<b>\$ -</b>	<b>\$ 388,462</b>	<b>\$ (78,204)</b>
<b>Change in Assets</b>	<b>\$ (92,105)</b>	<b>\$ (92,105)</b>	<b>\$ -</b>	<b>\$ (18,919)</b>	<b>\$ 73,185</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(4,492)	(4,492)	-	(2,052)	2,440
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (4,492)</b>	<b>\$ (4,492)</b>	<b>\$ -</b>	<b>\$ (2,052)</b>	<b>2,440</b>
<b>TOTAL BUDGET</b>	<b>\$ 462,175</b>	<b>\$ 462,175</b>	<b>\$ -</b>	<b>\$ 386,410</b>	<b>\$ (75,764)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (87,613)</b>	<b>\$ (87,613)</b>	<b>\$ -</b>	<b>\$ (16,868)</b>	<b>\$ 70,745</b>
<b>FTEs</b>	1.50	1.50	-	1.25	(0.25)

Approved by the Texas RE Board of Directors May 23, 2018

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b>			
<b>(in whole dollars)</b>			
	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	36.25	35.75	(0.5)
Direct Expenses	\$ 5,949,230	\$ 6,043,802	\$ 94,572
Indirect Expenses	\$ 3,752,476	\$ 4,083,823	\$ 331,347
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (108,554)	\$ (58,680)	\$ 49,874
Total Funding Requirement	\$ 9,593,152	\$ 10,068,946	\$ 475,794

### [Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and Regional Standards, and enforcing and ensuring mitigation of violations of standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, exception reporting, and data submittals.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Monitoring Program (CMEP) is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. Risk-based CMEP is designed to improve BES reliability by refocusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. In addition, NERC, the Regional Entities, and registered entities will continue the transition to apply Critical Infrastructure Protection (CIP) Version 5 and its successors, which adopted new cybersecurity controls and extended the scope of the systems that the CIP Reliability Standards protect.

Two elements of risk-based CMEP—continued CIP Version 5 transition and Coordinated Oversight of Multi-Region Registered Entities—are expected to be major activities for Texas RE in 2019. Risk-based CMEP will require Texas RE to appropriately allocate resources to provide continuous improvement in the processes necessary to implement risk-based CMEP for both compliance and enforcement. Based on the high level of coordination between Regional Entities that is necessary for an efficient and effective program, the Coordinated Oversight program will increase workload levels for the Lead Regional Entity, which Texas RE is serving as for several nationwide registered entities. Additionally, increased resources may be required to meet the training requirements for the compliance and enforcement staff associated with the ERO Enterprise Operating Plan. Because resource demands are not fully known, consideration will be

given to reallocating existing staff or using available reserves to provide the resource support, if Texas RE determines this to be necessary to support the successful execution of these major activities.

### **2019 Key Assumptions**

- The implementation of risk-based CMEP will continue to require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement. Regional Entities will require resources to update previously completed IRAs and new IRAs based on identified triggers, and focus on creating compliance oversight plans that include compliance monitoring tools, the frequency of compliance monitoring, and the standards that are to be monitored as well as the depth of testing of those standards.
- An assessment project was completed to evaluate software systems used for compliance, registration, analysis and tracking, which has resulted in the approval the Compliance Monitoring and Enforcement Process Tool project by the ERO Executives. This project will unify processes and systems across the ERO, promoting greater efficiencies in work and use of resources. Additional resources will be needed to incorporate the system being developed. Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. NERC has requested that when planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.
- NERC and the Regional Entities will continue to evaluate business practices, implementation, and consistency within the risk-based CMEP.
- CIP compliance personnel will need to support implementation and evaluation of CIP Requirements for “low impact” entities and any updated CIP Reliability Standards.
- NERC will continue to lead the CIP V5 training development, coordination, and facilitation for the CMEP staff and industry outreach. Texas RE will support these activities in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood, and administered.
- NERC and the Regional Entities are continuing to support the training and education requirements and guidelines necessary to meet the criteria set forth by the ERO Enterprise Compliance Monitoring and Enforcement Manual and the Competency Guide.
- A potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Reliability Standards in 2019.



- Additional resource considerations should be given to managing the increased amount of registered entities applicable to the CIP Reliability Standards due to the addition of “low impact” requirements.
- Additional resource allocation may be necessary for increased Physical Security compliance monitoring activities for CIP-014 and the compliance monitoring activities related to the Supply Chain Risk Management Reliability Standard (CIP-013).
- ERO Enterprise CMEP staff, particularly staff with visibility into risks existing in the field, will provide feedback to the ERO Enterprise. This feedback may include information on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad. ERO Enterprise CMEP staff will participate in the development of a solution, regardless of whether the risk is addressed through a new or modified Reliability Standard, or other means.
- ERO Enterprise CMEP staff will provide input for standards development teams on the risks seen in the field relating to a standard under development, as well as for how a Reliability Standard would be monitored.
- As the depth of focused analysis of reliability performance and events across NERC improves, any identification of possible gaps in standards and compliance monitoring could potentially influence this program area.
- The certification program will be assessed in 2018, which may result in modifications to the program in 2019.
- Planned oversight activities for 2019 will be aligned with the ERO Enterprise Operating Model and may affect 2019 resource allocation, but they should have little effect on overall NERC resource requirements. NERC understands that each Regional Entity will need to evaluate its individual resource needs and allocations.
- Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects.

## 2019 Goals and Key Deliverables

### COMPLIANCE MONITORING

- Develop and implement compliance oversight plans for registered entities focusing on relevant risks, including consideration of inherent risk assessments, entity performance history, and effectiveness of internal controls.
- Work collaboratively with NERC and other Regional Entities to provide clear and consistent guidance on the CMEP process, including coordinated oversight of Multi-Region Registered Entities.
- Conduct technical assessments of registered entities’ plans and activities to mitigate noncompliance.

- Undertake enforcement activities in accordance with established risk-based approaches.
- Take action to address any findings, recommendations, enhancements, guidance, and inconsistencies identified in NERC's registration, compliance monitoring, and enforcement oversight reports.
- Participate in the development and implementation of the CMEP Technology Project. Participate in training related to enhancements to the risk-based monitoring approach.

#### ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion, to enhance visibility of violations and penalties.
- Undertake enforcement activities in accordance with established risk-based approaches.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Support streamlined mechanisms implemented to expedite possible violations that pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Enhanced feedback loops to the Reliability Standard development process.

REGISTRATION AND CERTIFICATION

- Identify and register BES owners, operators, and users. Maintain accurate, up-to-date registration information, identifying entities responsible for compliance.
- Ensure entities performing the functions of Reliability Coordinator, Balancing Authority, and Transmission Operator have the tools, processes, and training to meet applicable Reliability Standards requirements.

**Resource Requirements**

Personnel Expenses

The number of FTEs assigned to this Program is .5 less than 2018. The direct costs of the Vice President and Chief Operating Officer have been removed from this Program. Those costs are now assigned to Administrative Services and are allocated among Programs based on Program FTE count during the year.

Consultants and Contracts

There is a decrease of 4.1% in contracts and consulting services for this department due to lower costs associated with changing the webinar provider.

