



2015 Business Plan and Budget Review

(Unapproved)

Presented to NERC FAC
May 21, 2014

2015 Texas RE Budget Overview

- **18.7% increase in revenue (other than Assessments)**

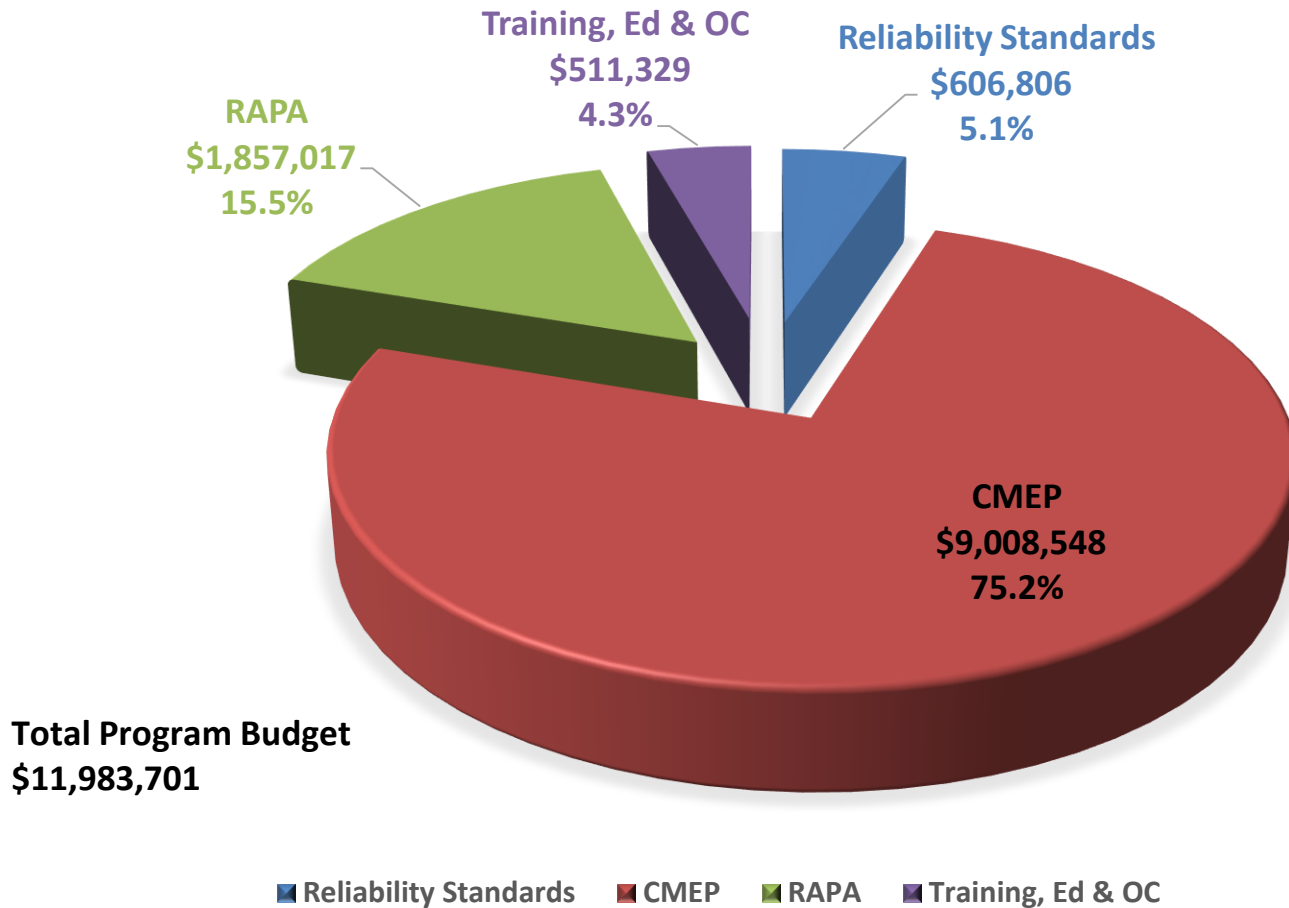
Fines and Penalties	20.1%
Membership and Dues	1.4%
Interest	4.0%

- **Staffing remains constant with 60 Statutory & 5 Non-Statutory employees**
- **Maintain \$2,000,000 cash reserve pursuant to Board-approved policy**
- **Overall Statutory budget expense increase is 1.8%**

