



2014 Business Plan and Budget

**Texas Reliability Entity, Inc.
Draft 1.0**

To Be Approved by Texas RE Board of Directors

Date:

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
Total FTEs	65.00			
Statutory Expenses	\$ 11,815,393			
Non-Statutory Expenses	\$ 970,000			
Total Expenses	\$ 12,785,393			
Statutory Inc(Dec) in Fixed Assets	\$ (254,186)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (254,186)			
Statutory Working Capital Requirement	\$ (833,390)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (833,390)			
Total Statutory Funding Requirement	\$ 10,727,817			
Total Non-Statutory Funding Requirement	\$ 970,000			
Total Funding Requirement	\$ 11,697,817			
Statutory Funding Assessments	\$ 10,347,268			
Non-Statutory Fees	\$ 970,000			
NEL	324,859,701	324,859,701		
NEL%	100.00%	100.00%		

*Refer to Table B-1 on page 76 in Section B.

**Refer to the Reserve Analysis on page 92 in Section C.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity and Reliability Monitor 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). Texas RE's Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC) on May 6, 2010 for an additional five-year period beginning January 1, 2011. Texas RE's purpose is to strive to ensure reliability of the ERCOT region bulk-power system (BPS).

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, pursuant to its Agreement with the Public Utility Commission of Texas (PUCT) and ERCOT (the independent system operator for the ERCOT region), dated July 1, 2010. 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 85% 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 and complies with the Texas RE Bylaws requirements. Texas RE charges a nominal fee for membership, but the membership fee can be waived upon good cause shown. 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 two stakeholder committees, the Member Representatives Committee (MRC) and the Reliability Standards Committee (RSC). 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, except for standards development issues, through its elected Chair and Vice Chair, who serve as directors. The RSC includes representatives from the six sectors described above, whether or not members of Texas RE, which may include any entity with a direct and material interest in the ERCOT region BPS. The RSC facilitates the Regional Standards Development Process, and coordinates the development of regional standards and variances with the development of national standards. A subcommittee of the RSC, the NERC Standards Review Subcommittee (NSRS), monitors, reviews, and discusses NERC (continent-wide) standards under development and standards interpretation requests.

Board of Directors

Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine (9) directors:

- The Texas RE President & Chief Executive Officer
- Four (4) Independent Directors (elected by membership)
- Two (2) Member 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 electing a chief executive officer 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 (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 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.

2014 Overview of Cost Impacts

In developing the Texas RE 2014 Business Plan and Budget, Texas RE, NERC, and the other Regional Entities collaborated and agreed upon common foundational and program assumptions which are contained in the [Shared Business Plan and Budget Assumptions for the 2014-2016 Planning Period](#), which is available on the NERC website. Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2014 Business Plan and Budget.

Overall, the Texas RE 2014 statutory expenses (\$11,815,393) increased by 4.24% over the 2013 statutory expenses (\$11,334,791). The increase is primarily due to increases in rent, salary and benefits, leased equipment, and professional services. Rent escalates in accordance with an escalation clause in the lease agreement. Salaries and benefits are increasing due to market adjustments that are the result of the compensation study, reorganization, annual merit increases. Texas RE is planning to lease laptops and servers when the equipment is fully depreciated instead of buying new equipment. This will cause an increase in Office Costs and a more substantial corresponding reduction in depreciation expense. The increase in Professional Services is primarily due to contingency for the anticipated cost of outside legal counsel for one contested enforcement case, based upon actual experience. The 2014 non-statutory budget (\$970,000) is reduced from the 2013 non-statutory budget (\$1,029,000), based on the renewal of the Reliability Monitor agreement for 2014-2015.

The 2014 statutory assessment (\$10,347,268) represents an increase from the 2013 assessment (\$8,152,520). The increase in assessment is due to the reduction in the 2013 assessment that was attributable to substantial underspent funds for prior years, which offset the 2013 budget. Because Texas RE ended 2012 close to budget, and in order to continue Texas RE's 60-day cash reserve amount, in accordance with corporate policy, the statutory assessment for 2014 will increase.

Significant statutory expense changes (including capital expenditures) include:

- Personnel expenses are increasing overall by 5%. Salaries are increasing 4% due to market adjustments and promotions. Health insurance is expected to increase benefits by approximately 9%.
- Meeting and Travel expenses are increasing by 20% (\$82,653).

Meeting expense is increasing \$56,897 primarily due to anticipation of offsite meetings relating to contested matters and other meetings required to conduct Texas RE outreach. Travel is increasing \$40,796 or 12%. The prior budget did not properly reflect necessary travel costs in 2013. Travel to attend meetings is more correctly reflected in the 2014 budget (details for each department in the department explanations). Conference call cost is decreasing \$15,040 or 81% because of IT initiatives to reduce hosting fees by bringing services on premise and being maintained by Texas RE IT staff.

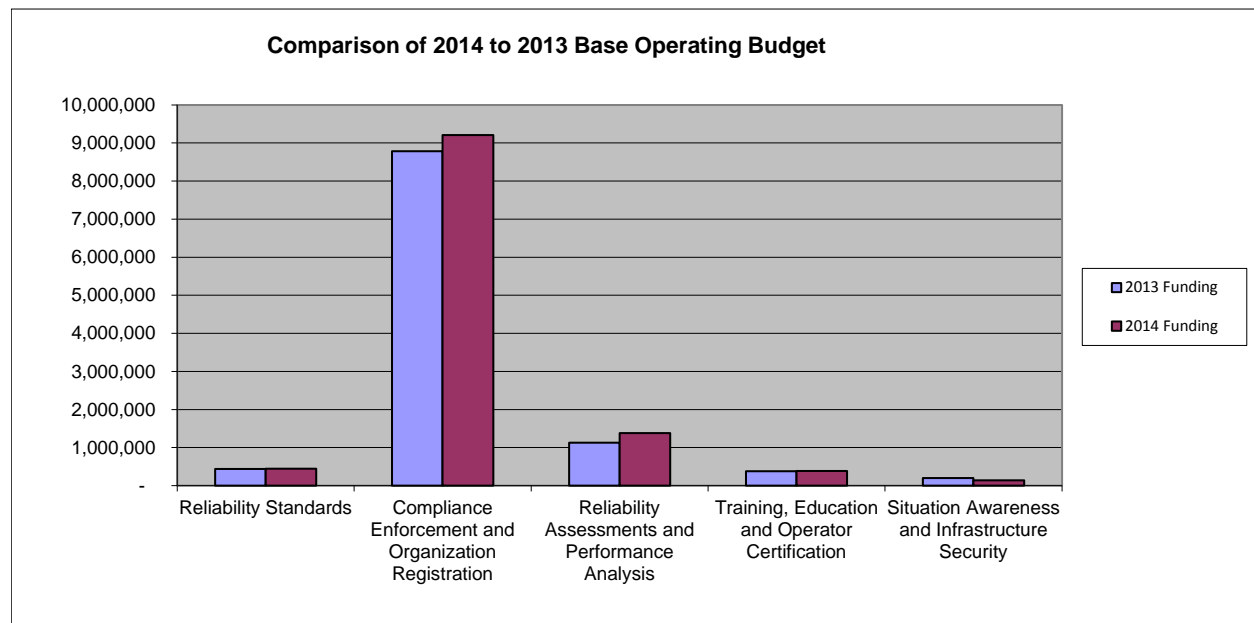
- Total Operating Costs are decreasing in 2014 by 3.26% or \$100,646. Depreciation will decrease by \$591,814, primarily due to the shift to leased equipment. Correspondingly, Office Costs will increase by \$262,270 or 72.9%,

due to leasing of IT equipment instead of purchasing equipment to replace fully depreciated equipment. Consultants and Contracts are consistent with 2013. Office rent is increasing 4%, pursuant to the lease agreement 4% annual escalation. Professional services will increase 22.76% or \$202,175 as contingency for outside counsel for one contested case.

All statutory activity in the 2014 Business Plan and Budget aligns with the NERC Enterprise Strategic Plan.

Summary of Costs

Base Operating Budget	Budget	Projection	Budget	Change	
	2013	2013	2014	2014 Budget v 2013 Budget	% Change
Reliability Standards	441,628	441,628	444,190	2,563	0.6%
Compliance Enforcement and Organization Registration	8,785,957	8,785,957	9,210,312	424,355	4.8%
Reliability Assessments and Performance Analysis	1,131,000	1,131,000	1,378,199	247,199	21.9%
Training, Education and Operator Certification	378,499	378,499	386,947	8,448	2.2%
Total Situation Awareness and Infrastructure Security	198,695	198,695	141,559	(57,136)	-28.8%
	10,935,779	10,935,779	11,561,207	625,428	5.7%
Working Capital Reserve	(1,867,000)	(1,884,000)	(833,390)	1,033,610	
Total Funding	9,068,779	9,051,779	10,727,817	1,659,038	18.3%



FTEs by Program Area

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2013	2013	2014 Budget	FTEs 2014 Budget	2014 Budget	from 2013 Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.00	2.00	2.00	-	2.00	-
Compliance and Organization Registration and Certific	40.00	40.00	40.00	-	40.00	-
Training and Education	1.75	1.75	1.75	-	1.75	-
Reliability Assessment and Performance Analysis	4.75	4.75	4.75	-	4.75	-
Situation Awareness and Infrastructure Security	0.75	0.75	0.75	-	0.75	-
Total FTEs Operational Programs	49.25	49.25	49.25	-	49.25	-
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50		0.50	0.50	-
General & Administrative	1.75	1.75		1.75	1.75	-
Legal and Regulatory	3.00	3.00		3.00	3.00	-
Information Technology	2.50	2.50		2.50	2.50	-
Human Resources	1.00	1.00		1.00	1.00	-
Finance and Accounting	2.00	2.00		2.00	2.00	-
Total FTEs Administrative Programs	10.75	10.75	-	10.75	10.75	-
Total FTEs	60.00	60.00	49.25	10.75	60.00	-