Section A — 2019 Business Plan and Budget – Statutory Programs

**Compliance Monitoring, Enforcement and Organization Registration and Certification Program**

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2019. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2018 Budget &amp; Projection, and 2019 Budget</b>					
<b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</b>					
	2018	2018	Variance	2019	Variance
	Budget	Projection	2018 Projection v 2018 Budget Over(Under)	Budget	2018 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
ERO Funding					
NERC Assessments	\$ 8,834,800	\$ 8,834,800	\$ -	\$ 10,466,652	\$ 1,631,852
Penalty Sanctions	215,541	215,541	-	90,421	(125,120)
<b>Total NERC Funding</b>	<b>\$ 9,050,341</b>	<b>\$ 9,050,341</b>	<b>\$ -</b>	<b>\$ 10,557,073</b>	<b>\$ 1,506,732</b>
Interest	1,568	1,568	-	11,851	10,283
<b>Total Funding</b>	<b>\$ 9,051,908</b>	<b>\$ 9,051,908</b>	<b>\$ -</b>	<b>\$ 10,568,924</b>	<b>\$ 1,517,015</b>
<b>Expenses</b>					
Personnel Expenses					
Salaries	\$ 4,004,351	\$ 4,004,351	\$ -	\$ 4,062,640	\$ 58,289
Payroll Taxes	280,612	280,612	-	305,272	24,659
Benefits	752,590	752,590	-	777,434	24,844
Retirement Costs	560,596	560,596	-	568,677	8,081
<b>Total Personnel Expenses</b>	<b>\$ 5,598,150</b>	<b>\$ 5,598,150</b>	<b>\$ -</b>	<b>\$ 5,714,022</b>	<b>\$ 115,873</b>
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 300	\$ 300
Travel	160,900	160,900	-	141,450	(19,450)
Conference Calls	4,600	4,600	-	7,000	2,400
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 165,500</b>	<b>\$ 165,500</b>	<b>\$ -</b>	<b>\$ 148,750</b>	<b>\$ (16,750)</b>
Operating Expenses					
Consultants & Contracts	\$ 169,000	\$ 169,000	\$ -	\$ 162,000	\$ (7,000)
Office Rent	-	-	-	-	-
Office Costs	16,580	16,580	-	19,030	2,450
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 185,580</b>	<b>\$ 185,580</b>	<b>\$ -</b>	<b>\$ 181,030</b>	<b>\$ (4,550)</b>
<b>Total Direct Expenses</b>	<b>\$ 5,949,230</b>	<b>\$ 5,949,230</b>	<b>\$ -</b>	<b>\$ 6,043,802</b>	<b>\$ 94,573</b>
<b>Indirect Expenses</b>	<b>\$ 3,752,476</b>	<b>\$ 3,752,476</b>	<b>\$ -</b>	<b>\$ 4,083,823</b>	<b>\$ 331,347</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 9,701,706</b>	<b>\$ 9,701,706</b>	<b>\$ -</b>	<b>\$ 10,127,626</b>	<b>\$ 425,921</b>
<b>Change in Assets</b>	<b>\$ (649,798)</b>	<b>\$ (649,798)</b>	<b>\$ -</b>	<b>\$ 441,298</b>	<b>\$ 1,091,095</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(108,554)	(108,554)	-	(58,680)	49,874
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (108,554)</b>	<b>\$ (108,554)</b>	<b>\$ -</b>	<b>\$ (58,680)</b>	<b>\$ 49,874</b>
<b>TOTAL BUDGET</b>	<b>\$ 9,593,152</b>	<b>\$ 9,593,152</b>	<b>\$ -</b>	<b>\$ 10,068,946</b>	<b>\$ 475,795</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (541,244)</b>	<b>\$ (541,244)</b>	<b>\$ -</b>	<b>\$ 499,978</b>	<b>\$ 1,041,221</b>
<b>FTEs</b>	<b>36.25</b>	<b>36.25</b>	<b>-</b>	<b>35.75</b>	<b>(0.50)</b>

Approved by the Texas RE Board of Directors May 23, 2018

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis (in whole dollars)</b>			
	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.25	6.00	(0.25)
Direct Expenses	\$ 1,425,532	\$ 1,375,949	\$ (49,583)
Indirect Expenses	\$ 646,979	\$ 685,397	\$ 38,418
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (18,716)	\$ (9,848)	\$ 8,868
Total Funding Requirement	\$ 2,053,795	\$ 2,051,498	\$ (2,297)

### Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program supports assessment of system adequacy and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system disturbances in the ERCOT region. In addition to these assessments and analyses, Texas RE participates with NERC and stakeholders in ongoing work to evaluate system performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, and technology trends. Event analyses will determine causative factors for system disturbances as well as "lessons learned" upon recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP Reliability Standards, improving regional coordination and cooperation for the CIP program, and aid the NERC-led efforts to develop industry alerts and guidance in support of the Electricity – Information Sharing and Analysis Center (E-ISAC). Most of the Texas RE Infrastructure Security effort is handled by CIP resources within the Compliance, Monitoring, Enforcement and Organizational Registration and Certification Program, while Situation Awareness is closely tied to initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

### 2019 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs. However, as many RAPA tasks are presently in preliminary stages of definition, particularly those involving support of NERC's System Analysis functions, potential

for additional program resource needs including staffing demands are not established. Additionally, there is some uncertainty regarding the amount of resources that will be required to support joint Enterprise-wide modeling and data collection systems.

- Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for the various proposed reliability assessments and Interconnection study case model building activities.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

### **2019 Goals and Key Deliverables**

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the annual long-term reliability assessment, along with continuing support for winter and summer seasonal assessments and with post-seasonal reviews.
- Contribute to two anticipated NERC short-term special reliability assessments in 2019 that focus on specific risk concerns in a six-to-eighteen month horizon, including scope development, data collection, analysis and review. These assessments may involve topics such as natural disasters, fuel supply risk, new technologies, environmental regulations, changes in resource mix, or delays in transmission development.
- Support NERC-wide modelling improvement efforts, particularly those related to dynamic loads, inverter-based resources, and generator model validation. As the Interconnection model designee associated with MOD-032 and MOD-033 Reliability Standards, Texas RE will continue to work with stakeholders to integrate fidelity and quality tests into Regional study-case development processes.
- Contribute to Reliability Guidelines and Technical Reference documents developed through technical working groups under the NERC Planning and Operating Committees, including special reports on emerging issues as may be assigned to these groups to address high-priority risks.
- Provide regional data collection and analysis to meet NERC System Analysis initiatives or FERC Order directives. These may include continuing review of risks associated with geomagnetic disturbances, system strength, and reactive issues, protection system mis-operations, system frequency response, human performance, drought, environmental regulations, oscillation analysis, phasor measurement unit (PMU) application, distributed energy resources, and new technology integration.
- Oversee NERC Rules of Procedure Section 1600 collection of reliability data for the ERCOT region, provide analysis and validation, respond to FERC inquiries, support stakeholders' data entry, and provide as enhancements are commissioned. In 2019, Texas RE will assist in development of application

requirements and testing to support development NERC's Enterprise Reporting data warehouse. Systems include:

- Transmission Availability Data System (TADS)
  - Generation Availability Data System (GADS)
  - WindGADS, a similar but separate system from GADS for wind generation, becoming mandatory for larger facilities in 2019
  - Demand Response Availability Data System (DADS)
  - Protection System Mis-operations (MIDAS)
- 
- Participate in ERO development of an outcome-based approach to achieve measurable improvements in reliability, utilizing the data above and NERC's adequate level of reliability (ALR) metrics. Collect data and perform analysis as needed to evaluate the ALR metrics and contribute to NERC's annual State of Reliability report along with a Region-specific annual reports and quarterly reviews. While content may change, the number of metrics and level of analysis is expected to remain essentially consistent in 2019 as in 2018.
  - Review NERC Reliability Standards and process developments. Evaluate against existing and proposed Regional criteria and processes for reliability concerns.
  - Continue to implement the NERC event analysis and cause-coding process within the ERCOT region, expecting a similar volume of events as 2018, estimated at 12 Category 1 (minor), and three Category 2 or 3 (moderate impact) events. No Category 4 or 5 events (significant impact) are anticipated but processes and procedures to address this possibility will be maintained. Conduct follow-up on recommendations and trends from past major events within ERCOT and other power systems.
  - Review approximately 80 lesser system events, such as remedial action scheme mis-operations, communications issues, and frequency disturbances, which do not meet the threshold for NERC events analysis, in order to monitor trends and system impacts in these areas.
  - Support the BES Definition exception process and NERC-led panels as needed by providing technical review of exception requests and coordination internally and with other Regions and NERC for consistent application. At this time, the number of such requests is uncertain but is expected to be limited to one or two issues handled by existing staff.
  - Promote the work of NERC Reliability Issues Steering Committee (RISC) to identify the most significant system risks and incorporate into RAPA activities and projects. Tailor RISC observations and Regional information to identify impacts within the Region and means to mitigate them.
  - Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.

- Texas RE staff will continue ongoing day-to-day monitoring for Situation Awareness, including system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long-term horizon.
- Utilize software applications and data from ERCOT ISO, NERC, and other sources for Regional Situation Awareness, and support use by other departments in Texas RE. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time visualization tools. Texas RE uses these tools to provide regular reporting to NERC along with information on current events in the ERCOT region.
- Continue joint activities with ERCOT ISO to host winter preparation workshops for generators and conduct site visits to promote best practices. There may be 20-30 generator sites included, with the number depending on results from 2018.
- Texas RE will continue to monitor and follow up on NERC Alerts and anticipates that the volume will be similar to 2018, or approximately four, with one alert expected to require response coordination and analysis.
- Texas RE staff will continue to support training initiatives in the Situation Awareness area that concern system resiliency and recovery. Planning with NERC and E-ISAC staff will continue for the fifth NERC GridEx Security exercise to be conducted in late 2019. Texas RE will participate in Regional exercises for blackstart and severe weather operations.

## **Resource Requirements**

### Personnel Expenses

The number of FTEs assigned to this Program is .25 less than 2018. The direct costs of the Vice President and Chief Operating Officer have been removed from this Program. Those costs are now assigned to Administrative Services and are allocated among Programs based on Program FTE count during the year.