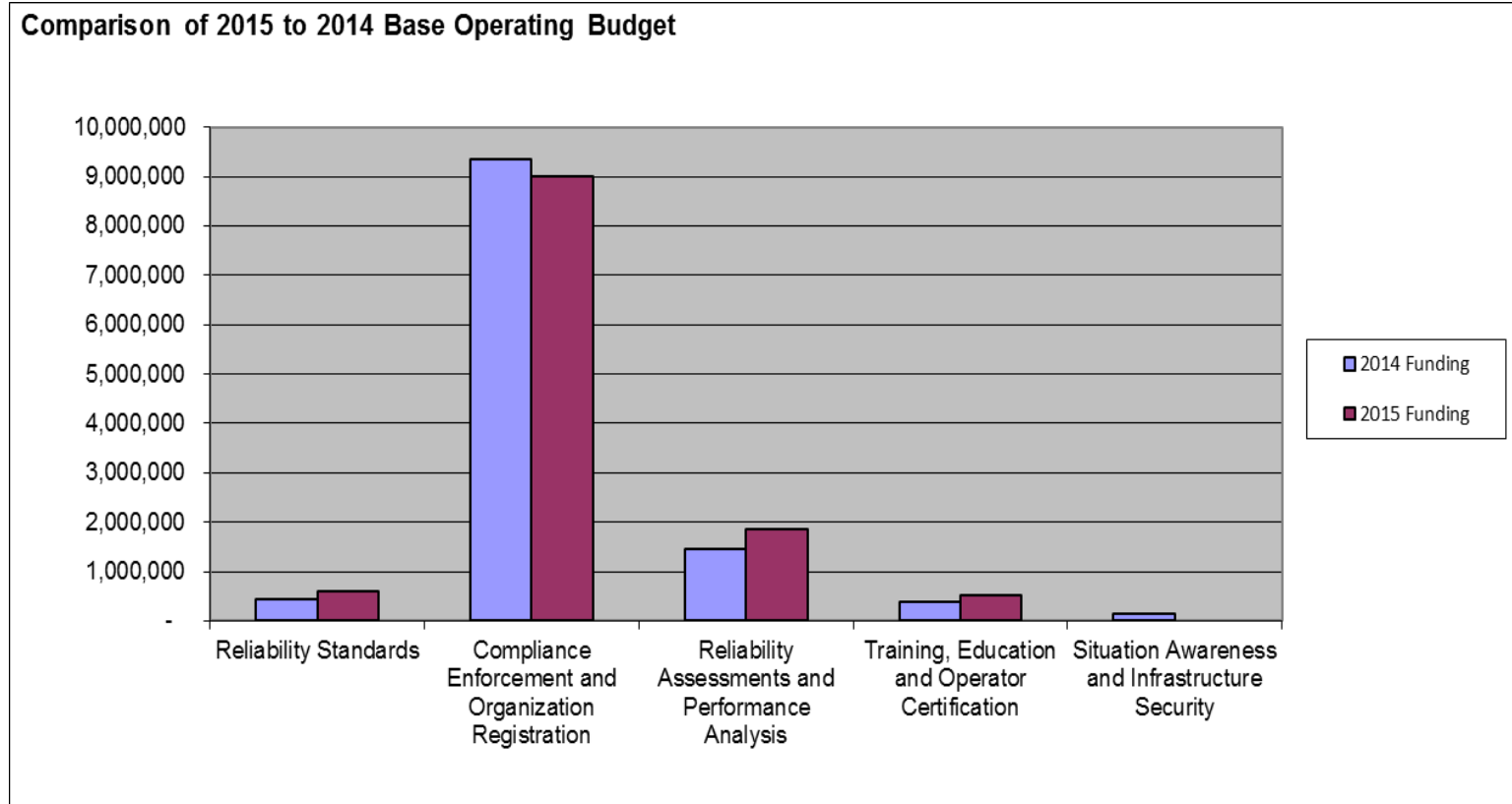
2015 Key Factors Texas RE

- Total Expense Budget for 2015 is 1.3% increase over the 2014 budget.
- Personnel expenses are increasing 5.7%. This increase assumes annual anticipated merit increases of 4% and personnel vacancy of 2%. The increase also reflects the reassignment of certain FTEs to higher-salary positions. Employee benefits also include training and professional development and a 12% Insurance increase (based on current information).
- Meeting expense has decreased 41.9% to bring the budget in line with prior year's actual cost.
- Travel expenses are increasing 13.5% primarily due to anticipated RAI implementation activities.
- Consultants and contract expenses are decreasing 41.9% due to work previously assumed to be completed by consultants being performed by in-house personnel.
- Rent & Improvements will decrease 16.4% due the security deposit being applied to the monthly rent payments in 2015.
- The Professional Services cost are remaining constant primarily due to contingency for the anticipated cost of outside legal counsel for one contested enforcement case, based upon actual experience.
- Depreciation has decreased 19% reflecting fully depreciated assets.
- Penalty money received between July 1, 2013 to June 30, 2014 will offset 2015 assessments.