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 8,152,520	\$ 8,152,520	\$ -	\$ 10,347,268	\$ 2,194,748
Penalty Sanctions	849,000	832,000	(17,000)	347,833	(501,167)
Total NERC Funding	\$ 9,001,520	\$ 8,984,520	\$ (17,000)	\$ 10,695,101	\$ 1,693,581
Membership Dues	21,250	21,250	-	18,250	\$ (3,000)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	32,100	32,100	-	-	(32,100)
Interest	13,910	13,910	-	14,466	556
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,068,780	\$ 9,051,780	\$ (17,000)	\$ 10,727,817	\$ 1,659,037
Expenses					
Personnel Expenses					
Salaries	\$ 5,858,856	\$ 5,858,856	\$ -	\$ 6,087,779	\$ 228,923
Payroll Taxes	523,256	523,256	-	544,185	20,930
Benefits	868,322	868,322	-	961,875	93,553
Retirement Costs	818,519	818,519	-	882,728	64,209
Total Personnel Expenses	\$ 8,068,952	\$ 8,068,953	\$ -	\$ 8,476,567	\$ 407,615
Meeting Expenses					
Meetings	\$ 38,316	\$ 38,316	\$ -	\$ 95,213	\$ 56,897
Travel	348,000	348,000	-	388,796	40,796
Conference Calls	18,540	18,540	-	3,500	(15,040)
Total Meeting Expenses	\$ 404,856	\$ 404,856	\$ -	\$ 487,509	\$ 82,653
Operating Expenses					
Consultants & Contracts	\$ 415,000	\$ 415,000	\$ -	\$ 420,366	\$ 5,366
Office Rent	533,930	533,930	-	555,287	21,357
Office Costs	359,684	359,684	-	621,954	262,270
Professional Services	888,225	888,225	-	1,090,400	202,175
Miscellaneous	-	-	-	-	-
Depreciation	888,000	888,000	-	296,186	(591,814)
Total Operating Expenses	\$ 3,084,839	\$ 3,084,839	\$ -	\$ 2,984,193	\$ (100,646)
Total Direct Expenses	\$ 11,558,647	\$ 11,558,648	\$ -	\$ 11,948,269	\$ 389,622
Indirect Expenses	\$ (223,856)	\$ (223,856)	\$ -	\$ (132,876)	\$ 90,980
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,334,791	\$ 11,334,792	\$ -	\$ 11,815,393	\$ 480,602
Change in Assets	\$ (2,266,011)	\$ (2,283,012)	\$ (17,000)	\$ (1,087,576)	\$ 1,178,435
Fixed Assets					
Depreciation	\$ (888,000)	\$ (888,000)	\$ -	\$ (296,186)	\$ 591,814
Computer & Software CapEx	410,750	410,750	-	42,000	(368,750)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	78,238	78,238	-	-	(78,238)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ 0	\$ 0
Inc(Dec) in Fixed Assets (C)	(399,012)	(399,012)	-	(254,186)	144,826
TOTAL BUDGET (=B + C)	10,935,779	\$ 10,935,780	\$ -	\$ 11,561,207	\$ 625,428
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,867,000)	\$ (1,884,000)	\$ (17,000)	\$ (833,390)	\$ 1,033,609

Section A – Statutory Programs 2014 Business Plan and Budget



Section A — 2014 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Direct Expenses	\$ 319,030	\$ 283,258	\$ (35,772)
Indirect Expenses	\$ 131,461	\$ 166,582	\$ 35,120
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,863)	\$ (5,649)	\$ 3,215
Total Funding Requirement	\$ 441,628	\$ 444,190	\$ 2,563

Program Scope and Functional Description

The Texas RE 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, which was approved as Exhibit C to the Delegation Agreement. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC), NERC Standards Review Subcommittee (NSRS) 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. In addition, all proposed regional standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The Tracking Site allows all interested parties to access materials related to regional standards and to submit comments on Standard Authorization Requests (SARs) and draft standards during designated commenting periods. The Tracking Site allows members of the Registered Ballot Body to join any open Registered Ballot Pool and to vote online. 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 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 reliability standards from NERC and other regions, and staff from NERC and other Regional Entities have the opportunity to review proposed Texas RE

regional standards. This Program area supports and facilitates meetings of the Texas RE RSC and the NSRS. The RSC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRS provides a regional stakeholder forum for education and discussion of NERC 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.

2014 Key Assumptions

The Reliability Standards Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 Goals and Key Deliverables

- Participate in and provide outreach to regional stakeholders regarding nation-wide Standard development (including through announcements, meetings and webinars, enhancement to the Texas RE website, and expansion of the NSRS), to help ensure that ERCOT region perspective is represented in continent-wide Standards.
- Facilitate Texas RE participation in NERC standards development activities, including preparation of recommendations for voting and comments on NERC ballots, and provide standards-related expertise to other Program areas.
- Meet all FERC and NERC directives with regard to regional standards development and procedures and maintain effective relationships and communications with the standards staff at NERC and the other Regional Entities.
- Work closely with other Texas RE departments to ensure that staff is appropriately educated and informed regarding proper application and interpretation of standards and requirements while performing functions under the CMEP.
- Develop regional standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
- Work closely with NERC and registered entities within the ERCOT region to, when required, develop regional standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain regional variances; and otherwise address issues that are not adequately addressed in NERC Reliability Standards (such as improving fill-in-the-blank requirements).
- Streamline and improve Texas RE's Standards Development Process and associated tools, including consideration of NERC's results-based standards development methodology.
- Continue to enhance communication to and education of the registered entities in the ERCOT region to increase awareness of regional standards development activities and to ensure adequate representation on the Registered Ballot Body.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

Personnel Expenses

- The required FTEs remain 2.0 and personnel expenses for this Program are consistent with 2013.

Meeting Expenses

- Meeting expenses and travel increased 4% for 2014 due to the increase cost of travel.

Operating Expenses

- Operating Expenses decrease by approximately 6% due to decrease in Consultants and Contracts.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this Program increased by \$3,215.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
RELIABILITY STANDARDS					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 426,640	\$ 426,640	\$ -	\$ 429,324	\$ 2,685
Penalty Sanctions	\$ 14,125	14,125	-	14,125	-
Total NERC Funding	\$ 440,765	\$ 440,765	\$ -	\$ 443,449	\$ 2,685
Membership Dues	\$ 863	863	-	741	(122)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 441,628	\$ 441,628	\$ -	\$ 444,190	\$ 2,563
Expenses					
Personnel Expenses					
Salaries	\$ 217,122	\$ 217,122	\$ -	\$ 184,058	\$ (33,064)
Payroll Taxes	19,923	19,923	-	20,720	797
Benefits	26,197	26,197	-	28,527	2,330
Retirement Costs	32,191	32,191	-	26,688	(5,503)
Total Personnel Expenses	\$ 295,433	\$ 295,433	\$ -	\$ 259,993	\$ (35,440)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,835	10,835	-	11,268	433
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 10,835	\$ 10,835	\$ -	\$ 11,268	\$ 433
Operating Expenses					
Consultants & Contracts	\$ 12,276	\$ 12,276	\$ -	\$ 10,992	\$ (1,284)
Office Rent	-	-	-	-	-
Office Costs	485	485	-	1,004	519
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 12,761	\$ 12,761	\$ -	\$ 11,996	\$ (765)
Total Direct Expenses	\$ 319,030	\$ 319,030	\$ -	\$ 283,258	\$ (35,772)
Indirect Expenses	\$ 131,461	\$ 131,461	\$ -	\$ 166,582	\$ 35,120
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 450,491	\$ 450,491	\$ -	\$ 449,839	\$ (652)
Change in Assets	\$ (8,863)	\$ (8,863)	\$ -	\$ (5,649)	\$ 3,215
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(8,863)	(8,863)	-	(5,649)	3,215
Inc(Dec) in Fixed Assets (C)	\$ (8,863)	\$ (8,863)	\$ -	\$ (5,649)	\$ 3,215
TOTAL BUDGET (=B + C)	\$ 441,628	\$ 441,628	\$ -	\$ 444,190	\$ 2,563
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (0)

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	40.00	40.00	-
Direct Expenses	\$ 6,514,751	\$ 6,106,741	\$ (408,010)
Indirect Expenses	\$ 2,629,226	\$ 3,331,632	\$ 702,406
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (358,020)	\$ (228,061)	\$ 129,959
Total Funding Requirement	\$ 8,785,957	\$ 9,210,312	\$ 424,355

Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) 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.

2014 Key Assumptions

The Compliance Monitoring and Enforcement and Organization Registration and Certification (CMEP) Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, compliance audits on a three-year cycle for the Reliability Coordinator, Transmission Operator, and Balancing Authority functions and for any other registered entity identifying Critical Cyber Assets (CCA), and on a six-year cycle for all other registered functions.
- For 2014, perform:
 - 39 non-CIP (693) audits per the updated 2014 schedule
 - 18 CIP audits of entities that have identified CCA (on-site)

- 21 CIP audits of entities required to be CIP-compliant that have identified no CCA (off-site)
- Perform spot checks where warranted due to system events, complaints, or other reliability concerns.
- Perform no more than one compliance investigation triggered by a significant system event, if warranted, and no more than 15 compliance reviews regarding lesser events or disturbances.
- Continue to work with NERC and other Regional Entities to improve consistency of audits and spot checks of registered entities.
- Conduct annual self-certifications of all registered entities.
- Increase coordination with Enforcement regarding all compliance monitoring engagements indicating possible violations.
- Enhance registered entities' understanding of standard requirements by capturing lessons learned from compliance monitoring engagements and distributing to registered entities via training programs, newsletters, and announcements.
- Incorporate appropriate aspects of the Reliability Assurance Initiative (RAI).

ENFORCEMENT

- 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.
- Review, validate, and process or dismiss all possible violations in a more timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible. This budget anticipates one contested enforcement matter will occur during the year.
- 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 the FFT process and any other streamlined mechanisms implemented to expedite possible violations which 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.

REGISTRATION AND CERTIFICATION

- Continue to monitor activity in the region and to register and certify entities in accordance with Texas RE procedures and the NERC ROP, including revisions to registrations and annual maintenance to reflect new and revised NERC standards. The level of activity is expected to be consistent with 2013.
- Continue to work with NERC and other Regional Entities to improve efficiency and consistency in performing registration and certification functions.
- Register new entities associated with generation and transmission facilities that may be planned and constructed during the applicable period, and conduct any required certifications.
- Continue to implement the revised Bulk Electric System definition, including execution of the exception process, handling exclusion notices, tracking the status of exclusions and exceptions, and dealing with related issues.
- Continue to review and investigate facilities and entities in the region to ensure that all applicable entities are properly registered and to ensure that there are no gaps in registration and responsibility for registered functions.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues which fully fund total expenses and fixed asset requirements.

Personnel Expenses

- The FTEs are consistent with 2013 for this program. Personnel expenses for the Program are increasing 6% due to reorganization and slight modifications of employee time allocation to this program area.

Meeting Expenses

- Meetings and travel for this Program will increase 2% over 2013, primarily due to increases in the cost of travel to certain locations.

Operating Expenses

- Operating expenses for this Program will decrease by \$83,106 or 9% primarily due to a decrease in depreciation for fully depreciated assets. Professional services will increase for outside counsel for one contested enforcement case.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The increase in fixed assets for this program is budgeted at \$129,959.