### Consultants and Contracts

No consulting support and contracts are budgeted for 2019, which is consistent with the 2018 budget. No task assignments have been identified that require consulting or contractor support.



Section A — 2019 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2019. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2018 Budget &amp; Projection, and 2019 Budget</b>					
<b>RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS</b>					
	2018	2018	Variance	2019	Variance
	Budget	Projection	2018 Projection v 2018 Budget Over(Under)	Budget	2018 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,523,241	\$ 1,523,241	\$ -	\$ 1,756,641	\$ 233,399
Penalty Sanctions	37,162	37,162	-	15,176	(21,987)
<b>Total NERC Funding</b>	<u>\$ 1,560,404</u>	<u>\$ 1,560,404</u>	<u>\$ -</u>	<u>\$ 1,771,816</u>	<u>\$ 211,413</u>
Interest	270	270	-	1,989	1,719
<b>Total Funding</b>	<u>\$ 1,560,674</u>	<u>\$ 1,560,674</u>	<u>\$ -</u>	<u>\$ 1,773,805</u>	<u>\$ 213,132</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 916,115	\$ 916,115	\$ -	\$ 880,124	\$ (35,991)
Payroll Taxes	62,693	62,693	-	60,689	(2,004)
Benefits	173,029	173,029	-	163,033	(9,996)
Retirement Costs	128,255	128,255	-	126,663	(1,592)
<b>Total Personnel Expenses</b>	<u>\$ 1,280,092</u>	<u>\$ 1,280,092</u>	<u>\$ -</u>	<u>\$ 1,230,509</u>	<u>\$ (49,583)</u>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ -
Travel	82,000	82,000	-	82,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting &amp; Travel Expenses</b>	<u>\$ 83,000</u>	<u>\$ 83,000</u>	<u>\$ -</u>	<u>\$ 83,000</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	62,440	62,440	-	62,440	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 62,440</u>	<u>\$ 62,440</u>	<u>\$ -</u>	<u>\$ 62,440</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ 1,425,532</u>	<u>\$ 1,425,532</u>	<u>\$ -</u>	<u>\$ 1,375,949</u>	<u>\$ (49,583)</u>
<b>Indirect Expenses</b>	<u>\$ 646,979</u>	<u>\$ 646,979</u>	<u>\$ -</u>	<u>\$ 685,397</u>	<u>\$ 38,418</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 2,072,511</u>	<u>\$ 2,072,511</u>	<u>\$ -</u>	<u>\$ 2,061,346</u>	<u>\$ (11,165)</u>
<b>Change in Assets</b>	<u>\$ (511,837)</u>	<u>\$ (511,836)</u>	<u>\$ -</u>	<u>\$ (287,541)</u>	<u>\$ 224,296</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(18,716)	(18,716)	\$ -	(9,848)	\$ 8,868
<b>Inc(Dec) in Fixed Assets</b>	<u>\$ (18,716)</u>	<u>\$ (18,716)</u>	<u>\$ -</u>	<u>\$ (9,848)</u>	<u>\$ 8,868</u>
<b>TOTAL BUDGET</b>	<u>\$ 2,053,795</u>	<u>\$ 2,053,795</u>	<u>\$ -</u>	<u>\$ 2,051,498</u>	<u>\$ (2,297)</u>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<u>\$ (493,121)</u>	<u>\$ (493,120)</u>	<u>\$ -</u>	<u>\$ (277,692)</u>	<u>\$ 215,428</u>
<b>FTEs</b>	6.25	6.25	-	6.00	(0.25)

Approved by the Texas RE Board of Directors May 23, 2018

## Training, Education, and Continuing Education Program

<b>Training, Education and Operator Certification (in whole dollars)</b>			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 321,657	\$ 309,414	\$ (12,243)
Indirect Expenses	\$ 232,912	\$ 257,024	\$ 24,111
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (6,738)	\$ (3,693)	\$ 3,045
<b>Total Funding Requirement</b>	<b>\$ 547,832</b>	<b>\$ 562,745</b>	<b>\$ 14,913</b>

### Program Scope and Functional Description

Texas RE's Training, Education, and Continuing Education Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of NERC and Regional Reliability Standards, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other Programs provide expertise for educational materials, meetings, and workshops. In addition, Texas RE provides assistance for the annual ERCOT Operator Training Seminar.

Texas RE will continue to coordinate Standards and Compliance workshops and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2019. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost-effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other industry meetings.

### 2019 Key Assumptions

- Additional resources may be required to support training related to ERO initiatives that are difficult to ascertain at this time.

### 2019 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.

- Develop technical materials for and present Reliability Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC Reliability Standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Maintain the Texas RE website.
- Develop an Annual Report summarizing the prior year's accomplishments.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability working groups.
- Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

### **Resource Requirements**

#### Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2019.

#### Consultants and Contracts

Consulting support and contracts costs are remaining constant in 2019.

Section A — 2019 Business Plan and Budget – Statutory Programs

**Training, Education, and Continuing Education Program**

The following table shows the funding sources and related expenses for the Training, Education, and Continuing Education Program for 2019. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2018 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 548,367	\$ 548,367	\$ -	\$ 658,740	\$ 110,373
Penalty Sanctions	13,378	13,378	-	5,691	(7,688)
<b>Total NERC Funding</b>	<b>\$ 561,745</b>	<b>\$ 561,745</b>	<b>\$ -</b>	<b>\$ 664,431</b>	<b>\$ 102,686</b>
Interest	97	97	-	746	649
<b>Total Funding</b>	<b>\$ 561,842</b>	<b>\$ 561,842</b>	<b>\$ -</b>	<b>\$ 665,177</b>	<b>\$ 103,334</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 194,818	\$ 194,818	\$ -	\$ 197,995	\$ 3,177
Payroll Taxes	13,676	13,676	-	14,114	438
Benefits	46,679	46,679	-	48,701	2,022
Retirement Costs	27,264	27,264	-	26,424	(840)
<b>Total Personnel Expenses</b>	<b>\$ 282,437</b>	<b>\$ 282,437</b>	<b>\$ -</b>	<b>\$ 287,234</b>	<b>\$ 4,797</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 6,000	\$ 6,000	\$ -	\$ 4,500	\$ (1,500)
Travel	3,280	3,280	-	2,480	(800)
Conference Calls	20,000	20,000	-	6,000	(14,000)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 29,280</b>	<b>\$ 29,280</b>	<b>\$ -</b>	<b>\$ 12,980</b>	<b>\$ (16,300)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 3,000	\$ 3,000	\$ -	\$ 3,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,940	6,940	-	6,200	(740)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 9,940</b>	<b>\$ 9,940</b>	<b>\$ -</b>	<b>\$ 9,200</b>	<b>\$ (740)</b>
<b>Total Direct Expenses</b>	<b>\$ 321,657</b>	<b>\$ 321,657</b>	<b>\$ -</b>	<b>\$ 309,414</b>	<b>\$ (12,243)</b>
<b>Indirect Expenses</b>	<b>\$ 232,912</b>	<b>\$ 232,912</b>	<b>\$ -</b>	<b>\$ 257,024</b>	<b>\$ 24,111</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 554,570</b>	<b>\$ 554,570</b>	<b>\$ -</b>	<b>\$ 566,438</b>	<b>\$ 11,869</b>
<b>Change in Assets</b>	<b>\$ 7,273</b>	<b>\$ 7,273</b>	<b>\$ -</b>	<b>\$ 98,739</b>	<b>\$ 91,466</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(6,738)	(6,738)	-	(3,693)	3,045
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (6,738)</b>	<b>\$ (6,738)</b>	<b>\$ -</b>	<b>\$ (3,693)</b>	<b>\$ 3,045</b>
<b>TOTAL BUDGET</b>	<b>\$ 547,832</b>	<b>\$ 547,832</b>	<b>\$ -</b>	<b>\$ 562,745</b>	<b>\$ 14,913</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ 14,011</b>	<b>\$ 14,011</b>	<b>\$ -</b>	<b>\$ 102,432</b>	<b>\$ 88,421</b>
<b>FTEs</b>	<b>2.25</b>	<b>2.25</b>	<b>-</b>	<b>2.25</b>	<b>-</b>

Approved by the Texas RE Board of Directors May 23, 2018

**Administrative Services**

<b>Administrative Services</b>						
	<b>Direct Expenses &amp; Fixed Assets</b>			<b>FTEs</b>		
	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>Inc (Dec)</b>	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>Inc (Dec)</b>
General and Administrative	2,233,989	2,564,699	330,711	3.00	4.00	1.00
Legal and Regulatory	544,767	552,887	8,120	2.75	2.75	-
Information Technology	1,341,604	1,374,599	32,994	5.00	5.00	-
Human Resources	96,640	109,410	12,770	-	-	-
Finance and Accounting	432,142	493,166	61,024	3.00	3.00	-
<b>Total Administrative Services</b>	<b>4,649,142</b>	<b>5,094,761</b>	<b>445,619</b>	<b>13.75</b>	<b>14.75</b>	<b>1.00</b>

**Program Scope and Functional Description**

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its general and administrative expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.

