

# **RELIABILITY *FIRST*** **CORPORATION**

## **2014 Business Plan & Budget**

May 15, 2013

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Controller



# The Budget Process

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- Manpower Analysis
- Internal Peer Review
- Examined Present and Future Workload
- Management Team Discussions
- Executive Team Final Review
- Board Review
- 30 Day Member Comment Period
- NERC Review

# 2014 Budget Overview

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- No Additional FTE's
- 3% Salary Increase
- 8% Medical and 5% Dental Premium Increase
- Continue \$1M Operating Reserve
- No Major Economic or Operational Challenges

# 2014 Budget Overview

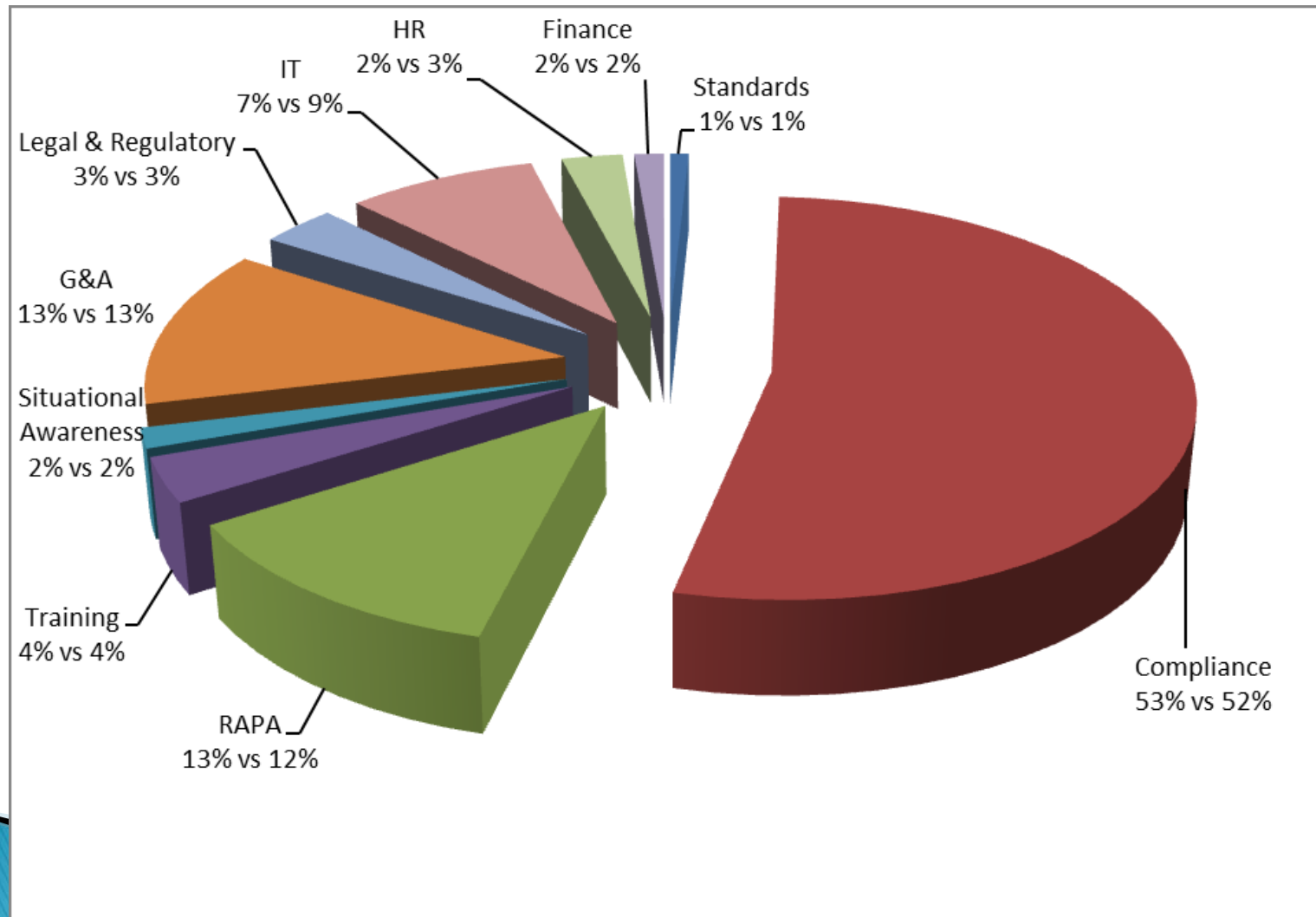
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- Total budget increase of 4.37% (\$762,200)
- Personnel expenses increase of 1.00% (\$140,358)
- Operating and Fixed Asset increase of 18.51% (\$621,842)
- Assessment increase of 10.45% (\$1,480,819)