Compliance Enforcement and Organization Registration and Certification Program
Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 8,486,195	\$ 8,486,195	\$ -	\$ 8,912,986	\$ 426,791
Penalty Sanctions	282,504	282,504	-	282,504	-
Total NERC Funding	\$ 8,768,699	\$ 8,768,699	\$ -	\$ 9,195,490	\$ 426,791
Membership Dues	17,259	17,259	-	14,822	(2,437)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,785,957	\$ 8,785,957	\$ -	\$ 9,210,312	\$ 424,355
Expenses					
Personnel Expenses					
Salaries	\$ 3,854,415	\$ 3,854,415	\$ -	\$ 3,520,283	\$ (334,132)
Payroll Taxes	343,884	343,884	-	357,639	13,755
Benefits	589,125	589,125	-	640,999	51,875
Retirement Costs	571,470	571,470	-	510,441	(61,028)
Total Personnel Expenses	\$ 5,358,893	\$ 5,358,893	\$ -	\$ 5,029,363	\$ (329,530)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	222,964	222,964	-	227,590	4,626
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 222,964	\$ 222,964	\$ -	\$ 227,590	\$ 4,626
Operating Expenses					
Consultants & Contracts	\$ 274,815	\$ 274,815	\$ -	\$ 296,074	\$ 21,259
Office Rent	-	-	-	-	-
Office Costs	15,562	15,562	-	13,626	(1,936)
Professional Services	311,224	311,224	-	425,000	113,776
Miscellaneous	-	-	-	-	-
Depreciation	331,292	331,292	-	115,087	(216,204)
Total Operating Expenses	\$ 932,893	\$ 932,893	\$ -	\$ 849,788	\$ (83,106)
Total Direct Expenses	\$ 6,514,751	\$ 6,514,751	\$ -	\$ 6,106,741	\$ (408,010)
Indirect Expenses	\$ 2,629,226	\$ 2,629,226	\$ -	\$ 3,331,632	\$ 702,406
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,143,977	\$ 9,143,977	\$ -	\$ 9,438,373	\$ 294,396
Change in Assets	\$ (358,020)	\$ (358,020)	\$ -	\$ (228,061)	\$ 129,959
Fixed Assets					
Depreciation	(331,292)	(331,292)	-	(115,087)	216,204
Computer & Software CapEx	150,537	150,537	-	-	(150,537)
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	(177,265)	(177,265)	-	(112,973)	64,291
Inc(Dec) in Fixed Assets (C)	\$ (358,020)	\$ (358,020)	\$ -	\$ (228,061)	\$ 129,959
TOTAL BUDGET (=B + C)	\$ 8,785,957	\$ 8,785,957	\$ -	\$ 9,210,312	\$ 424,355
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	4.75	4.75	-
Direct Expenses	\$ 839,829	\$ 995,983	\$ 156,154
Indirect Expenses	\$ 312,221	\$ 395,631	\$ 83,411
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (21,050)	\$ (13,416)	\$ 7,635
Total Funding Requirement	\$ 1,130,999	\$ 1,378,199	\$ 247,199

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability 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 and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, industry trends, or proposed public policy measures. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

2014 Key Assumptions

The RAPA Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. Current staffing levels are expected to meet known and predicted program needs; however, as many RAPA tasks are presently in early stages of definition, program staffing demands are not known. A limited amount of contractor support funding is available to meet new programs or initiatives in the event that supplemental staffing is required once the true scope and schedule of tasks are established. Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for seasonal, long-term and probabilistic risk assessments as well as events analysis and performance metrics.

2014 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews.
- Provide independent review of the two anticipated special reliability assessments in 2014, involving topics such as the impact of new technologies and environmental regulations, changes in resource mix, gas dependency, or delays in transmission development.
- Oversee collection of reliability data for the ERCOT Region, provide analysis and validation, and support stakeholders as enhancements for databases and portals are added. Systems include:
 - i. Transmission Availability Data System (TADS),
 - ii. Generation Availability Data System (GADS),
 - iii. Demand Response Availability Data System (DADS)
 - iv. Spare Equipment Database (SED)
 - v. Event Information Data System (EIDS)
 - vi. Reliability Assessment Data System (RADS)
- 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. The number of metrics and level of analysis is expected to continue to increase in 2014
- Provide regional data collection and analysis to meet NERC or FERC initiatives, orders or directives. These may include continuing review of high impact/low frequency events (such as geomagnetic disturbances), protection system mis-operations, system frequency response, human performance, drought, environmental regulations, single point of failure in protection systems, characterization of contingent load loss and new technology integration. Additional topics are likely to develop based on emerging reliability concerns.
- Review NERC Standards and process developments, such as the second phase of the Bulk Electric System Definition project. Review proposed Regional criteria and processes for reliability.
- Continue to implement the NERC event analysis process within the ERCOT Region, expecting a similar volume of events as 2013, estimated at 12 Category 1 (minor), three Category 2 or 3 (moderate impact) and 1 Category 4 or 5 event (significant impact). Conduct follow-up on recommendations from past major events within ERCOT and other Regions and event trends associated with events across the ERO.
- Review approximately 80 lesser system events, such as special protection system 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.

- Contribute to the implementation of the BES Definition exception process by providing technical review of exception requests and coordination internally and with other Regions for consistent application. At this time, the number of such requests is uncertain but is expected to be handled by existing staff and modest contractor support.
- Engage ERCOT stakeholders to identify system issues that lead to reliability concerns, including those identified and prioritized by the NERC Reliability Issues Steering Committee.
- Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

Personnel Expenses

- The FTEs and personnel expenses will increase by 16%. The increase is due to reallocation of individual employees working in the RAPA and Situation Awareness programs.

Meeting Expenses

- Meeting expenses and travel in support of this Program will increase by \$18,630 due to required travel increases for NERC and stakeholder meetings .

Operating Expenses

- Operating Expenses for the RAPA Program will increase by 5,840 to maintain association fees and license for engineers that was not included in the 2013 budget.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The increase in fixed assets for this Program will be \$7,635.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,095,403	\$ 1,095,403	\$ -	\$ 1,342,891	\$ 247,488
Penalty Sanctions	33,547	33,547	-	33,547	-
Total NERC Funding	\$ 1,128,950	\$ 1,128,950	\$ -	\$ 1,376,439	\$ 247,488
Membership Dues	\$ 2,049	2,049	-	\$ 1,760	(289)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,131,000	\$ 1,131,000	\$ -	\$ 1,378,199	\$ 247,199
Expenses					
Personnel Expenses					
Salaries	\$ 590,909	\$ 590,909	\$ -	\$ 689,636	\$ 98,727
Payroll Taxes	50,393	50,393	-	52,409	2,016
Benefits	77,259	77,259	-	95,813	18,554
Retirement Costs	87,610	87,610	-	99,997	12,387
Total Personnel Expenses	\$ 806,172	\$ 806,172	\$ -	\$ 937,855	\$ 131,683
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	33,658	33,658	-	52,288	18,630
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 33,658	\$ 33,658	\$ -	\$ 52,288	\$ 18,630
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	5,840	5,840
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 5,840	\$ 5,840
Total Direct Expenses	\$ 839,829	\$ 839,829	\$ -	\$ 995,983	\$ 156,154
Indirect Expenses	\$ 312,221	\$ 312,221	\$ -	\$ 395,631	\$ 83,411
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,152,050	\$ 1,152,050	\$ -	\$ 1,391,614	\$ 239,565
Change in Assets	\$ (21,050)	\$ (21,050)	\$ -	\$ (13,416)	\$ 7,635
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(21,050)	(21,050)	-	(13,416)	7,635
Inc(Dec) in Fixed Assets (C)	\$ (21,050)	\$ (21,050)	\$ -	\$ (13,416)	\$ 7,635
TOTAL BUDGET (=B + C)	\$ 1,131,000	\$ 1,131,000	\$ -	\$ 1,378,199	\$ 247,199
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Direct Expenses	\$ 271,226	\$ 246,130	\$ (25,095)
Indirect Expenses	\$ 115,029	\$ 145,759	\$ 30,730
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,755)	\$ (4,943)	\$ 2,813
Total Funding Requirement	\$ 378,498	\$ 386,947	\$ 8,448

Program Scope and Functional Description

The Texas RE Training, Education, and Operator Certification program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of 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 oversees the ERCOT region operator certification testing program and provides two subject matter experts for the annual ERCOT Operations Training Seminar. The Training, Education, and Operator Certification Program coordinates with NERC and the other Regional Entities to identify training needs of the industry and Regional Entity staff and to ensure consistency in training and education through its participation on the NERC Training and Education Group.

Texas RE will continue to coordinate at least two one-day annual Standards and Compliance workshops and monthly other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2014. 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.

2014 Key Assumptions

The Training, Education, and Operator Certification Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 Goals and Key Deliverables

- Develop technical materials for and present at least two (2) full-day Standards and Compliance workshops for registered entities.

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- Present at least twelve (12) additional workshops, webinars, meetings or other industry outreach, including *Talk with Texas RE* meetings supporting CMEP implementation and any new or modified NERC standards, procedures, or programs.
 - Create and publish at least six (6) newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, lessons-learned, other reliability or compliance-related information, and Texas RE and NERC activities.
 - Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance working groups.
 - Oversee and facilitate the ERCOT System Operator testing program.
 - Participate in the NERC-Regional Entity Training and Education Group conference calls and meetings.
 - 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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

Personnel Expenses

- The FTEs required for this Program will remain 1.75. Personnel expenses will decrease due to reallocation of individual employees working in the RAPA and Situation Awareness programs.

Meeting and Travel Expenses

- Meeting and travel expenses will increase by \$31,236. The 2013 budget did not properly reflect the amount of costs needed for meetings and travel.