Fixed asset additions that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

**General and Administrative**

This Program includes the President and CEO, the Vice President and Chief Operating Officer (VP), the personnel costs for the HR Department, and the compensation and expenses of the Texas RE Board. The President and CEO carries out the general affairs of Texas RE including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The VP performs a leadership role in coordinating and facilitating the activities of all Texas RE programs. The VP reports to the CEO and acts on behalf of the CEO in his absence.

Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

The number of FTEs assigned to this Program is 1.0 more than 2018. The Vice President and Chief Operating Officer costs have been removed from individual Program budgets. Those costs are now assigned to Administrative Services and are allocated among Programs based on

Program FTE count during the year. This change increases budgeted Indirect Costs and decreases budgeted direct statutory program costs, without changing total budgeted costs.

Consulting support and contracts costs are remaining constant in 2019.

### **Legal and Regulatory**

The Legal and Regulatory area provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings, and voting; (2) Board meetings, minutes, support, training, and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations, and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

### **2019 Key Assumptions**

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

### **2019 Key Deliverables and Goals**

- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.
- Review contracts and corporate documents.
- Update and maintain corporate policies and procedures.
- Oversee the prosecution and any appeal of contested enforcement or disputed registration matters.

The budgeted number of FTEs for Legal and Regulatory is remaining constant in 2019.

Consulting support and contracts are consistent with the 2018 budget.

Legal Fees are decreasing by 29.7% to reflect actual cost experience.

## **Information Technology**

Texas RE's Information Technology (IT) and security program provides IT and security support to Texas RE, including the following: hardware, systems, software, and applications support; physical and electronic and security, data center operations, IT and security-related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training and planning for improvement and efficiency of business processes and operations.

Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development to ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with business, regional, and federal requirements.

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations that have been approved by the ERO Executive Management Group (ERO-EMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively 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.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2019 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

### **2019 Key Assumptions**

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

### **2019 Goals and Key Deliverables**

- Provide IT and security support to all Texas RE's operations, including: IT and security budget; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
  - Continue to develop knowledge of systems through training and experience to reduce the reliance on external vendors.

- Continue to utilize third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's Internal Controls Program and security posture.
  - Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service, and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.
  - Continue to outsource IT and security services that are not within the core competencies or IT's cost-containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
- Develop internal applications to increase consistency, efficiency, and assist users in business processes.
  - Assist business staff with enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
  - Coordinate and share best practices with other Regional Entities and NERC.
  - Participate in the design, planning and implementation of ERO Centralized Applications.
  - Continue the Security Awareness Program that addresses, through education and training, social media vulnerabilities that pose threats to Texas RE systems.
  - Train and support Texas RE staff on software and applications.
  - Continue to develop and test failover and disaster recovery methods for all Texas RE systems.

The budgeted number of FTEs for IT are remaining constant in 2019.

IT-Managed Services, which is included in the consulting support and contracts category, are increasing to reflect costs associated with participation in the CRISP program.

### **Human Resources**

The Texas RE Human Resources (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources Information System products and ensures compliance with all federal and state requirements.

### **2019 Key Assumptions**

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.



### **2019 Goals and Key Deliverables**

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.

Personnel expenses are reported under G&A.

Consulting services and contracts are increasing by 14.3% in 2019. The 2018 budget planned for two compensation studies consisting of an all staff survey and custom Regional Entity salary study with different consultants. The 2019 budget plans for three studies: all staff compensation and benefits study, President and CEO compensation study, as well as a potential custom Regional Entity compensation study.

### **Finance and Accounting**

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

### **2019 Key Assumptions**

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to Directors, the Audit, Governance, and Finance Committee, and the Board of Directors.

### **2019 Goals and Key Deliverables**

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, managers, and the Texas RE Board.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

The budgeted number of FTEs for Finance and Accounting are remaining constant in 2019.

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No consulting support and contracts are budgeted for 2019, which is consistent with the 2018 budget.

## Administrative Services

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 Department Section and with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2018 Budget &amp; Projection, and 2019 Budget</b>					
<b>ADMINISTRATIVE SERVICES</b>					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2018 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,826,825	\$ 1,826,825	\$ -	\$ 2,096,766	\$ 269,940
Payroll Taxes	100,144	100,144	-	114,670	14,526
Benefits	305,687	305,687	-	356,091	50,403
Retirement Costs	270,388	270,388	-	277,131	6,743
<b>Total Personnel Expenses</b>	<u>\$ 2,503,044</u>	<u>\$ 2,503,044</u>	<u>\$ -</u>	<u>\$ 2,844,657</u>	<u>\$ 341,613</u>
<b>Meeting and Travel Expenses</b>					
Meetings	\$ 16,800	\$ 16,800	\$ -	\$ 14,000	\$ (2,800)
Travel	112,220	112,220	-	111,640	(580)
Conference Calls	650	650	-	-	(650)
<b>Total Meeting &amp; Travel Expenses</b>	<u>\$ 129,670</u>	<u>\$ 129,670</u>	<u>\$ -</u>	<u>\$ 125,640</u>	<u>\$ (4,030)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 179,200	\$ 179,200	\$ -	\$ 235,250	\$ 56,050
Office Rent	689,648	689,648	-	707,214	17,566
Office Costs	561,380	561,380	-	598,300	36,920
Professional Services	556,200	556,200	-	553,700	(2,500)
Depreciation	168,500	168,500	-	104,273	(64,227)
<b>Total Operating Expenses</b>	<u>\$ 2,154,928</u>	<u>\$ 2,154,928</u>	<u>\$ -</u>	<u>\$ 2,198,738</u>	<u>\$ 43,810</u>
<b>Total Direct Expenses</b>	<u>\$ 4,787,642</u>	<u>\$ 4,787,642</u>	<u>\$ -</u>	<u>\$ 5,169,034</u>	<u>\$ 381,392</u>
<b>Indirect Expenses</b>	<u>\$ (4,787,642)</u>	<u>\$ (4,787,642)</u>	<u>\$ -</u>	<u>\$ (5,169,034)</u>	<u>\$ (381,392)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 0</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>
<b>Fixed Assets</b>					
Depreciation	(168,500)	(168,500)	-	(104,273)	64,227
Computer & Software CapEx	30,000	30,000	-	30,000	-
Allocation of Fixed Assets	138,500	138,500	-	74,273	(64,227)
<b>Inc(Dec) in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET</b>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 0</u>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>
<b>FTEs</b>	<b>3.00</b>	<b>3.00</b>	<b>-</b>	<b>4.00</b>	<b>1.00</b>

Approved by the Texas RE Board of Directors May 23, 2018

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# Section B – Supplemental Financial Information

## 2019 Business Plan and Budget

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## Section B — Supplemental Financial Information

### Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2018-2019	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2017	2,422,616
Plus: 2018 Funding (from LSEs or designees)	11,546,986
Plus: 2018 Other funding sources	2,000
Less: 2018 Projected expenses & capital expenditures	(12,656,953)
<b>Projected Working Capital Reserve (Deficit), December 31, 2018</b>	<b>1,314,649</b>
Desired Working Capital Reserve, December 31, 2019	1,622,500
Minus: Projected Working Capital Reserve, December 31, 2018	(1,314,649)
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b>307,850</b>
2019 Expenses and Capital Expenditures	13,069,599
Less: Penalty Sanctions <sup>1</sup>	(114,449)
Less: Other Funding Sources	(15,000)
Adjustment to achieve desired Working Capital Reserve	307,850
<b>2019 NERC Assessment</b>	<b>13,248,000</b>

<sup>1</sup> Represents collections on or prior to June 30, 2018.

### Explanation of Changes in Reserve Policy from Prior Years

The Board-approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators. For the 2018 budget period, the Board of Directors approved a reduction to the Operating Reserve to \$1,245,000 to reduce the amount of increase in assessments. The reserve will be replenished in the 2019 and 2020 budgets. The projected Operating Reserve for the 2019 budget period is \$1,622,500.

## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 9 of the 2019 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2018. The 2019 budget was based on this information.

## Penalty Sanctions

Penalty monies received by June 30, 2018 are to be used to offset assessments in the 2019 Budget, as documented in the NERC Policy – *ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2018 through June 30, 2019 will be used to offset assessments in the 2020 Budget.