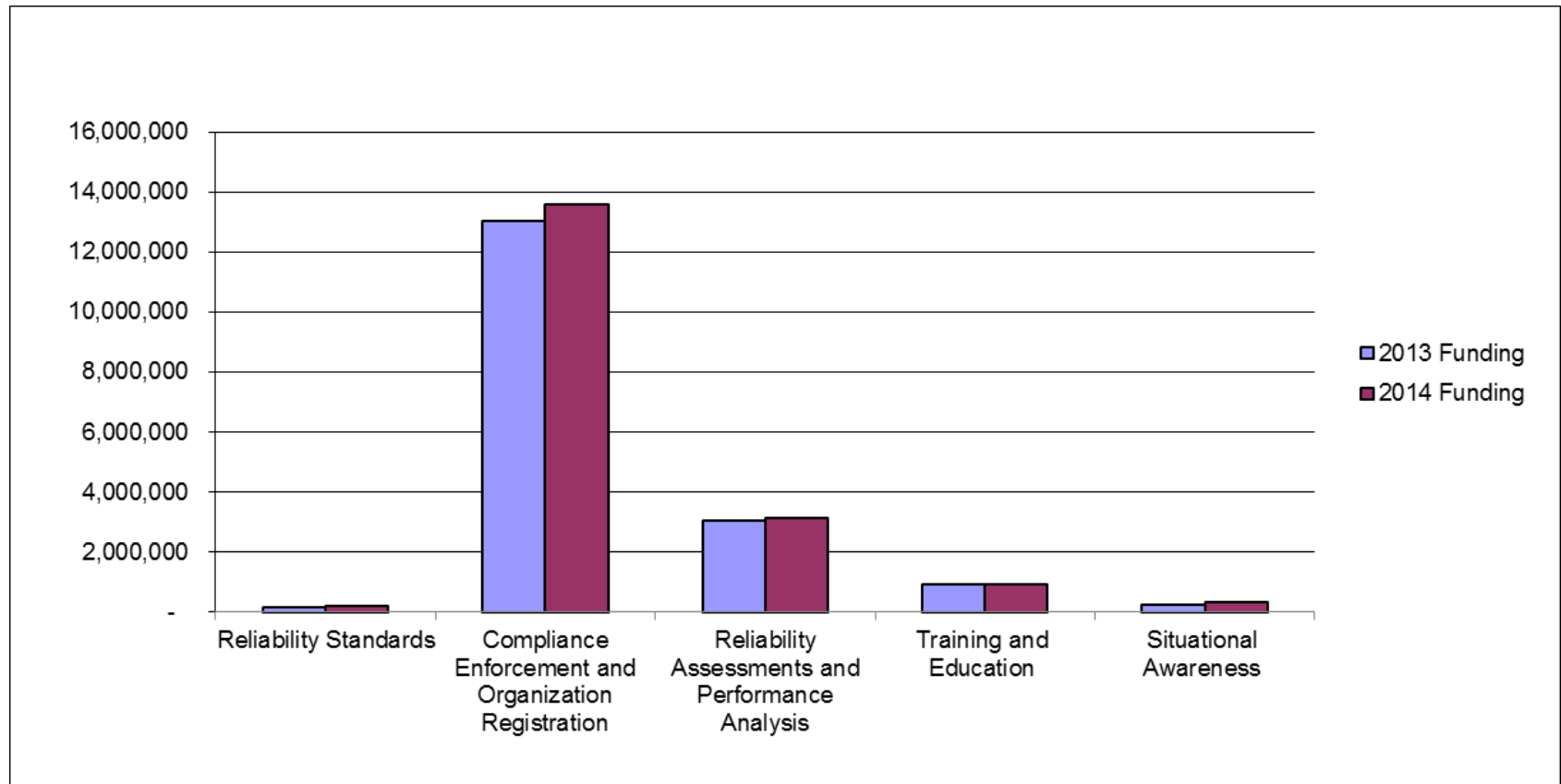
# 2013 – 2014 Budget Comparison

	2014	2013	Variance	% Variance
<b>Funding</b>				
Assessments	15,646,667	14,165,848	1,480,819	10.45%
Penalties	1,168,133	2,979,800	(1,811,667)	-60.80%
Other Income	-	60,000	(60,000)	-100.00%
<b>Total Funding</b>	<b>16,814,800</b>	<b>17,205,648</b>	<b>(390,848)</b>	<b>-2.27%</b>
<b>Expenses</b>				
Personnel Expenses	14,208,165	14,067,806	140,359	1.00%
Meetings	164,980	157,810	7,170	4.54%
Travel	794,100	773,300	20,800	2.69%
Conference Calls	38,400	43,092	(4,692)	-10.89%
Consultants and Contracts	747,097	650,140	96,957	14.91%
Rent & Improvements	452,952	461,645	(8,693)	-1.88%
Office Costs	1,155,056	686,864	468,192	68.16%
Professional Services	476,732	483,160	(6,428)	-1.33%
Miscellaneous	34,555	25,021	9,534	38.10%
Depreciation	320,633	433,772	(113,139)	-26.08%
<b>Total Expenses</b>	<b>18,392,670</b>	<b>17,782,610</b>	<b>610,060</b>	
<b>Increase(Decrease) in Fixed Assets</b>	<b>(203,633)</b>	<b>(355,772)</b>	<b>152,139</b>	<b>-42.76%</b>
<b>Total Budget</b>	<b>18,189,037</b>	<b>17,426,838</b>	<b>762,199</b>	<b>4.37%</b>
<b>Change in Working Capital</b>	<b>(1,374,237)</b>	<b>(221,190)</b>	<b>(1,153,047)</b>	<b>521.29%</b>

# 2014 Preliminary Budget



# Program Comparison



# Resource Adequacy

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- Conducted a manpower analysis
- 72 FTEs are included in the 2014 budget
- With the process improvements and efficiency gains that are currently being experienced and expected to achieve, *ReliabilityFirst* is confident that the level of staffing is adequate to complete necessary tasks and to meet the obligations of the Regional Delegation Agreement.



# Staffing Allocation

	2013 Budget Allocation	2014 Budget Allocation	Change
0300 - Reliability Standards	0.50	0.50	0.00
0410 - Operations & Planning Audits	14.00	13.40	-0.60
0420 - Investigations & Compliance Services	5.00	4.20	-0.80
0430 - Enforcement Management	12.00	12.00	0.00
0440 - CIP Audits	12.00	13.40	1.40
0800 - Reliability Assessments and Performance Analysis	10.00	10.00	0.00
0900 - Training & Education	3.10	3.10	0.00
1000 - Situation Awareness & Infrastructure Security	0.60	0.60	0.00
2000 - General & Administrative	4.30	3.30	-1.00
2200 - Legal & Regulatory	2.00	2.00	0.00
2300 - Information Technology	5.50	5.00	-0.50
2400 - Human Resources	2.00	3.00	1.00
2500 - Finance & Accounting	2.00	1.50	-0.50
<b>FTEs</b>	<b>73.00</b>	<b>72.00</b>	<b>-1.00</b>
<b>Headcount</b>	<b>74.00</b>	<b>73.00</b>	<b>-1.00</b>

# Efficiency & Controlling Costs

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- Identify Process and Procedural Weaknesses and Implement Solutions