Operating Expenses

- N/A

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A
-

Fixed Asset Additions

- Fixed assets will increase by \$2,813.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 333,285	\$ 333,285	\$ -	\$ 373,939	\$ 40,654
Penalty Sanctions	12,360	12,360	-	12,360	-
Total NERC Funding	\$ 345,644	\$ 345,644	\$ -	\$ 386,298	\$ 40,654
Membership Dues	755	755	-	648	(107)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	32,100	32,100	-	-	(32,100)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 378,499	\$ 378,499	\$ -	\$ 386,947	\$ 8,448
Expenses					
Personnel Expenses					
Salaries	\$ 172,183	\$ 172,183	\$ -	\$ 121,945	\$ (50,238)
Payroll Taxes	15,167	15,167	-	14,985	(182)
Benefits	27,147	27,147	-	28,111	964
Retirement Costs	25,529	25,529	-	17,682	(7,847)
Total Personnel Expenses	\$ 240,026	\$ 240,026	\$ -	\$ 182,722	\$ (57,304)
Meeting Expenses					
Meetings	\$ 30,900	\$ 30,900	\$ -	\$ 62,136	\$ 31,236
Travel	300	300	-	312	12
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 31,200	\$ 31,200	\$ -	\$ 62,448	\$ 31,248
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	960	960
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 960	\$ 960
Total Direct Expenses	\$ 271,226	\$ 271,226	\$ -	\$ 246,130	\$ (25,095)
Indirect Expenses	\$ 115,029	\$ 115,029	\$ -	\$ 145,759	\$ 30,730
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 386,254	\$ 386,254	\$ -	\$ 391,889	\$ 5,635
Change in Assets	\$ (7,755)	\$ (7,755)	\$ -	\$ (4,943)	\$ 2,813
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(7,755)	(7,755)	-	(4,943)	2,813
Inc(Dec) in Fixed Assets (C)	\$ (7,755)	\$ (7,755)	\$ -	\$ (4,943)	\$ 2,813
TOTAL BUDGET (=B + C)	\$ 378,499	\$ 378,499	\$ -	\$ 386,947	\$ 8,448
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.75	0.75	-
Direct Expenses	\$ 152,721	\$ 81,210	\$ (71,511)
Indirect Expenses	\$ 49,298	\$ 62,468	\$ 13,170
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(3,324)	(2,118)	1,205
Total Funding Requirement	\$ 198,695	\$ 141,559	\$ (57,136)

Program Scope and Functional Description

This program includes two distinctly unique parts: 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 standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. Most of the Texas RE CIP resources functionally reside in the Compliance, Enforcement and Organizational Registration and Certification Program, and much of situation awareness involves initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

2014 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 Goals and Key Deliverables

- Texas RE staff will continue ongoing monitoring of system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long term horizon.
- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, Phase 2 will be maintained in coordination with ERCOT (the RC) and NERC.
- Texas RE will support utilization of data for Situation Awareness, including regular weekly reporting to NERC along with providing current information on on-going events in the ERCOT Region.
- Texas RE will continue to monitor and follow up on NERC alerts and anticipates that the volume of alerts will be similar to 2013, or approximately 8, with one the alert expected to require responses and analysis.

- Texas RE's cyber security staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely with the Electricity Sector – Information Sharing and Analysis Center (ES-ISAC). An example is participation in the NERC Grid-X Security exercise.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully fund total expenses and the fixed asset requirements.

Personnel Expenses

- The FTEs and personnel expenses for the Situation Awareness and Infrastructure Security Program will decrease by \$71,562 due to being incorrectly budgeted and allocated in 2013.

Meeting Expenses

- Meeting expenses and travel are consistent with 2013.

Operating Expenses

- No operating expenses are allocated to this program.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The increase in fixed assets for this program is PI tags required for system monitoring.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 193,075	\$ 193,075	\$ -	\$ 135,984	\$ (57,090)
Penalty Sanctions	5,297	5,297	-	5,297	-
Total NERC Funding	<u>\$ 198,372</u>	<u>\$ 198,372</u>	<u>\$ -</u>	<u>\$ 141,281</u>	<u>\$ (57,090)</u>
Membership Dues	324	324	-	278	(46)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 198,695</u>	<u>\$ 198,695</u>	<u>\$ -</u>	<u>\$ 141,559</u>	<u>\$ (57,136)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 111,829	\$ 111,829	\$ -	\$ 48,270	\$ (63,560)
Payroll Taxes	9,921	9,921	-	10,318	397
Benefits	13,128	13,128	-	14,310	1,182
Retirement Costs	16,580	16,580	-	6,999	(9,581)
Total Personnel Expenses	<u>\$ 151,458</u>	<u>\$ 151,458</u>	<u>\$ -</u>	<u>\$ 79,896</u>	<u>\$ (71,562)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,263	1,263	-	1,314	50
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 1,263</u>	<u>\$ 1,263</u>	<u>\$ -</u>	<u>\$ 1,314</u>	<u>\$ 50</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 152,721</u>	<u>\$ 152,721</u>	<u>\$ -</u>	<u>\$ 81,210</u>	<u>\$ (71,511)</u>
Indirect Expenses	<u>\$ 49,298</u>	<u>\$ 49,298</u>	<u>\$ -</u>	<u>\$ 62,468</u>	<u>\$ 13,170</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 202,019</u>	<u>\$ 202,019</u>	<u>\$ -</u>	<u>\$ 143,678</u>	<u>\$ (58,341)</u>
Change in Assets	<u>\$ (3,324)</u>	<u>\$ (3,324)</u>	<u>\$ -</u>	<u>\$ (2,118)</u>	<u>\$ 1,205</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(3,324)	(3,324)	-	(2,118)	1,205
Inc(Dec) in Fixed Assets (C)	<u>\$ (3,324)</u>	<u>\$ (3,324)</u>	<u>\$ -</u>	<u>\$ (2,118)</u>	<u>\$ 1,205</u>
TOTAL BUDGET (=B + C)	<u>\$ 198,695</u>	<u>\$ 198,695</u>	<u>\$ -</u>	<u>\$ 141,559</u>	<u>\$ (57,136)</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	10.75	10.75	-
Total Direct Expenses	\$ 3,461,090	\$ 4,234,948	\$ 773,858
Inc(Dec) in Fixed Assets	\$ (218,257)	\$ (139,099)	\$ 79,159
Less: Other Funding Sources	\$ (67,260)	\$ (67,260)	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,175,573	\$ 4,028,589	\$ 853,016
Funding Requirement for Working Capital	\$ (1,866,999)	\$ (833,390)	\$ 1,033,609

Assumptions

The Administrative Services Program is comprised of the following programs: Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting.

This program incorporates the Shared NERC and the Regional Entities' Methodology for Allocation of Administrative Services Expenses to Programs.

- Texas RE allocates its indirect 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.
- Texas RE maintains the Fines and Penalty money collected and it is used to reduce the amount of the assessments to the region.
- Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on headcount to all of the direct activities.

Technical Committees and Member Forums

Technical Committes and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	-
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

This Texas RE Program supports all membership activities, including membership registration and voting, and will continue to facilitate and provide limited administrative support for the eleven (11) member Texas RE Member Representatives Committee (MRC) and its subcommittees, including the scheduling and coordinating of MRC and MRC subcommittee meetings, distributing and posting of meeting materials and minutes, maintaining applicable information on the Texas RE website, and facilitating MRC and MRC subcommittee announcements and communications.

The MRC meets approximately eight times per year to discuss Texas RE business plans, budgets, funding, metrics, and other matters relevant to Texas RE's operations and purpose, including compliance and the reliability of the BPS. The MRC also discusses proposed new or modified NERC processes, procedures, and initiatives. The MRC normally meets prior to the Texas RE Board meetings and provides feedback and input to Texas RE staff and the Board of Directors. The chair and vice chair of MRC are also on the Texas RE Board.

2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. In addition, regionally specific assumptions include:

- Texas RE will hold approximately eight MRC meetings per year.
- The MRC will not have a significant number of subcommittees.
- Support of the RSC is included in the Reliability Standards Program.
- Meetings will be held at the Texas RE office or, in the case of regional stakeholder meetings, at stakeholder offices, so no outside meeting space will normally be required.

2014 Goals and Key Deliverables

The goal of the Technical Committee and Member Forums Program is to coordinate MRC and MRC subcommittee meetings, voting, and communications, and to provide and facilitate efficient mechanisms for owners, users, and operators of the BPS to communicate, coordinate and share procedural, reliability and compliance best practices, and to provide input to Texas RE staff and the Texas RE Board of Directors.

Texas RE employees will continue to work with MRC and its subcommittees in 2014 to help define ways to improve reliability in the region. Texas RE will also continue to provide requested support, including coordination of subject matter experts and materials, to other regional stakeholder groups that are focused on reliability, events, or compliance with Standards.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- N/A.

Personnel Expenses

- Personnel expenses are accounted for under G & A.

Meeting Expenses

- The meeting expenses associated with MRC and committees are reflected under the G&A activity.

Operating Expenses

- There are no significant operating expenses for this area.

Indirect Expenses

- Indirect program costs are allocated to the direct programs. This activity fully allocates through the G&A activity allocation.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 business plan are included in General & Administrative.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Total Direct Expenses	\$ 1,399,089	\$ 1,785,984	\$ 386,895
Inc(Dec) in Fixed Assets	\$ (115,138)	\$ (101,907)	\$ 13,231
Working Capital Requirement	\$ (1,866,999)	\$ (833,390)	\$ 1,033,609

Program Scope and Functional Description

This Program includes the President and CEO who carries out the general affairs of Texas RE, including administrative and corporate facilities support, and includes the time and expenses of the Texas RE Board. 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. A significant amount of the CEO's time is expended for and charged to other operational Program activities. A portion of the time expended by the G&A staff is expended for and allocated to core activities including standards, compliance monitoring, enforcement, registration, training, situation awareness, reliability assessment, and performance analysis, training, and other indirect activities.

2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- N/A

Personnel Expenses

- The amount of time personnel are performing direct activities related to standards, compliance monitoring, enforcement, registration, training, situation awareness, and reliability assessment and performance analysis, as well as other indirect activities, is being appropriately budgeted in those respective Program areas.

Meeting Expenses

- Meeting and travel expenses for this program are increasing by \$17,441 due to the use of outside meeting facilities for legal and board meetings. Increased travel is due to the attendance of employees at more committee meetings and NERC meetings.