All penalties received by June 30, 2018 are detailed in Exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; and Training, Education and Operator Certification. Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

**Table B-2 – Penalty Sanctions**

<b>Penalty Sanctions Received On or Prior to June 30, 2018</b>	<b>Date Received</b>	<b>Amount Received</b>
General Excise Tax	10/4/2017	\$ 80,000
APR	10/16/2017	34,449
<b>Total Penalties Received</b>		<u>\$ 114,449</u>

**Table B-3 – Supplemental Funding**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget
<b>Reliability Standards</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Interest Income	\$ 2,000	\$ 2,000	\$ 15,000	\$ 13,000
Total	\$ 2,000	\$ 2,000	\$ 15,000	\$ 13,000
<b>Total Outside Funding</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ 15,000</b>	<b>\$ 13,000</b>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- Texas RE anticipates its investments will earn interest of approximately \$15,000 in 2019. Texas RE’s banking account was converted to the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. The change in account type allowed for higher interest and dividend collections. The increase reflects interest and dividend income in 2017.



**Table B-4 – Personnel Expenses**

Personnel Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Total Salaries	\$ 7,151,136	\$ 7,151,136	\$ 7,394,175	\$ 243,039	3.4%
Total Payroll Taxes	470,791	470,791	506,088	35,297	7.5%
Total Benefits	1,321,116	1,321,116	1,383,053	61,936	4.7%
Total Retirement	1,015,772	1,015,772	1,019,478	3,706	0.4%
<b>Total Personnel Costs</b>	<b>\$ 9,958,815</b>	<b>\$ 9,958,815</b>	<b>\$ 10,302,794</b>	<b>\$ 343,979</b>	<b>3.5%</b>
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 119,186	\$ 119,186	\$ 123,236	4,051	3.4%
Payroll Taxes	7,847	7,847	8,435	588	7.5%
Benefits	22,019	22,019	23,051	1,032	4.7%
Retirement	16,930	16,930	16,991	62	0.4%
<b>Total Cost per FTE</b>	<b>\$ 165,980</b>	<b>\$ 165,980</b>	<b>\$ 171,713</b>	<b>\$ 5,733</b>	<b>3.5%</b>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- Total costs for Texas RE personnel expenses are increasing by 3.5%. Salaries expense includes a 3% increase for 2019. An additional 0.4% increase in that category is due to promotions and market adjustments.
- Payroll taxes are increasing 7.5%, which includes a significant increase in State Unemployment Insurance Tax.
- Total Benefits expense is increasing 4.7%. Health-plan expense is projected to increase 15% in 2019. Employee Benefits include education reimbursement, relocation expenses, and training and professional development.
- Retirement costs are only increasing 0.4%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost keeping the expense lower.

**Table B-5 – Meeting & Travel Expenses**

Meeting and Travel Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Meetings	\$ 23,800	\$ 23,800	\$ 19,800	\$ (4,000)	-16.8%
Travel	372,900	372,900	349,770	(23,130)	-6.2%
Conference Calls	26,950	26,950	20,000	(6,950)	-25.8%
	<u>\$ 423,650</u>	<u>\$ 423,650</u>	<u>\$ 389,570</u>	<u>\$ (34,080)</u>	<u>-8.0%</u>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- The budget for all categories travel has been reduced due to cost saving efforts and to align with actual costs in 2017.
- Changing the webinar service provider will reduce costs for online meetings and conference calls.

**Table B-6 – Consultants and Contracts**

Consultants and Contracts	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	169,000	169,000	162,000	(7,000)	-4.1%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	3,000	3,000	3,000	-	0.0%
General and Administrative	80,000	80,000	80,000	-	0.0%
Legal and Regulatory	3,200	3,200	2,250	(950)	-29.7%
Information Technology	26,000	26,000	73,000	47,000	180.8%
Human Resources	70,000	70,000	80,000	10,000	14.3%
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 351,200</b>	<b>\$ 351,200</b>	<b>\$ 400,250</b>	<b>\$ 49,050</b>	<b>14.0%</b>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

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

**Table B-7 – Office Rent**

<b>Rent</b>	<b>Budget 2018</b>	<b>Projection 2018</b>	<b>Budget 2019</b>	<b>Variance 2019 Budget v 2018 Budget</b>	<b>Variance %</b>
Office Rent	\$ 477,648	\$ 477,648	\$ 442,214	\$ (35,434)	-7.4%
Utilities	200,000	200,000	\$ 250,000	50,000	25.0%
Maintenance	12,000	12,000	\$ 15,000	3,000	25.0%
<b>Total Office Rent &amp; Utilitites</b>	<b>\$ 689,648</b>	<b>\$ 689,648</b>	<b>\$ 707,214</b>	<b>\$ 17,566</b>	<b>2.5%</b>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- Deferred Rent has offset rent expense in 2019 causing the 7.4% decrease.
- Utilities and maintenance are allocated by the property manager based on the prior year's usage, price, and square footage. Application of these factors results in an anticipated increase in 2019 of \$50,000 for Utilities and \$3,000 in Maintenance.

Table B-8 – Office Costs

Office Costs	Budget 2018	Projection 2018	Budget 2019	Variance	
				2019 Budget v 2018 Budget	Variance %
Telephone/Cell Phone	\$ 41,760	\$ 41,760	\$ 41,760	\$ -	0.0%
Internet Expense	130,000	130,000	128,000	(2,000)	-1.5%
Office Supplies	47,920	47,920	40,920	(7,000)	-14.6%
Computer Supplies & Maintenance	30,650	30,650	36,400	5,750	18.8%
IT Remote Support	-	-	1,350	1,350	100.0%
Software & Software Maintenance	189,300	189,300	191,000	1,700	0.9%
Subscriptions & Publications	28,250	28,250	23,950	(4,300)	-15.2%
Dues	7,785	7,785	8,305	520	6.7%
Postage	425	425	685	260	61.2%
Express Shipping	700	700	350	(350)	-50.0%
Stationary & Office Forms	2,000	2,000	2,200	200	10.0%
Equipment Repair/Srv. Contracts	2,000	2,000	13,000	11,000	550.0%
Bank Charges	1,500	1,500	1,500	-	0.0%
Property Taxes	10,000	10,000	15,400	5,400	54.0%
Merchant Credit Card Fee	1,400	1,400	500	(900)	-64.3%
IT-Leased Equipment	150,000	150,000	177,000	27,000	18.0%
Office Furniture & Equipment Exp	2,500	2,500	2,500	-	0.0%
Employment Related Fees	1,250	1,250	1,250	-	0.0%
<b>Total Office Costs</b>	<b>\$ 647,440</b>	<b>\$ 647,440</b>	<b>\$ 686,070</b>	<b>\$ 38,630</b>	<b>5.97%</b>

#### Explanation of Significant Variances – 2019 Budget versus 2018 Budget

- All categories in the Office Costs have been adjusted in the 2019 budget to more accurately reflect actual experience.
- Office Supplies decreased due to lowering the on-hand supply inventory and ordering as needed.
- Computer Supplies and Maintenance are increasing primarily due to costs for supplies for updated copy machines and equipment.
- IT Remote Support is a new account set up for the support for Go to Assist, which is a remote access tool used by IT to assist users remotely with computer issues.
- Subscriptions and Publications are decreasing for Board of Director meeting package publication software to reflect actual experience.
- Dues increase is due to more employees maintaining professional licenses.
- Postage is increasing but is offset in part by the decrease in Express Shipping.
- Equipment Repair/Service Contracts is increasing due consumables and usage on the Xerox copiers and small repairs not covered under contracts.
- Property Tax rates increased in both Travis County and Bexar County.
- Merchant Credit Card Fee is decreasing due to a change in the type of merchant card for Accounts Payable.

- IT-Leased equipment is increasing due to adding more equipment to the laptop and server lease and adding a new lease for copy machines.

**Table B-9 – Professional Services**

Professional Services	Budget 2018	Projection 2018	Budget 2019	Variance	
				2019 Budget v 2018 Budget	Variance %
Board of Director Fees	\$ 282,500	\$ 282,500	\$ 298,000	\$ 15,500	5.5%
Accounting & Auditing Fees	45,000	45,000	50,000	5,000	11.1%
Legal Fees	50,000	50,000	40,000	(10,000)	-20.0%
Insurance - Commercial	72,000	72,000	73,000	1,000	1.4%
Professional Services-Other	106,700	106,700	92,700	(14,000)	-13.1%
<b>Total Professional Services</b>	<b>\$ 556,200</b>	<b>\$ 556,200</b>	<b>\$ 553,700</b>	<b>\$ (2,500)</b>	<b>-0.4%</b>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- Board of Director Fees have been adjusted to reflect the potential increases recommended by a compensation study.
- Accounting and Auditing Fees are increasing slightly due to annual price adjustment.
- Legal Fees are decreasing to reflect actual cost based on experience.
- Commercial Insurance is projected to increase slightly based on an estimate from the broker.
- Professional Services – Other is decreasing. The 2018 budget included a Social Organization Control Operating (SOCII) audit that is not included in 2019.