- Improve Enforcement Processing Efficiency
  - Reduce number of days to process violations
  - 90% violation turnaround within one year
  - 95% acceptance rate of mitigation plans by NERC
- Improve Compliance Audit Processes
  - 10% reduction per audit in:
    - Staff Hours
    - Audit Expenses
    - Audit Report Processing Time

# Process Improvements

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- **Audit Process Improvements**
  - Process Mapping of Existing Practices
    - 27 Areas Identified For Improvement
    - Reduction in Audit Fieldwork Time
    - Automated Audit Management Tool
  - Third Party Assessment
    - Implementation of Audit Checklist
    - Improvement of Audit Methodology
    - Train on Methodology for Implementation
- **Enforcement Improvements**
  - Developing Automated Communications
  - Electronic Processing to Streamline Flow of Documents

# Alignment of RE and ERO

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- Assist the ERO in its overall standards related objectives.
- Support BES Definition Implementation
  - Exception Process
  - Registration Management
- Actively participate in the development and implementation of the Reliability Assurance Initiative.
- Educate entities on effective internal controls and entity risk assessments, through lessons learned and workshops.

# Alignment of RE and ERO

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- Evaluate Reliability Advancements
  - Misoperations
  - Under Frequency Load Shedding
  - Protection System Maintenance and Testing
  - Voltage Regulation
- Advance Mitigation Plan Performance
  - Monitor Progress Throughout Mitigation Activities
  - Determine Above and Beyond Actions and Track to Completion

# Working Capital

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- The company's working capital requirement shall be the amount necessary to satisfy projected cash flow for daily operations.
- Funds from unused budgeted expenditures may be reallocated to offset other expenditures throughout the year in accordance with internal controls.

# Operating Reserve

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- It is the policy of Reliability *First* to maintain 10% of the budgeted year's expenses, or a minimum of \$1,000,000, as the Operating Reserve.
- This amount is determined and recommended for approval by our Audit Committee during the annual budget process.
- The Operating Reserve Fund is set aside each year with the intention of providing for unbudgeted or unexpected expenditures.
- Internal controls are in place to ensure proper utilization of these funds.