Texas RE 2015 Budget Summary by Program



2014 – 2015 Texas RE Program Comparison



Texas RE 2014 – 2015 Budget Comparison

	2014	2015	Variance	% Variance	Explanation
Funding					
NERC Assessments	\$ 10,509,308	\$ 10,500,446	\$ (8,862)	-0.1%	
Penalty Sanctions	402,833	483,500	80,667	20.0%	Based on Penalties received April 30, 2014
Membership Dues & Interest	32,716	33,545	829	2.5%	
Total Funding	\$ 10,944,857	\$ 11,017,491	\$ 72,634	0.7%	
Expenses					
					Includes 4% annual merit increases, promotions, reassignment of FTEs to higher-salary positions,
Personnel Expenses	\$ 8,513,423	\$ 9,002,199	\$ 488,777	5.7%	12% increase for benefits
Meetings	98,713	57,366	(41,347)	-41.9%	In-line with actual costs from prior years
Travel	397,591	451,108	53,517	13.5%	Anticipated RAI implementaton activities
Consultants & Contracts	496,072	288,070	(208,002)	-41.9%	Work being performed by in-house personnel
Rent & Improvements	510,864	427,080	(83,784)	-16.4%	Security deposit applied to reduce rent payments
Office Costs	639,498	636,958	(2,540)	-0.4%	
Professional Services	1,073,088	1,077,240	4,152	0.4%	
Depreciation	263,213	212,740	(50,473)	-19.2%	Assets fully depreciated and not being replaced
Total Expenses	\$ 11,992,461	\$ 12,152,761	\$ 160,300	1.3%	
Change in Assets	\$ (1,047,604)	\$ (1,135,270)	\$ (87,667)	8.4%	
					Reflects fully depreciated assets & 4% increase for
Increase (Decrease) in Fixed Assets	(221,213)	(169,060)	52,153	-23.6%	additional assets or replacement assets
Total Budget	\$ 11,771,248	\$ 11,983,701	\$ 212,453	1.8%	
Change in Working Capital	\$ (826,391)	\$ (966,210)	\$ (139,820)	16.9%	

Texas RE 2014– 2015 FTE Comparison

Total FTEs by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs 2015 Budget	Total FTEs 2015 Budget	Change from 2014 Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.00	2.00	2.25	-	2.25	0.25
Compliance and Organization Registration and Certification	40.00	40.00	33.50	-	33.50	(6.50)
Training and Education	1.75	1.75	2.25	-	2.25	0.50
Reliability Assessment and Performance Analysis	4.75	4.75	6.50	-	6.50	1.75
Situation Awareness and Infrastructure Security	0.75	0.75	-	-	-	(0.75)
Total FTEs Operational Programs	49.25	49.25	44.50	-	44.50	(4.75)
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50	-	-	-	(0.50)
General & Administrative	1.75	1.75	-	2.00	2.00	0.25
Legal and Regulatory	3.00	3.00	-	4.50	4.50	1.50
Information Technology	2.50	2.50	-	4.00	4.00	1.50
Human Resources	1.00	1.00	-	1.00	1.00	-
Finance and Accounting	2.00	2.00	-	4.00	4.00	2.00
Total FTEs Administrative Programs	10.75	10.75	-	15.50	15.50	4.75
Total FTEs	60.00	60.00	44.50	15.50	60.00	-

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

Texas RE Resource Adequacy

- **Continuing evaluation of personnel among departments and programs to ensure consistency and to appropriately classify costs based on the FTE allocation.**
- **Reliability Assurance Initiative (RAI), Risk Based Registration Initiative (RBR) and outreach efforts related to the transition to CIP Version 5 are expected to be major activities in 2015. Exact resource demands are unknown, consideration will be given to reallocating existing staff or using available reserves to provide the resource support if Texas RE determines this to be necessary for successful implementation (or transition) of these major activities.**

Texas RE Process Improvements

- **Continue to reduce the enforcement violation caseload – increase productivity and reduce time to complete.**
- **Appropriately allocate internal resources to increase focus on risk-based reliability aspects of compliance efforts.**
- **Emphasize continued integration of internal and external feedback realized from increased communication efforts.**
- **Emphasize continued implementation of Reliability Assurance Initiative (RAI) and Risk Based Registration Initiative (RBR).**
- **Increase engagement in reliability assessments and associated data collection to assure consistency of results and provide outreach to stakeholders.**

Texas RE Alignment of RE and ERO

- **Texas RE's Strategic Plan has been structured around the ERO Strategic Plan.**
- **Texas RE corporate goals are mapped directly to ERO goals.**
- **Texas RE will continue to be engaged in NERC standard development activities with less emphasis placed on regional standards.**
- **Texas RE resources will continue providing ERO support to the Reliability Assurance Initiative (RAI), Risk Based Registration Initiative (RBR), and transition to CIP Version 5.**
- **Texas RE will participate in the EROEMG and ERO ITS development of the NERC ERO Enterprise IT applications.**

Texas RE Efficiency & Controlling Costs

- **Security Awareness Training Program which teaches users best security practices and will reduce IT time spent repairing computers, etc.**
- **Fully utilize in-house resources to offset external costs.**
- **Expense reimbursement policies regularly evaluated.**
- **Leverage technology to streamline all areas of our work flow and reduce manual work.**

Texas RE Working Capital

- 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.
- Texas RE will maintain an Operating Reserve of \$2,000,000.
- Monthly operating costs include all recurring, predictable expenses. Depreciation, in-kind, and other non-cash expenses are *not* included in the calculation.
- Excess monies greater than the operating reserve will be applied in the calculation to reduce assessments for the following budget year.
- *Not* a part of our Working Capital policy, but Texas RE maintains a \$500,000 Line of Credit with Chase Bank for emergency use only.

Contact information



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