**Table B-10 – Miscellaneous Expense**

Miscellaneous	Budget		Projection		Budget		Variance	
	2018		2018		2019		2019 Budget v 2018 Budget	Variance %
Miscellaneous Expense	\$	-	\$	-	\$	-	\$	-
<b>Total Miscellaneous Expenses</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- N/A



**Table B-11 – Other Non-Operating Expenses**

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

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- N/A

**Table B-12 – Fixed Assets**

Fixed Assets	Budget	Projection	Budget	Variance	
	2018	2018	2019	2019 Budget v 2018 Budget	Variance %
Depreciation	\$ (168,500)	\$ (168,500)	\$ (104,273)	\$ 64,227	-38.1%
Computer & Software CapEx	30,000	30,000	30,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
<b>Total Fix Assets</b>	<b>\$ (138,500)</b>	<b>\$ (138,500)</b>	<b>\$ (74,273)</b>	<b>\$ 64,227</b>	<b>-46.4%</b>

**Explanation of Significant Variances – 2019 Budget versus 2018 Budget**

- Depreciation is decreasing 38.1% due to certain assets fully depreciating.
- Computer and Software CapEx is remaining the same.

Table B-13 – 2020 and 2021 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2019 Budget & Projected 2020 and 2021 Budgets							
	2019 Budget	2020 Projection	\$ Change 20 v 19	% Change 20 v 19	2021 Projection	\$ Change 21 v 20	% Change 21 v 20
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 13,248,000	\$ 13,777,920	\$ 529,920	4.0%	\$ 14,349,037	\$ 571,117	4.0%
Penalty Sanctions	114,449	-	(114,449)	-100.00%	-	-	
<b>Total NERC Funding</b>	<b>\$ 13,362,449</b>	<b>\$ 13,777,920</b>	<b>\$ 415,471</b>	<b>3.1%</b>	<b>\$ 14,349,037</b>	<b>\$ 571,117</b>	<b>4.0%</b>
Membership Dues	-	\$ -	-		-	-	
Interest	15,000	15,600	600	4.00%	16,224	624	4.0%
<b>Total Funding</b>	<b>\$ 13,377,449</b>	<b>\$ 13,793,520</b>	<b>\$ 416,071</b>	<b>3.1%</b>	<b>\$ 14,365,261</b>	<b>\$ 571,741</b>	<b>4.1%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 7,394,175	\$ 7,689,943	\$ 295,767	4.0%	\$ 7,997,540	\$ 307,598	4.0%
Payroll Taxes	506,088	526,332	20,244	4.0%	547,385	21,053	4.0%
Benefits	1,383,053	1,438,375	55,322	4.0%	1,495,910	57,535	4.0%
Retirement Costs	1,019,478	1,060,257	40,779	4.0%	1,102,667	42,410	4.0%
<b>Total Personnel Expenses</b>	<b>\$ 10,302,794</b>	<b>\$ 10,714,906</b>	<b>\$ 412,112</b>	<b>4.0%</b>	<b>\$ 11,143,502</b>	<b>\$ 428,596</b>	<b>4.0%</b>
<b>Meeting &amp; Travel Expenses</b>							
Meetings	\$ 19,800	\$ 20,592	\$ 792	4.0%	\$ 21,415.68	824	4.0%
Travel	349,770	363,761	13,991	4.0%	378,311	14,550	4.0%
Conference Calls	20,000	20,800	800	4.0%	21,632	832	4.0%
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 389,570</b>	<b>\$ 405,153</b>	<b>\$ 15,583</b>	<b>4.0%</b>	<b>\$ 421,359</b>	<b>\$ 16,206</b>	<b>4.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 400,250	\$ 416,260	16,010	4.0%	\$ 432,910	16,650	4.0%
Office Rent	707,214	735,503	28,289	4.0%	764,923	29,420	4.0%
Office Costs	686,070	713,513	27,443	4.0%	742,053	28,541	4.0%
Professional Services	553,700	575,848	22,148	4.0%	598,882	23,034	4.0%
Depreciation	104,273	108,444	4,171	4.0%	112,782	4,338	4.0%
<b>Total Operating Expenses</b>	<b>\$ 2,451,508</b>	<b>\$ 2,549,568</b>	<b>\$ 98,060</b>	<b>4.0%</b>	<b>\$ 2,651,551</b>	<b>\$ 101,983</b>	<b>4.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 13,143,872</b>	<b>\$ 13,669,627</b>	<b>\$ 525,755</b>	<b>4.0%</b>	<b>\$ 14,216,412</b>	<b>\$ 546,785</b>	<b>4.0%</b>
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
<b>Total Expenses</b>	<b>\$ 13,143,872</b>	<b>\$ 13,669,627</b>	<b>\$ 525,755</b>	<b>4.0%</b>	<b>\$ 14,216,412</b>	<b>\$ 546,785</b>	<b>4.0%</b>
<b>Change in Assets</b>	<b>\$ 233,577</b>	<b>\$ 123,893</b>	<b>\$ (109,684)</b>	<b>-47.0%</b>	<b>\$ 148,849</b>	<b>\$ 24,956</b>	<b>20.1%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (104,273)	\$ (108,444)	\$ (4,171)	4.0%	\$ (112,782)	\$ (4,338)	4.0%
Computer & Software CapEx	30,000	31,200	1,200	4.0%	32,448	1,248	4.0%
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (74,273)</b>	<b>\$ (77,244)</b>	<b>\$ (2,971)</b>	<b>4.0%</b>	<b>\$ (80,334)</b>	<b>\$ 24,956</b>	<b>0.0%</b>
<b>TOTAL BUDGET</b>	<b>\$ 13,069,599</b>	<b>\$ 13,592,383</b>	<b>\$ 522,784</b>	<b>4.0%</b>	<b>\$ 14,136,078</b>	<b>\$ 546,785</b>	<b>4.0%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ 307,850</b>	<b>\$ 201,137</b>	<b>\$ (106,713)</b>	<b>0.0%</b>	<b>\$ 229,183</b>	<b>28,045</b>	<b>13.9%</b>
FTEs	60	60	-	0.0%	60	-	0.0%

## 2020 and 2021 Projection Analysis

- Assumes overall workload will remain consistent; reflects no additional FTEs and an overall expense increase of approximately 4% per year.

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## Section C – 2019 State (Non-Statutory) Activities 2019 Business Plan and Budget

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**Section C — 2019 State (Non-Statutory) Business Plan and Budget**

<b>State (Non-Statutory) Activities (in whole dollars)</b>			
	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.0	5.0	-
Direct Expenses	\$ 1,091,743	\$ 1,124,495	\$ 32,752
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	\$ 1,091,743	\$ 1,124,495	\$ 32,752

**State (Non-Statutory) Functional Scope**

Texas RE performs non-statutory activities as the ERCOT region Reliability Monitor on behalf of the Public Utility Commission of Texas (PUCT). As the Reliability Monitor, Texas RE audits and investigates market participants' compliance with ERCOT Protocols and Operating Guides (ERCOT Regional Rules), reports possible non-compliance with reliability-related regional rules to the PUCT, and provides testimony and support to the PUCT in enforcement cases prosecuted by the PUCT. These non-statutory activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT.

**Major 2019 Assumptions and Cost Impacts**

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for the PUCT in 2019.

**2019 State (Non-Statutory) Goals and Objectives**

- Appropriately monitor, investigate, and report to the PUCT regarding stakeholder compliance with the ERCOT Regional Rules.
- Review and assess system disturbances for potential violations of ERCOT Regional Rules and report all findings to the PUCT.
- Provide technical expertise to the PUCT for the review and modification of ERCOT Regional Rules that impact reliability.
- Provide technical or testimony support as needed to the PUCT for its enforcement of ERCOT Regional Rules violations.

**Funding Sources**

- State (Non-Statutory) activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT. Texas RE's total 2019 non-statutory budget and funding is \$1,124,495.
- Total expenses for 2019 are increasing 3% over 2018.

**Personnel Expenses**

- State (Non-statutory) personnel are remaining constant at 5 FTEs. Personnel expenses are increasing 3%. Payroll taxes reflect a significant increase in State
-

Unemployment Insurance. Benefits expenses are less than 2018 due to the cost for health insurance not increasing in 2018 as much as projected. One FTE will continue to represent the composite of time spent on non-statutory activities by employees who report to statutory and G&A program areas.

### **Meeting and Travel Expenses**

- Meeting and travel expense is slightly higher in 2019 to reflect more mileage to attend local meetings. The increase in travel is offset with a decrease in conference call expense.

