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April 23, 2015

ReliabilityFirst Corporation
Members and Registered Entities

Re: Draft 2016 Business Plan and Budget

Dear Members and Registered Entities:

On April 21, 2015, the Board of Directors approved the ReliabilityFirst Corporation's 2016 Business Plan and Budget, Draft Version 1, for publication for 30 day industry comment and release to NERC.

Annually, the Regions are required to develop their Business Plan and Budget (BP&B) for the following year to provide adequate time for the Regional Boards, the NERC Board, and FERC to each approve the documents in succession. NERC and the Regions collaborated on a set of common assumptions in order to develop their individual BP&B with a common foundation. That set of assumptions is incorporated, by reference, into the ReliabilityFirst BP&B. Any unique assumptions that apply only to ReliabilityFirst are expressly noted in the BP&B. In developing the 2016 BP&B, management considered the common assumptions, conducted manpower analyses, considered efficiency gains attributable to new processes and maturing systems, and examined projected future workloads.

Highlights of the proposed 2016 BP&B (compared to the 2015 BP&B) are as follows:

- An overall increase in the budget of 3.25% or \$610,446
- An increase in total personnel expenses of 3.95% or \$598,904
- An increase in operating and fixed asset expenses of 0.3% or \$11,543
- An overall increase in assessments to Load Serving Entities of 3.49% or \$653,312
- Operating reserve of \$1,000,000, a \$250,000 increase from 2015

Please review the 2016 BP&B and provide any comments to me at jill.lewton@rfirst.org or 216-503-0607.

Very truly yours,

RELIABILITYFIRST CORPORATION

Jill Lewton

Jill Lewton
Controller



RELIABILITY FIRST

**RELIABILITYFIRST CORPORATION
2016 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS
APRIL 21, 2015 FOR STAKEHOLDER COMMENT**

VERSION 1

Table of Contents

Introduction	4
Organizational Overview	4
Membership and Governance	5
2016 Key Assumptions.....	6
2016 Key Deliverables	6
2016 Overview of Cost Impacts.....	7
Summary by Program Area.....	9
2016 Versus 2015 Cost Allocation by Program Summary of Expenses.....	9
FTEs by Program Area.....	10
2015 Budget and Projection and 2016 Budget Comparisons.....	11
Section A – Statutory Programs	12
Reliability Standards Program.....	13
Compliance Monitoring and Enforcement, and Organization Registration and Certification Program.....	16
Reliability Assurance	18
Compliance Monitoring.....	21
Enforcement	27
Reliability Assessment and Performance Analysis Program.....	31
Training, Education, and Operator Certification Program.....	35
Situation Awareness and Infrastructure Security Program.....	38
Administrative Services	42
General and Administrative	44
Legal and Regulatory Affairs	45
Information Technology	47
Human Resources.....	50
Finance and Accounting	51
Section B – Supplemental Financial Information.....	53
Table B-1: Working Capital and Operating Reserve Analysis	54
Table B-2: Penalty Sanctions Received	55
Table B-3: Supplemental Funding.....	56
Table B-4: Personnel Expenses	57
Table B-5: Meeting Expenses	58
Table B-6: Consultants and Contracts	59

Table B-7: Office Rent	59
Table B-8: Office Costs	60
Table B-9: Professional Services	61
Table B-10: Miscellaneous	61
Table B-11: Non-Operating Expenses	61
Table B-12: Fixed Assets	62
Table B-13: 2017 and 2018 Projections	63
Section C – Non-Statutory Activities	66
Section D – Additional Consolidated Financial Statements	67
2016 Consolidated Statement of Activities by Program	68
Statement of Financial Position	69
Appendix A – Organization Chart	70

Introduction

The following table summarizes ReliabilityFirst Corporation (ReliabilityFirst) budget for 2016.

	2016 Budget (in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	72.2			
Non-statutory FTEs	-			
Total FTEs	72.2			
Statutory Expenses	\$ 19,546,377			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 19,546,377			
Statutory Inc(Dec) in Fixed Assets	\$ (179,168)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (179,168)			
Statutory Working Capital Requirement	\$ 717,500			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ 717,500			
Total Statutory Funding Requirement	\$ 20,084,709			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 20,084,709			
Statutory Funding Assessments	\$ 19,367,209	\$ 19,367,209		
Non-Statutory Fees	\$ -	\$ -		
NEL (MWH)				
NEL%	100%	100%		

Organizational Overview

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

- Active participation in the development of North American Reliability Standards for the BES, and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the BES.
- Promoting effective training and education of personnel.

- Promoting situational awareness and the protection of critical infrastructure.