Operating Expenses

- Total Operating expenses remain consistent with 2013.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
GENERAL and ADMINISTRATIVE					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (1,880,909)	\$ (1,880,909)	\$ -	\$ (847,856)	\$ 1,033,053
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ (1,880,909)</u>	<u>\$ (1,880,909)</u>	<u>\$ -</u>	<u>\$ (847,856)</u>	<u>\$ 1,033,053</u>
Membership Dues	\$ -	\$ -	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	13,910	13,910	-	14,466	556
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ (1,866,999)</u>	<u>\$ (1,866,999)</u>	<u>\$ -</u>	<u>\$ (833,390)</u>	<u>\$ 1,033,609</u>
Expenses					
Personnel Expenses					
Salaries	\$ 189,676	\$ 189,676	\$ -	\$ 539,315	\$ 349,639
Payroll Taxes	17,678	17,678	-	6,369	(11,309)
Benefits	26,158	26,158	-	7,906	(18,252)
Retirement Costs	17,890	17,890	-	78,201	60,310
Total Personnel Expenses	<u>\$ 251,402</u>	<u>\$ 251,402</u>	<u>\$ -</u>	<u>\$ 631,790</u>	<u>\$ 380,388</u>
Meeting Expenses					
Meetings	\$ 6,180	\$ 6,180	\$ -	\$ 21,427	\$ 15,247
Travel	54,851	54,851	-	57,045	2,194
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 61,031</u>	<u>\$ 61,031</u>	<u>\$ -</u>	<u>\$ 78,472</u>	<u>\$ 17,441</u>
Operating Expenses					
Consultants & Contracts	\$ 2,981	\$ 2,981	\$ -	\$ 3,100	\$ 119
Office Rent	533,930	533,930	-	555,287	21,357
Office Costs	31,369	31,369	-	27,427	(3,942)
Professional Services	325,000	325,000	-	388,000	63,000
Miscellaneous	-	-	-	-	-
Depreciation	193,376	193,376	-	101,907	(91,469)
Total Operating Expenses	<u>\$ 1,086,656</u>	<u>\$ 1,086,656</u>	<u>\$ -</u>	<u>\$ 1,075,722</u>	<u>\$ (10,934)</u>
Total Direct Expenses	<u>\$ 1,399,089</u>	<u>\$ 1,399,089</u>	<u>\$ -</u>	<u>\$ 1,785,984</u>	<u>\$ 386,895</u>
Indirect Expenses	<u>\$ (1,399,089)</u>	<u>\$ (1,399,089)</u>	<u>\$ -</u>	<u>\$ (1,785,984)</u>	<u>\$ (386,895)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ (1,866,999)</u>	<u>\$ (1,866,999)</u>	<u>\$ -</u>	<u>\$ (833,390)</u>	<u>\$ 1,033,609</u>
Fixed Assets					
Depreciation	(193,376)	(193,376)	-	(101,907)	91,469
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	78,238	78,238	-	-	(78,238)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	115,138	115,138	-	101,907	(13,231)
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (1,866,999)</u>	<u>\$ (1,866,999)</u>	<u>\$ -</u>	<u>\$ (833,390)</u>	<u>\$ 1,033,609</u>

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	-
Total Direct Expenses	\$ 442,180	\$ 455,706	\$ 13,526
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

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.

Although the Legal and Regulatory employees report to the General Counsel (including two corporate counsel, an external relations manager, an external relations and training coordinator, a records analyst, a legal support manager, two case managers, and one legal assistant), a significant portion of the time of Legal and Regulatory employees is expended for and allocated to core activities including primarily enforcement, but also compliance monitoring, registration, standards, event analysis, training, and technical committees.

2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 Goals and Key Deliverables

- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.
- 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.

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- 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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- N/A

Personnel Expenses

- The budgeted number of FTEs for this Program is 3.0, consistent with 2013. Personnel expenses are decreasing by \$7,889 or 2%. The time Legal and Regulatory personnel perform direct activities related to compliance, enforcement, training, and registration are budgeted in those respective program areas.

Meeting Expenses

- Meetings and travel expenses are increasing by \$5,927 due to increased travel for NERC, regional entity, and Trades meetings attended by Legal and Regulatory personnel for legal and executive activities.

Operating Expenses

- Operating expenses for Legal and Regulatory are increased by \$15,489 or 70%. The bulk of the increase is contingency for outside counsel for contested cases.
- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
LEGAL and REGULATORY					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 307,265	\$ 307,265	\$ -	\$ 278,656	\$ (28,609)
Payroll Taxes	28,524	28,524	-	29,665	1,141
Benefits	47,924	47,924	-	52,190	4,266
Retirement Costs	25,093	25,093	-	40,405	15,312
Total Personnel Expenses	\$ 408,805	\$ 408,805	\$ -	\$ 400,916	\$ (7,889)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	11,172	11,172	-	17,099	5,927
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 11,172	\$ 11,172	\$ -	\$ 17,099	\$ 5,927
Operating Expenses					
Consultants & Contracts	\$ 2,211	\$ 2,211	\$ -	\$ 2,299	\$ 89
Office Rent	-	-	-	-	-
Office Costs	2,415	2,415	-	5,392	2,976
Professional Services	17,577	17,577	-	30,000	12,423
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 22,202	\$ 22,202	\$ -	\$ 37,691	\$ 15,489
Total Direct Expenses	\$ 442,180	\$ 442,180	\$ -	\$ 455,706	\$ 13,526
Indirect Expenses	\$ (442,180)	\$ (442,180)	\$ -	\$ (455,706)	\$ (13,526)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ (0)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ (0)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0

Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.50	2.50	-
Total Direct Expenses	\$ 1,091,026	\$ 1,175,668	\$ 84,642
Inc(Dec) in Fixed Assets	\$ (103,119)	\$ (37,191)	\$ 65,928
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware (servers, security devices, computers and peripherals), systems (email, storage, backups, networks, electronic security, secure communications, and databases), software, and applications; physical security, electronic security, data center operations, IT & security-related vendor management, strategy, planning, development, and deployment of enterprise systems, application, and training, research, and planning for improvement and efficiency of business process 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, federal, and regional requirements.

This budget includes operating costs for refreshing all depreciated corporate equipment including: servers, networking equipment and laptops.

2014 Key Assumptions

- Texas RE's IT staff will continue to focus on better leverage of current technology to support business functions and workflow as well as increasing knowledge of industry best practices for security, data management and system administration.
- This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 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 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.
- Assist business staff with development of webCDMS 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.
- Implement a Security Awareness Program that addresses, through education and training, for social 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.
- Improve the usability and functionality of Texas RE's website and Extranet site.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- N/A.

Personnel Expenses

- The number of FTEs are consistent with 2013. Personnel expenses are increasing due to reorganization and promotions.
- Training expenses are included in benefits which are increasing to maintain and increase personnel competencies and reduce the reliance on external consultants and vendors.

Meeting and Travel Expenses

- Meeting and travel expenses for this Program are increasing by \$7,556 to allow for increased travel to the offsite data center for maintenance, travel for training(s), NERC Meetings, and consultant travel costs. Increased meeting costs are associated with the implementation of a Security Awareness Program for internal staff and Texas RE Contractors. Approximately \$5,000 of the increase represents inclusion of consultant costs incurred during penetration testing. The decrease in conferences calls is the result of IT initiatives to reduce fees.

Operating Expenses

- Operating Expenses are increasing due a shift to leased IT equipment instead of Fixed Asset additions.

IT Hosting Fees and Managed Services will be reduced \$57,062 by bringing hosted services on-premise and maintained by Texas RE's IT Staff. Expenses

were reduced by properly sizing the remote data center hosting environment through virtualization using VMWare. These reductions were offset by the inclusion of \$26,576 for ERO Centralized Application hosting costs.

Professional Services are increasing \$26,576 to better accommodate actual costs of Penetration Testing.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

Information Technology

Funding sources and related expenses for the information technology section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 215,903	\$ 215,903	\$ -	\$ 336,221	\$ 120,318
Payroll Taxes	19,525	19,525	-	20,306	781
Benefits	34,005	34,005	-	37,002	2,997
Retirement Costs	21,779	21,779	-	48,752	26,973
Total Personnel Expenses	\$ 291,211	\$ 291,211	\$ -	\$ 442,281	\$ 151,070
Meeting Expenses					
Meetings	\$ 1,236	\$ 1,236	\$ -	\$ 2,900	\$ 1,664
Travel	10,000	10,000	-	17,556	7,556
Conference Calls	18,540	18,540	-	3,500	(15,040)
Total Meeting Expenses	\$ 29,776	\$ 29,776	\$ -	\$ 23,956	\$ (5,820)
Operating Expenses					
Consultants & Contracts	\$ 84,562	\$ 84,562	\$ -	\$ 27,500	\$ (57,062)
Office Rent	-	-	-	-	-
Office Costs	267,721	267,721	-	521,740	254,019
Professional Services	54,424	54,424	-	81,000	26,576
Miscellaneous	-	-	-	-	-
Depreciation	363,332	363,332	-	79,191	(284,141)
Total Operating Expenses	\$ 770,039	\$ 770,039	\$ -	\$ 709,431	\$ (60,608)
Total Direct Expenses	\$ 1,091,026	\$ 1,091,026	\$ -	\$ 1,175,668	\$ 84,642
Indirect Expenses	\$ (1,091,026)	\$ (1,091,026)	\$ -	\$ (1,175,668)	\$ (84,642)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ (0)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Fixed Assets					
Depreciation	(363,332)	(363,332)	-	(79,191)	284,141
Computer & Software CapEx	260,213	260,213	-	42,000	(218,213)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 103,119	\$ 103,119	-	\$ 37,191	\$ (65,928)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ (0)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0

Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	-
Total Direct Expenses	\$ 50,255	\$ 238,306	\$ 188,052
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Texas RE Human Resource (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 the Human Resources Information System (HRIS) and the Payroll Master File and ensures Department of Labor compliance with all federal and state requirements.

2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 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.
- Provide harassment training to managers and employees.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments) N/A

Personnel Expenses

- The total number of FTEs and personnel expenses are remaining consistent with 2013. The 2014 HR budget includes \$10,000 for employee education reimbursement.

Meeting Expenses

- Meeting and travel expenses will increase by \$9,097. A Human Resources conference with related travel and two (2) webinars are budgeted for 2014.

Operating Expenses

- Operating expenses are consistent with 2013. No consultants are used for this area, but professional fees are budgeted for compensation studies.
- \$8,750 for company activities to support corporate culture has been budgeted in 2014.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Human Resources

Funding sources and related expenses for the human resources section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
HUMAN RESOURCES					
	2013	2013	Variance 2012 Projection v 2012 Budget	2014	Variance 2013 Budget v 2012 Budget
	Budget	Projection	Over(Under)	Budget	Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 91,052	\$ 91,052
Payroll Taxes	-	-	-	12,804	12,804
Benefits	-	-	-	26,740	26,740
Retirement Costs	-	-	-	13,203	13,203
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,799</u>	<u>\$ 143,799</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 8,750	\$ 8,750
Travel	1,358	1,358	-	1,705	347
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 1,358</u>	<u>\$ 1,358</u>	<u>\$ -</u>	<u>\$ 10,455</u>	<u>\$ 9,097</u>
Operating Expenses					
Consultants & Contracts	\$ 28,617	\$ 28,617	\$ -	\$ 80,400	\$ 51,783
Office Rent	-	-	-	-	-
Office Costs	280	280	-	3,652	3,372
Professional Services	20,000	20,000	-	-	(20,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 48,896</u>	<u>\$ 48,896</u>	<u>\$ -</u>	<u>\$ 84,052</u>	<u>\$ 35,156</u>
Total Direct Expenses	<u>\$ 50,255</u>	<u>\$ 50,255</u>	<u>\$ -</u>	<u>\$ 238,306</u>	<u>\$ 188,052</u>
Indirect Expenses	<u>\$ (50,255)</u>	<u>\$ (50,255)</u>	<u>\$ -</u>	<u>\$ (238,306)</u>	<u>\$ (188,052)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

Finance and Accounting

Accounting and Finance (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Total Direct Expenses	\$ 478,541	\$ 579,284	\$ 100,743
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and close activities, accounts payable, payroll, fixed asset management, budget preparation and reporting, cash management, and tax reporting. Monthly financial reports and analysis are provided to the CEO, Texas RE managers and the Board.