### **Operating Expenses**

- Operating expenses are increasing in all categories to align with prior year costs.

### **Indirect Expenses**

- Costs are being charged directly to the expense line item in 2019; therefore, no indirect expenses are charged.

Section C — 2019 Business Plan and Budget – 2019 State (Non-Statutory) Activities

2019 Budget and Projection and 2018 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
STATE (NON-STATUTORY)					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2018 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	-	-		-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
PUCT	\$ 1,091,743	\$ 1,091,743		\$ 1,124,495	\$ 32,752
<b>Total Funding (A)</b>	<b>\$ 1,091,743</b>	<b>\$ 1,091,743</b>	<b>\$ -</b>	<b>\$ 1,124,495</b>	<b>\$ 32,752</b>
<b>Expenses</b>					
Personnel Expenses					
Salaries	\$ 673,288	\$ 673,288		\$ 687,611	\$ 14,322
Payroll Taxes	37,920	37,920		46,449	8,529
Benefits	139,336	139,336		112,735	(26,601)
Retirement Costs	97,624	97,624		96,348	(1,276)
<b>Total Personnel Expenses</b>	<b>\$ 948,168</b>	<b>\$ 948,168</b>	<b>\$ -</b>	<b>\$ 943,142</b>	<b>\$ (5,026)</b>
Meeting Expenses					
Meetings	\$ -	\$ -		\$ -	-
Travel	1,800	1,800		4,380	\$ 2,580
Conference Calls	1,000	1,000		-	(1,000)
<b>Total Meeting Expenses</b>	<b>\$ 2,800</b>	<b>\$ 2,800</b>	<b>\$ -</b>	<b>\$ 4,380</b>	<b>\$ 1,580</b>
Operating Expenses					
Consultants & Contracts	\$ 24,927	\$ 24,927		\$ 44,132	19,205
Office Rent	58,752	58,752		70,890	12,138
Office Costs	19,960	19,960		29,810	9,850
Professional Services	20,900	20,900		24,292	3,392
Depreciation	16,236	16,236		7,849	(8,387)
<b>Total Operating Expenses</b>	<b>\$ 140,775</b>	<b>\$ 140,775</b>	<b>\$ -</b>	<b>\$ 176,973</b>	<b>\$ 36,198</b>
<b>Total Direct Expenses</b>	<b>\$ 1,091,743</b>	<b>\$ 1,091,743</b>	<b>\$ -</b>	<b>\$ 1,124,495</b>	<b>\$ 32,752</b>
Indirect Expenses	\$ -	\$ -		\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
<b>Total Expenses (B)</b>	<b>\$ 1,091,743</b>	<b>\$ 1,091,743</b>	<b>\$ -</b>	<b>\$ 1,124,495</b>	<b>\$ 32,752</b>
<b>Change in Assets</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx					
Allocation of Fixed Assets	\$ -	-	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,091,743</b>	<b>\$ 1,091,743</b>	<b>\$ -</b>	<b>\$ 1,124,495</b>	<b>32,752</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
FTEs	5.0	5.0		5.0	

Approved by the Texas RE Board of Directors May 23, 2018

## Personnel Analysis

Total FTE's by Program Area	Budget 2018	Projection 2018	Direct FTEs 2019 Budget	Shared FTEs 2019 Budget	Total FTEs 2019 Budget	Change from 2018 Budget
<b>STATE (NON-STATUTORY)</b>						
<b>Operational Programs</b>						
State (Non-Statutory)	4.00	4.00	4.00	0.00	4.00	0.00
<b>Total FTEs Operational Programs</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>0.00</b>	<b>4.00</b>	<b>0.00</b>
<b>Administrative Programs</b>						
G&A	1.00	1.00	0.00	1.00	1.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>5.00</b>	<b>5.00</b>	<b>4.00</b>	<b>1.00</b>	<b>5.00</b>	<b>0.00</b>

A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.



## **Reserve Analysis — 2018-2019**

Texas RE does not have reserves for State (Non-Statutory) activities due to contractual provisions ensuring minimal risk for this funding.

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## Section D – Supplemental Information

### 2019 Business Plan and Budget

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## Section D – Supplemental Information

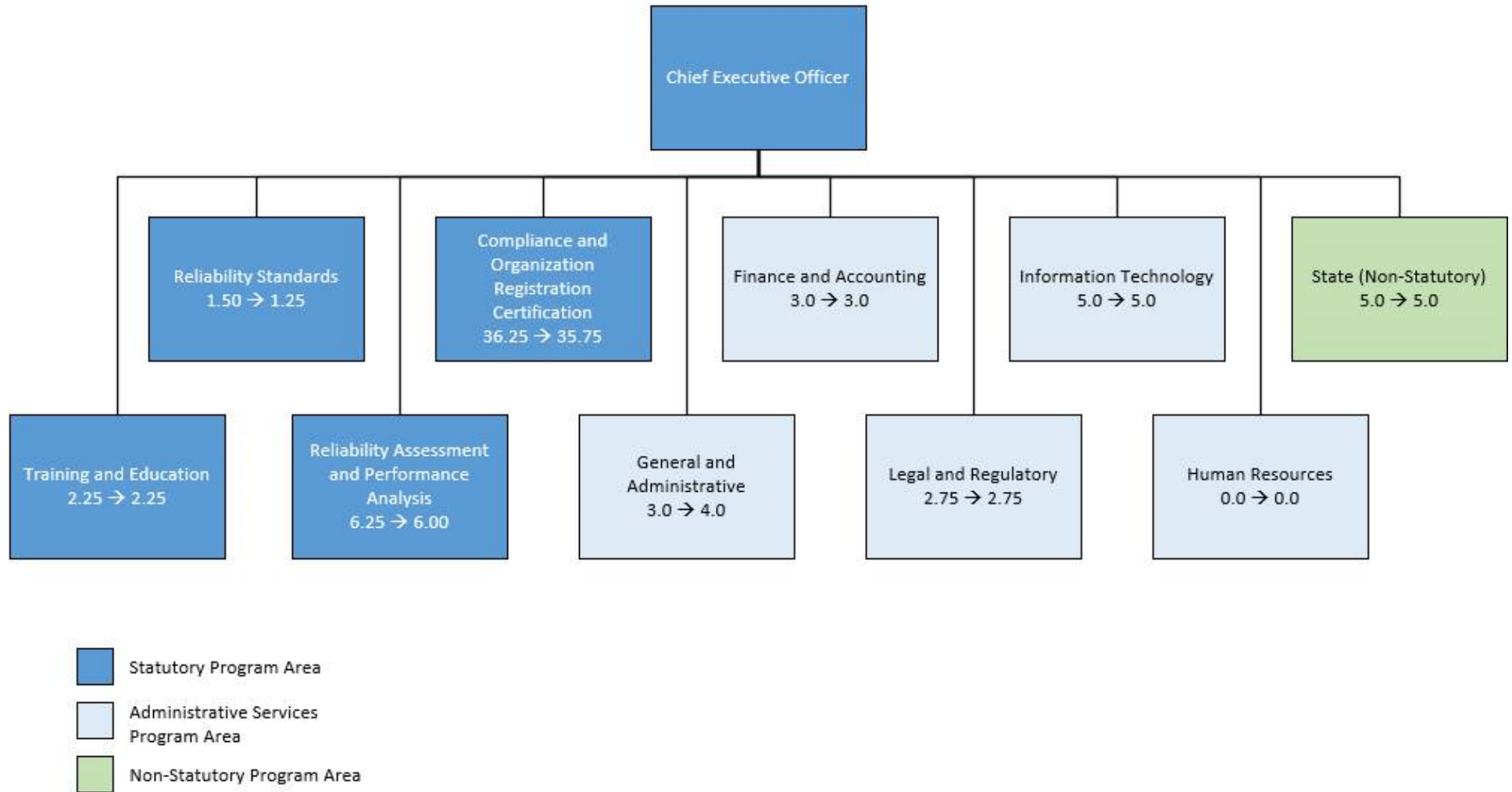
### 2019 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)

Funding	Total	Statutory Total	State (Non-Statutory) Total	Reliability Standards	CMEP	RAPA	Training and Education	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	State (Non-Statutory)
<b>ERO Funding</b>													
NERC Assessments	\$ 13,248,000	\$ 13,248,000	\$ -	\$ 365,967	\$ 10,466,652	\$ 1,756,641	\$ 658,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	114,449	114,449	-	3,162	90,421	15,176	5,691	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 13,362,449</b>	<b>\$ 13,362,449</b>	<b>\$ -</b>	<b>\$ 369,128</b>	<b>\$ 10,557,073</b>	<b>\$ 1,771,816</b>	<b>\$ 664,431</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
PUCT Fees	1,124,495	-	1,124,495	-	-	-	-	-	-	-	-	-	1,124,495
Interest	15,000	15,000	-	414	11,851	1,989	746	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 14,501,944</b>	<b>\$ 13,377,449</b>	<b>\$ 1,124,495</b>	<b>\$ 369,543</b>	<b>\$ 10,568,924</b>	<b>\$ 1,773,805</b>	<b>\$ 665,177</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,124,495</b>
<b>Expenses</b>													
<b>Personnel Expenses</b>													
Salaries	\$ 8,081,785	\$ 7,394,175	\$ 687,611	\$ 156,651	\$ 4,062,640	\$ 880,124	\$ 197,995	\$ 996,023	\$ 363,894	\$ 428,845	\$ -	\$ 308,004	\$ 687,611
Payroll Taxes	552,537	506,088	46,449	11,343	305,272	60,689	14,114	37,140	22,525	33,791	-	21,214	46,449
Benefits	1,495,788	1,383,053	112,735	37,794	777,434	163,033	48,701	91,134	52,596	158,254	-	54,107	112,735
Retirement Costs	1,115,826	1,019,478	96,348	20,583	568,677	126,663	26,424	120,954	52,467	59,334	-	44,376	96,348
<b>Total Personnel Expenses</b>	<b>\$ 11,245,936</b>	<b>\$ 10,302,794</b>	<b>\$ 943,142</b>	<b>\$ 226,371</b>	<b>\$ 5,714,022</b>	<b>\$ 1,230,509</b>	<b>\$ 287,234</b>	<b>\$ 1,245,251</b>	<b>\$ 491,481</b>	<b>\$ 680,224</b>	<b>\$ -</b>	<b>\$ 427,701</b>	<b>\$ 943,142</b>
<b>Meeting Expenses</b>													
Meetings	\$ 19,800	\$ 19,800	\$ -	\$ -	\$ 300	\$ 1,000	\$ 4,500	\$ -	\$ -	\$ -	\$ 14,000	\$ -	\$ -
Travel	354,150	349,770	4,380	12,200	141,450	82,000	2,480	69,595	14,325	17,225	6,185	4,310	4,380
Conference Calls	20,000	20,000	-	7,000	7,000	-	6,000	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 393,950</b>	<b>\$ 389,570</b>	<b>\$ 4,380</b>	<b>\$ 19,200</b>	<b>\$ 148,750</b>	<b>\$ 83,000</b>	<b>\$ 12,980</b>	<b>\$ 69,595</b>	<b>\$ 14,325</b>	<b>\$ 17,225</b>	<b>\$ 20,185</b>	<b>\$ 4,310</b>	<b>\$ 4,380</b>
<b>Operating Expenses</b>													
Consultants & Contracts	\$ 444,382	\$ 400,250	\$ 44,132	\$ -	\$ 162,000	\$ -	\$ 3,000	\$ 80,000	\$ 2,250	\$ 73,000	\$ 80,000	\$ -	\$ 44,132
Office Rent	778,104	707,214	70,890	-	-	-	-	707,214	-	-	-	-	70,890
Office Costs	715,880	686,070	29,810	100	19,030	62,440	6,200	90,140	4,830	484,150	8,025	11,155	29,810
Professional Services	577,992	553,700	24,292	-	-	-	-	372,500	40,000	90,000	1,200	50,000	24,292
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	112,122	104,273	7,849	-	-	-	-	104,273	-	-	-	-	7,849
<b>Total Operating Expenses</b>	<b>\$ 2,628,481</b>	<b>\$ 2,451,508</b>	<b>\$ 176,973</b>	<b>\$ 100</b>	<b>\$ 181,030</b>	<b>\$ 62,440</b>	<b>\$ 9,200</b>	<b>\$ 1,354,128</b>	<b>\$ 47,080</b>	<b>\$ 647,150</b>	<b>\$ 89,225</b>	<b>\$ 61,155</b>	<b>\$ 176,973</b>
<b>Total Direct Expenses</b>	<b>\$ 14,268,367</b>	<b>\$ 13,143,872</b>	<b>\$ 1,124,495</b>	<b>\$ 245,671</b>	<b>\$ 6,043,802</b>	<b>\$ 1,375,949</b>	<b>\$ 309,414</b>	<b>\$ 2,668,974</b>	<b>\$ 552,886</b>	<b>\$ 1,344,599</b>	<b>\$ 109,410</b>	<b>\$ 493,166</b>	<b>\$ 1,124,495</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,791</b>	<b>\$ 4,083,823</b>	<b>\$ 685,397</b>	<b>\$ 257,024</b>	<b>\$ (2,668,974)</b>	<b>\$ (552,886)</b>	<b>\$ (1,344,599)</b>	<b>\$ (109,410)</b>	<b>\$ (493,166)</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 14,268,367</b>	<b>\$ 13,143,872</b>	<b>\$ 1,124,496</b>	<b>\$ 388,462</b>	<b>\$ 10,127,626</b>	<b>\$ 2,061,346</b>	<b>\$ 566,438</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,124,495</b>
<b>Change in Assets</b>	<b>\$ 233,576</b>	<b>\$ 233,576</b>	<b>\$ (0)</b>	<b>\$ (18,919)</b>	<b>\$ 441,298</b>	<b>\$ (287,541)</b>	<b>\$ 98,739</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>													
Depreciation	\$ (104,273)	\$ (104,273)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (104,273)	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	30,000	30,000	-	-	-	-	-	-	-	30,000	-	-	-
Allocation of Fixed Assets	-	-	-	(2,052)	(58,680)	(9,848)	(3,693)	104,273	-	(30,000)	-	-	-
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (74,273)</b>	<b>\$ (74,273)</b>	<b>\$ -</b>	<b>\$ (2,052)</b>	<b>\$ (58,680)</b>	<b>\$ (9,848)</b>	<b>\$ (3,693)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET</b>	<b>\$ 13,069,599</b>	<b>\$ 13,069,599</b>	<b>\$ -</b>	<b>\$ 386,410</b>	<b>\$ 10,068,946</b>	<b>\$ 2,051,498</b>	<b>\$ 562,745</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ 307,850</b>	<b>\$ 307,850</b>	<b>\$ (0)</b>	<b>\$ (16,868)</b>	<b>\$ 499,978</b>	<b>\$ (277,692)</b>	<b>\$ 102,432</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>FTEs</b>	<b>65.00</b>	<b>60.00</b>	<b>5.00</b>	<b>1.25</b>	<b>35.75</b>	<b>6.00</b>	<b>2.25</b>	<b>4.00</b>	<b>2.75</b>	<b>5.00</b>	<b>-</b>	<b>3.00</b>	<b>5.00</b>

## Statement of Financial Position

Statement of Financial Position						
STATUTORY and STATE (NON- STATUTORY)						
		(Per Audit)		Projected		Budget
		31-Dec-17		31-Dec-18		31-Dec-19
<b>ASSETS</b>						
Cash	\$	3,816,612	\$	2,336,756	\$	1,154,186
Accounts receivable, net of allowance for uncollectible		-		-		-
Other Receivables		-		-		-
Prepaid expenses and other current assets		311,257		311,257		311,257
Security deposit		39,705		39,705		39,705
Cash value of insurance policies		-		-		-
Property and equipment		358,960		254,687		78,760
<b>Total Assets</b>		<b>\$ 4,526,534</b>	<b>\$</b>	<b>2,942,405</b>	<b>\$</b>	<b>1,583,908</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable and accrued expenses	\$	902,918	\$	902,918	\$	902,918
Deferred income/rent		335,621		250,240		109,713
Deferred penalty income		-		-		-
Regional assessments		-		-		-
Deferred compensation		-		-		-
Accrued retirement liabilities						
Accrued incentive compensation						
<b>Total Liabilities</b>		<b>\$ 1,238,539</b>	<b>\$</b>	<b>1,153,158</b>	<b>\$</b>	<b>1,012,631</b>
Unrestricted Net Assets						
Undesignated	\$	2,893,388	\$	1,514,247	\$	456,828
Regulator designated		394,607		275,000		114,449
<b>Total Net Assets</b>	<b>\$</b>	<b>3,287,995</b>	<b>\$</b>	<b>1,789,247</b>	<b>\$</b>	<b>571,277</b>
<b>Total Liabilities and Net Assets</b>		<b>\$ 4,526,534</b>	<b>\$</b>	<b>2,942,405</b>	<b>\$</b>	<b>1,583,908</b>

### 2019 Texas RE Combined Statutory and Non-Statutory Organization Chart



Arrow indicates number of FTEs from 2018 to 2019.

Approved by the Texas RE Board of Directors May 23, 2018