2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2014 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.
- Report budget variances to NERC on a quarterly basis.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- N/A

Personnel Expenses

- The FTEs and personnel expenses for this Program are consistent with 2013.

Meeting Expenses

- Travel expenses are higher in 2014 due to travel for two finance and budget meetings included in 2014.

Operating Expenses

- Operating expenses are slightly lower for 2014. No consultants have been budgeted for 2014 resulting in a decrease of \$9,539. Professional fees increased for commercial insurance and accounting audit fees approximately 4%. Office costs include fees for CPA license renewal and continuing education.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Finance and Accounting

Funding sources and related expenses for the finance and accounting section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
FINANCE and ACCOUNTING					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 199,554	199,554	\$ -	\$ 278,344	\$ 78,790
Payroll Taxes	18,240	18,240	-	18,970	729
Benefits	27,380	27,380	-	30,277	2,897
Retirement Costs	20,378	20,378	-	40,360	19,982
Total Personnel Expenses	<u>\$ 265,552</u>	<u>\$ 265,552</u>	<u>\$ -</u>	<u>\$ 367,951</u>	<u>\$ 102,399</u>
Meeting Expenses					
Meetings	\$ -	-	\$ -	\$ -	\$ -
Travel	1,598	1,598	-	2,620	1,022
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 1,598</u>	<u>\$ 1,598</u>	<u>\$ -</u>	<u>\$ 2,620</u>	<u>\$ 1,022</u>
Operating Expenses					
Consultants & Contracts	\$ 9,539	9,539	\$ -	\$ -	\$ (9,539)
Office Rent	-	-	-	-	-
Office Costs	41,852	41,852	-	42,313	461
Professional Services	160,000	160,000	-	166,400	6,400
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 211,390</u>	<u>\$ 211,390</u>	<u>\$ -</u>	<u>\$ 208,713</u>	<u>\$ (2,678)</u>
Total Direct Expenses	<u>\$ 478,541</u>	<u>\$ 478,541</u>	<u>\$ -</u>	<u>\$ 579,284</u>	<u>\$ 100,743</u>
Indirect Expenses	<u>\$ (478,541)</u>	<u>\$ (478,541)</u>	<u>\$ -</u>	<u>\$ (579,284)</u>	<u>\$ (100,743)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>

Section B – Supplemental Financial Information
2014 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	4,681,391
Plus: 2013 Funding (from LSEs or designees)	8,984,520
Plus: 2013 Other funding sources	67,260
Less: 2013 Projected expenses & capital expenditures	(10,935,780)
Projected Working Capital Reserve (Deficit), December 31, 2013	2,797,390
Desired Working Capital Reserve, December 31, 2014	1,964,000
Minus: Projected Working Capital Reserve, December 31, 2013	(2,797,390)
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(833,390)
2014 Expenses and Capital Expenditures	11,561,207
Less: Penalty Sanctions	(347,833)
Less: Other Funding Sources	(32,716)
Adjustment to achieve desired Working Capital Reserve	(833,390)
2014 NERC Assessment	10,347,268

Explanation of Changes in Reserve Policy from Prior Years

- Texas RE is retaining its 60-day cash reserve requirement and has obtained a \$500,000 line of credit to ensure it has appropriate liquidity for contingencies.
(See Attached Policy)

WORKING CAPITAL AND OPERATING RESERVE CORPORATE POLICY

Document ID:	TRE POL 7.4
Effective Date:	February 26, 2013
Owner:	Chief Financial Officer
Governs:	Texas RE Personnel
Approved:	Board of Directors

I. Purpose

The purpose of the Working Capital and Operating Reserve policy for Texas RE is to ensure the stability of the ongoing operations of the organization. The Working Capital and Operating Reserve 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.

II. Requirements

- A. Texas RE will maintain a Working Capital and Operating Reserve. The target minimum for the Working Capital and Operating Reserve is approximately two (2) months of Texas RE's operating costs. Monthly operating costs include all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.
- B. The CFO will calculate the target minimum for the Working Capital and Operating Reserve annually as part of the budget process. The target minimum reserve and actual amount held in reserve will be reported to the Audit and Governance Committee and the Board of Directors, included with approval of the annual budget, and included in the regular financial reports.
- C. Any use of the Working Capital and Operating Reserve will be reported to the Audit and Governance Committee and the Board of Directors at their next scheduled meeting, accompanied by a description of the need for use of the reserve and the amount being spent.
- D. The Working Capital and Operating Reserve will be maintained within the general cash and investment accounts of the organization.

III. Roles and Accountabilities

- A. The CFO is responsible for assuring that the Working Capital and Operating Reserve is maintained and used only as described in this policy.
- B. This policy will be reviewed every year or sooner if warranted by internal or external events or changes. The CEO will recommend changes to the Audit and Governance Committee.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 9 of the 2014 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received by June 30, 2013 are to be used to offset assessments in the 2014 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, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received by June 30, 2013 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; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2014	Date Received	Amount Received
	7/5/2012	9,000.00
	7/19/2012	1,000.00
	8/7/2012	14,333.00
	8/15/2012	25,000.00
	8/15/2012	8,000.00
	8/20/2012	50,000.00
	8/20/2012	50,000.00
	9/14/2012	14,000.00
	10/15/2012	7,000.00
	11/26/2012	7,000.00
	11/29/2012	13,500.00
	12/18/2012	17,000.00
	12/18/2012	13,250.00
	12/18/2012	13,250.00
	12/21/2012	6,500.00
	1/22/2013	6,000.00
	2/13/2013	10,000.00
	2/25/2013	51,000.00
	3/8/2013	32,000.00
Total Penalties Received		<u>\$ 347,833</u>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in WECC	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Testing Fees and Certificate Renewals				-
CEH Fees				-
Workshops	\$ 32,100	\$ 32,100	\$ -	(32,100)
Total	\$ 32,100	\$ 32,100	\$ -	\$ (32,100)
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 13,910	\$ 13,910	\$ 14,466	\$ 556
Membership Dues	\$ 21,250	\$ 21,250	\$ 18,250	\$ (3,000)
Total	\$ 35,160	\$ 35,160	\$ 32,716	\$ (2,444)
Total Outside Funding	\$ 67,260	\$ 67,260	\$ 32,716	\$ (34,544)

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- No workshop fees have been budgeted for 2014. Registered entities have been volunteering meeting and workshop location space so there isn't any anticipated expense for Texas RE.
- Membership dues have decreased by \$3,000 due to entities not renewing memberships for all affiliates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 5,858,856	\$ 5,858,856	\$ 6,087,779	\$ 228,923	3.9%
Total Payroll Taxes	523,256	523,256	544,185	20,930	4.0%
Total Benefits	868,322	868,322	961,875	93,553	10.8%
Total Retirement	818,519	818,519	882,728	64,209	7.8%
Total Personnel Costs	\$ 8,068,952	\$ 8,068,952	\$ 8,476,567	\$ 407,615	5.1%
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 97,648	\$ 97,648	\$ 101,463	3,815	3.9%
Payroll Taxes	8,721	8,721	9,070	349	4.0%
Benefits	14,472	14,472	16,031	1,559	10.8%
Retirement	13,642	13,642	14,712	1,070	7.8%
Total Cost per FTE	\$ 134,483	\$ 134,483	\$ 141,276	\$ 6,794	5.1%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Texas RE personnel expenses are increasing by 5.1%. Salaries are increasing 4% due to company reorganization and promotions in 2013 and market adjustments as a result of a compensation study. Benefits are increasing 10.8% based on broker estimate for increased health insurance at 9%. Total benefits include training.

Table B-5 – Consultants and Contracts

Consultants and Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 12,276	\$ 12,276	\$ 10,992	\$ (1,284)	-10%
Compliance and Organization Registration and Certification	274,815	274,815	296,074	21,259	8%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	2,981	2,981	3,100	119	4%
Legal and Regulatory	2,211	2,211	2,299	89	4%
Information Technology	84,562	84,562	27,500	(57,062)	-67%
Human Resources	28,617	28,617	80,400	51,783	181%
Accounting and Finance	9,539	9,539	-	(9,539)	-100%
Consultants Total	\$ 415,000	\$ 415,000	\$ 420,366	\$ 5,366	1%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Total consultants and contracts is decreasing \$5,366 for statutory activities. IT reduced \$57,062 which is the result of initiatives to reduce hosting fees by bringing services on premise and being maintained by the IT staff. Accounting and Finance did not budget for Consultants or Contracts in 2014. Human Resources budget includes a compensation study for two (2) directors and a companywide study to be shared with other regional entities.

Table B-6 – Office Rent

Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 533,930	\$ 533,930	\$ 555,287	\$ 21,357	4.00%
Utilities			-	-	
Maintenance			-	-	
Total Office Rent	\$ 533,930	\$ 533,930	\$ 555,287	\$ 21,357	4.00%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- 2014 rent expense is \$555,287, which is a 4% increase over 2013, pursuant to Texas RE's lease agreement.

Table B-7 – Office Costs

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone/Cell Phone	\$ 18,816	\$ 18,816	\$ 23,280	\$ 4,464	23.72%
Internet Expense	120,000	\$ 120,000	155,000	35,000	29.17%
Office Supplies	12,984	\$ 12,984	13,232	248	1.91%
Computer Supplies & Maintenance	95,000	\$ 95,000	78,728	(16,272)	-17.13%
Software	50,000	\$ 50,000	6,000	(44,000)	-88.00%
Subscriptions & Publications	5,743	\$ 5,743	6,510	766	13.34%
Dues	5,252	\$ 5,252	8,904	3,653	69.55%
Postage	1,644	\$ 1,644	1,660	16	0.97%
Express Shipping	4,244	\$ 4,244	4,685	441	10.40%
Copying	1,061	\$ 1,061	1,071	10	0.97%
Stationary & Office Forms	2,572	\$ 2,572	2,673	101	3.92%
Equipment Repair/Srv. Contracts	12,360	\$ 12,360	2,000	(10,360)	-83.82%
Bank Charges	637	\$ 637	643	6	0.97%
Property Taxes	20,000	\$ 20,000	28,200	8,200	41.00%
Merchant Credit Card Fee	4,326	\$ 4,326	4,368	42	0.97%
IT-Leased Equipment	20,000	\$ 20,000	285,000	265,000	1325.00%
Total Office Costs	\$ 374,638	\$ 374,638	\$ 621,954	\$ 247,315	66.01%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Office costs are increasing by 66% primarily due to increase in IT-Leased Equipment. Texas RE will lease laptops and computer equipment instead of purchasing new equipment.

Table B-8 – Professional Services

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Board of Director Fees	\$ 300,000	\$ 300,000	\$ 338,000	\$ 38,000	12.67%
Accounting & Auditing Fees	85,000	85,000	\$ 88,400	3,400	4.00%
Legal Fees	330,000	330,000	\$ 455,000	125,000	37.88%
Insurance	75,000	75,000	\$ 78,000	3,000	4.00%
Professional Services Other	65,000	65,000	\$ 81,000	16,000	24.62%
Security Services	50,000	50,000	\$ 50,000	-	0.00%
Total Services	\$ 905,000	\$ 905,000	\$ 1,090,400	\$ 185,400	20.49%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Professional services are increasing by 20.5%. The bulk of the increase is in Legal Fees for outside counsel for a potential contested enforcement case.

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment		-			-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- NA

Table B-10 – 2015 and 2016 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection 2015 and 2016 Budgets							
	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
Funding							
ERO Funding							
NERC Assessments	\$ 10,347,268	\$ 10,761,159	\$ 413,891	4.00%	\$ 11,191,605	\$ 430,446	3.8%
Penalty Sanctions	347,833	361,746	13,913	4.00%	376,216	14,470	3.8%
Total NERC Funding	\$ 10,695,101	\$ 11,122,905	\$ 427,804	4.0%	\$ 11,567,821	\$ 444,916	3.8%
Membership Dues	18,250	18,250.00	-	0.00%	18,250	-	0.0%
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	14,466	15,045	579	4.00%	15,045	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 10,727,817	\$ 11,156,200	\$ 428,383	4.0%	\$ 11,601,116	\$ 444,916	4.0%
Expenses							
Personnel Expenses							
Salaries	\$ 6,087,779	\$ 6,331,290	\$ 243,511	4.0%	\$ 6,584,542	\$ 253,252	4.0%
Payroll Taxes	544,185	565,953	21,767	4.0%	588,591	22,638	4.0%
Benefits	961,875	1,000,350	38,475	4.0%	1,040,364	40,014	4.0%
Retirement Costs	882,728	918,037	35,309	4.0%	954,759	36,721	4.0%
Total Personnel Expenses	\$ 8,476,567	\$ 8,815,630	\$ 339,063	4.0%	\$ 9,168,255	\$ 352,625	4.0%
Meeting Expenses							
Meetings	\$ 95,213	\$ 99,022	\$ 3,809	4.0%	\$ 102,982.60	3,961	4.0%
Travel	388,796	404,348	15,552	4.0%	420,522	16,174	4.0%
Conference Calls	3,500	3,640	140	4.0%	3,786	146	4.0%
Total Meeting Expenses	\$ 487,509	\$ 507,010	\$ 19,500	4.0%	\$ 527,290	\$ 20,280	4.0%
Operating Expenses							
Consultants & Contracts	\$ 420,366	\$ 437,181	16,815	4.0%	454,668	17,487	4.0%
Office Rent	555,287	577,499	22,211	4.0%	600,599	23,100	4.0%
Office Costs	621,954	646,832	24,878	4.0%	672,705	25,873	4.0%
Professional Services	1,090,400	1,134,016	43,616	4.0%	1,179,377	45,361	4.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	296,186	308,033	11,847	4.0%	320,355	12,321	4.0%
Total Operating Expenses	\$ 2,984,193	\$ 3,103,560	\$ 119,368	4.0%	\$ 3,227,703	\$ 124,142	4.0%
Total Direct Expenses	\$ 11,948,269	\$ 12,426,200	\$ 477,931	4.0%	\$ 12,923,248	\$ 497,048	4.0%
Indirect Expenses	\$ (223,856)	\$ -	\$ -	-100.0%	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 11,724,413	\$ 12,426,200	\$ 701,787	6.0%	\$ 12,923,248	\$ 497,048	4.0%
Change in Assets	\$ (996,596)	\$ (1,270,000)	\$ (273,404)	27.4%	\$ (1,322,132)	\$ (52,132)	4.1%
Fixed Assets							
Depreciation	\$ (296,186)	\$ (308,033)	\$ (11,847)	4.0%	\$ (320,355)	\$ (12,321)	4.0%
Computer & Software CapEx	42,000	400,000	358,000	852.4%	400,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets							
Inc(Dec) in Fixed Assets (C)	\$ (254,186)	\$ 91,967	\$ 346,153	-136.2%	\$ 79,645	\$ (52,132)	0.0%
TOTAL BUDGET (=B + C)	\$ 11,470,227	\$ 12,518,167	\$ 1,047,939	9.1%	\$ 13,002,893	\$ 497,048	4.0%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (742,410)	\$ (1,361,967)	\$ (619,557)	83.5%	\$ (1,401,778)	(39,810)	2.9%

2015 and 2016 Projection Analysis

- Assumes overall workload will remain consistent, even if though the program areas might change, and reflects no additional FTEs and an expense increase of approximately 4% per year.

Section C – 2014 Non-Statutory Activities
2014 Business Plan and Budget



Section C — 2014 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	
Direct Expenses	805,244	837,124	
Indirect Expenses	223,856	132,876	
Inc(Dec) in Fixed Assets	-	-	
Total Funding Requirement	1,029,100	970,000	

Non-Statutory Functional Scope

As the ERCOT region Reliability Monitor, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market participants' compliance with the reliability-related ERCOT Protocols, Operating Guides, and Texas rules (Regional Rules), under the direction of the Public Utility Commission of Texas (PUCT). Texas RE also monitors the stakeholder Regional Rules creation and modification process and assists the PUCT with comments on proposed changes to rules that impact reliability. Texas RE does not perform any enforcement activities, but, when needed, provides testimony and technical support to the PUCT for its enforcement cases.

Major 2014 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform Regional Rules compliance monitoring and reporting for the PUCT in 2014.

2014 Non-Statutory Goals and Objectives

- Appropriately monitor and report to the PUCT regarding stakeholder compliance with the Regional Rules.
- Implement the 2014 Regional Rules audit plan per the posted schedule.
- Review and assess system disturbances for potential violations of Regional Rules and report all findings to the PUCT.
- Provide technical expertise to the PUCT for the review and modification of Regional Rules that impact reliability of the BPS.
- Provide technical or testimony support as needed to the PUCT for its enforcement of Regional Rules violations.

Funding Sources

- Funding will be obtained through a contract between Texas RE, the PUCT, and ERCOT, which requires ERCOT to make quarterly fixed fee payments to Texas RE from its PUCT-approved system administration fee. Texas RE's total 2014 non-statutory budget and funding is reduced in 2014 to \$970,000.

Personnel Expenses

- Non-statutory personnel are remaining constant at 5 FTEs, and personnel expenses are consistent to 2013 increasing only 4%. One “FTE” will continue to represent the composite of time spent by employees who report to statutory and G&A program areas.

Meeting Expenses

- Meeting and travel is consistent with 2013.

Operating Expenses

- Operating expenses are consistent with 2013.

Indirect Expenses

- The non-statutory allocation of indirect expenses is consistent with 2013 and remains at 7%.

2014 Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
NON-STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	\$ -	\$ -		\$ -	\$ -
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues				-	-
PUCT	1,029,100	1,029,100		970,000	(59,100)
Services & Software	-	-		-	-
Workshops	-	-		-	-
Interest	-	-		-	-
Miscellaneous	-	-		-	-
Total Funding (A)	\$ 1,029,100	\$ 1,029,100	\$ -	\$ 970,000	\$ (59,100)
Expenses					
Personnel Expenses					
Salaries	\$ 541,553	\$ 541,553		\$ 560,604	\$ 19,051
Payroll Taxes	\$ 46,376	46,376		\$ 48,231	1,855
Benefits	\$ 75,164	75,164		\$ 81,929	6,765
Retirement Costs	\$ 80,292	80,292		\$ 81,288	995
Total Personnel Expenses	\$ 743,385	\$ 743,385	\$ -	\$ 772,052	\$ 28,666
Meeting Expenses					
Meetings	\$ -	-		\$ -	-
Travel	\$ 12,000	12,000		\$ 12,480	480
Conference Calls	\$ -	-		\$ -	-
Total Meeting Expenses	\$ 12,000	\$ 12,000	\$ -	\$ 12,480	\$ 480
Operating Expenses					
Consultants & Contracts	\$ 18,130	18,130		\$ 18,855	725
Office Rent	\$ -	-		\$ -	-
Office Costs	\$ 14,954	14,954		\$ 16,291	1,337
Professional Services	\$ 16,775	16,775		\$ 17,446	671
Miscellaneous	\$ -	-		\$ -	-
Depreciation	\$ -	-		\$ -	-
Total Operating Expenses	\$ 49,859	\$ 49,859	\$ -	\$ 52,592	\$ 2,733
Total Direct Expenses	\$ 805,244	\$ 805,244	\$ -	\$ 837,124	\$ 31,879
Indirect Expenses	\$ 223,856	\$ 223,856		\$ 132,876	\$ (90,980)
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 1,029,100	\$ 1,029,100	\$ -	\$ 970,000	\$ (59,100)
Change in Assets	\$ (0)	\$ (0)	\$ -	\$ 0	\$ (0)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx					
Leasehold Improvements					
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 1,029,100	\$ 1,029,100	\$ -	\$ 970,000	(59,100)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ 0	\$ (0)

Personnel Analysis

Fractional FTEs reflect part-time, shared employees, or employees who worked in fewer than all four quarters of the year.

Total FTE's by Program Area	Approved Direct FTEs 2012 Budget	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Variance from Approved 2012 Budget
NON-STATUTORY						
Operational Programs						
Protocol	4.40	4.40	5.00	0.40	4.40	0.00
Total FTEs Operational Programs	4.40	4.40	5.00	0.40	4.40	0.00
Administrative Programs						
G&A	0.60	0.60	0.00	0.60	0.60	0.00
Total FTEs Administrative Programs	0.60	0.60	0.00	0.60	0.60	0.00
Total FTEs	5.00	5.00	5.00	1.00	5.00	0.00

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Reserve Analysis — 2013–2014

Texas RE does not have reserves for non-statutory activities, due to contractual provisions ensuring minimal risk for this funding.

Section D – Supplemental Information

2014 Business Plan and Budget



Section D – Supplemental Information

2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

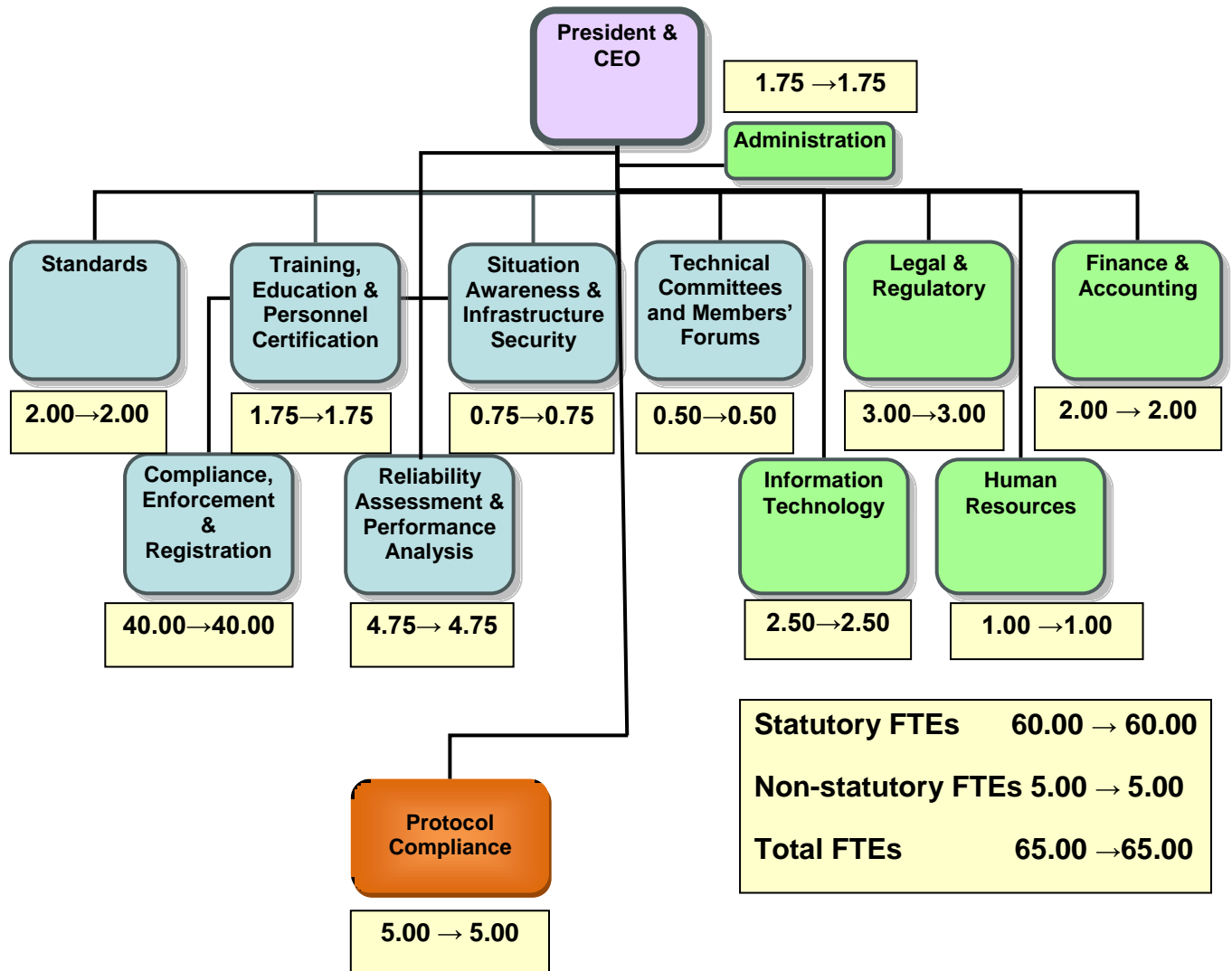
Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	
Funding																	
ERO Funding																	
NERC Assessments	10,347,268	10,347,268	-	10,347,268	429,324	8,912,986	1,342,891	373,939	135,984	-	(847,856.47)	-	-	-	-	-	-
Penalty Sanctions	347,833	347,833	-	347,833	14,125	282,504	33,547	12,360	5,297	-	-	-	-	-	-	-	-
Total NERC Funding	10,695,101	10,695,101	-	10,695,101	443,449	9,195,490	1,376,439	386,298	141,281	-	(847,856)	-	-	-	-	-	-
Membership Dues	18,250	18,250	-	18,250	741	14,822	1,760	648	278	-	-	-	-	-	-	-	-
PUCT Fees	970,000	-	970,000	-	-	-	-	-	-	-	-	-	-	-	-	-	970,000
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	14,466	14,466	-	14,466	-	-	-	-	-	-	14,466	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	11,697,817	10,727,817	970,000	10,727,817	444,190	9,210,312	1,378,199	386,947	141,559	-	(833,390)	-	-	-	-	-	970,000
Expenses																	
Personnel Expenses																	
Salaries	6,648,383	6,087,779	560,604	6,087,779	184,058	3,520,283	689,636	121,945	48,270	539,315	278,656	336,221	91,052	278,344	560,604		
Payroll Taxes	592,416	544,185	48,231	544,185	20,720	357,639	52,409	14,985	10,318	6,369	29,665	20,306	12,804	18,970	48,231		
Benefits	1,043,804	961,875	81,929	961,875	28,527	640,999	95,813	28,111	14,310	7,906	52,190	37,002	26,740	30,277	81,929		
Retirement Costs	964,016	882,728	81,288	882,728	26,688	510,441	99,997	17,682	6,999	78,201	40,405	48,752	13,203	40,360	81,288		
Total Personnel Expenses	9,248,619	8,476,567	772,052	8,476,567	259,993	5,029,363	937,855	182,722	79,896	-	631,790	400,916	442,281	143,799	367,951	772,052	
Meeting Expenses																	
Meetings	95,213	95,213	-	95,213	-	-	-	62,136	-	21,427	-	2,900	8,750	-	-	-	
Travel	401,276	388,796	12,480	388,796	11,268	227,590	52,288	312	1,314	57,045	17,099	17,556	1,705	2,620	12,480		
Conference Calls	3,500	3,500	-	3,500	-	-	-	-	-	-	-	3,500	-	-	-	-	
Total Meeting Expenses	499,989	487,509	12,480	487,509	11,268	227,590	52,288	62,448	1,314	-	78,472	17,099	23,956	10,455	2,620	12,480	
Operating Expenses																	
Consultants & Contracts	439,221	420,366	18,855	420,366	10,992	296,074	-	-	-	3,100	2,299	27,500	80,400	-	18,855		
Office Rent	555,287	555,287	-	555,287	-	-	-	-	-	555,287	-	-	-	-	-		
Office Costs	638,244	621,954	16,291	621,954	1,004	13,626	5,840	960	27,427	5,392	521,740	3,652	42,313	16,291			
Professional Services	1,107,846	1,090,400	17,446	1,090,400	-	425,000	-	-	-	388,000	30,000	81,000	166,400	17,446			
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Depreciation	296,186	296,186	-	296,186	-	115,087	-	-	-	101,907	79,191	-	-	-			
Total Operating Expenses	3,036,785	2,984,193	52,592	2,984,193	11,996	849,788	5,840	960	-	1,075,722	37,691	709,431	84,052	208,713	52,592		
Total Direct Expenses	12,785,393	11,948,269	837,124	11,948,269	283,258	6,106,741	995,983	246,130	81,210	-	1,785,984	455,706	1,175,668	238,306	579,284	837,124	
Indirect Expenses	0	(132,876)	132,876	(132,876)	166,582	3,331,632	395,631	145,759	62,468	-	(1,785,984)	(455,706)	(1,175,668)	(238,306)	(579,284)	132,876	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenses (B)	12,785,393	11,815,393	970,000	11,815,393	449,839	9,438,373	1,391,614	391,889	143,678	-	-	-	-	-	-	970,000	
Change in Assets	(1,087,576)	(1,087,576)	0	(1,087,576)	(5,649)	(228,061)	(13,416)	(4,943)	(2,118)	-	(833,390)	-	-	-	-	-	
Fixed Assets																	
Depreciation	(296,186)	(296,186)	-	(296,186)	-	(115,087)	-	-	-	(101,907)	-	(79,191)	-	-	-		
Computer & Software CapEx	42,000	42,000	-	42,000	-	-	-	-	-	-	-	42,000	-	-	-		
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Allocation of Fixed Assets	0	0	-	0	(5,648.67)	(112,973)	(13,416)	(4,943)	(2,118)	101,907	-	37,191	-	-	-		
Inc(Dec) in Fixed Assets (C)	(254,186)	(254,186)	-	(254,186)	(5,649)	(228,061)	(13,416)	(4,943)	(2,118)	-	-	-	-	-	-	-	
TOTAL BUDGET (=B + C)	11,561,207	11,561,207	-	11,561,207	444,190	9,210,312	1,378,199	386,947	141,559	-	-	-	-	-	-	-	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(833,390)	(833,390)	0	(833,390)	0	-	-	(0)	(0)	-	(833,390)	-	-	-	-	-	

Statement of Financial Position

- As of December 31, 2012, per audit
- As of December 31, 2013, projected
- As of December 31, 2014, as budgeted

Statement of Financial Position			
STATUTORY and NON- STATORY			
	(Per Audit) 31-Dec-12	Projected 31-Dec-13	Budget 31-Dec-14
ASSETS			
Cash	6,483,137	6,483,137	6,483,137
Accounts receivable, net of allowance for uncollectible	3,766	3,766	3,766
Other Receivables	-	-	-
Prepaid expenses and other current assets	219,499	219,499	219,499
Security deposit	79,411	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	1,191,776	565,073	565,073
Total Assets	7,977,590	7,311,181	7,311,181
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	250,812	250,812	250,812
Deferred income	568,789	568,789	568,789
Deferred penalty income	-	-	-
Regional assessments	1,284,821	1,284,821	1,284,821
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Accrued incentive compensation	-	-	-
Total Liabilities	2,104,423	2,104,423	2,104,423
Net Assets - unrestricted	5,873,167	5,206,758	5,206,758
Total Liabilities and Net Assets	7,977,590	7,311,181	7,311,181

2014 Texas RE Combined Statutory and Non-statutory Organization Chart



Arrow indicates number of FTEs from 2013 to 2014.