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

Membership and Governance

Members

- ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. There is no annual fee for ongoing membership in ReliabilityFirst; however, members are required to pay a nominal one-time fee to cover the costs of processing the membership application, which can be waived by the President for proper cause. There are six (6) Industry Sectors: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs, and Large LSEs.
- There are three (3) Classes of Members: Regular Members, Associate Members, and Adjunct Members.
 - A Regular Member is any entity that has joined an Industry Sector that either (i) has no Affiliates or Related Parties that are Members or (ii) is the entity designated to be the Regular Member by any related group of Associate Members.
 - An Associate Member is any entity that has joined an Industry Sector and is an Affiliate or Related Party of a Regular Member.
 - An Adjunct Member is any entity that does not qualify to join an Industry Sector but has been approved for membership. Adjunct Members may include Regulatory Participants.

There are currently 68 Members of ReliabilityFirst; 43 are Regular Members with voting rights, 17 are Associate Members, and 8 are Adjunct Members. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the BES. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong and cost effective approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

Board of Directors

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

- Eight (8) directors are elected by the Industry Sectors as follows:
 - Suppliers elect two (2) directors;
 - Transmission Companies elect two (2) directors;
 - RTOs elect one (1) director;

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

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's 2016 Business Plan and Budget.

2016 Key Deliverables

- Promote a culture of compliance that addresses reliability risks across the ReliabilityFirst Region and the ERO.
 - Ensure that the industry understands the essential purpose of Reliability Standards and compliance expectations.
 - Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
 - Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.
- Identify the most significant risks to reliability in the ReliabilityFirst Region.
 - Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
 - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform Reliability Standards, compliance, and other programs.
 - Ensure that the industry is well-informed of emerging trends, risk analysis, lessons learned, and expected actions.
- Mitigate reliability risks.
 - Ensure that the industry understands security threats and addresses them effectively.
 - Facilitate information sharing among the industry, Regions, ERO, and government.
 - Work with the ERO to track industry accountability for critical reliability and security recommendations.

- Promote a culture of reliability excellence.
 - Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among entities.
- Serve as a leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - Register entities commensurate to the risk to the BES and ensure all key reliability entities are certified to have essential capabilities.
 - Enforce compliance of Registered Entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent compliance reviews.
 - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
- Improve transparency, consistency, quality and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - Identify, understand, and manage internal risks.
 - Ensure processes are effective, efficient, and continually improving.

2016 Overview of Cost Impacts

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2016. Overall, the ReliabilityFirst 2016 budget of \$19,367,209 increased 3.25% over the 2015 budget of \$18,756,763. The 2016 assessment of \$19,367,209 represents a 3.49% increase over the 2015 assessment of \$18,713,897.

Personnel costs increased by \$598,904, an increase of 3.95% over the 2015 budget. Incorporated into the personnel costs is a 3% general wage increase and a 6.42% medical premium increase. For 2016, ReliabilityFirst did not include a personnel vacancy rate because the unused personnel dollars resulting from vacancies are to be used to fund the company's graduate program that the board of directors approved and recruitment activities to attract necessary employee candidates.

The operating and fixed asset costs of \$3,593,073 increased by 0.3% over the 2015 budget \$3,581,530.

The 2016 assessment represents the actual monies to be collected to fund the total operating expenses of the organization for the calendar year. In order to stabilize year-upon-year assessments, the 2016 assessment and budget amounts are equal, in accordance with Board direction. ReliabilityFirst has experienced a decrease in revenue collected from monetary penalties due to improved performance by the industry and a shift in the enforcement philosophy to focus on incenting continuous improvement within our registered entities and reserving monetary penalties to deter, and send clear signals of what constitutes, undesirable entity

behavior. All Regional Entities continue to take appropriate steps to align budget changes with assessment changes in a pragmatic manner.

The ReliabilityFirst board has approved a \$250,000 increase in the operating reserve for 2016 to restore reserves to the historical amount of \$1,000,000. This level of operating reserve is consistent with ReliabilityFirst policy and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization. The working capital reserve funded by penalty sanctions and projected working capital remaining at the end of the current 2015 fiscal year will be utilized in future years to stabilize assessments.

Several years ago, NERC and the eight Regional Entities formed an executive management group (known as the ERO EMG) which, among other things, concentrates on developing enterprise-wide applications, thus improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office at NERC. There is no expected regional IT expenditure for centralized applications in the individual regional business plans and budgets for 2016. ReliabilityFirst will periodically incur expenses in its budget to address region-specific applications that may be necessary and not included within an ERO enterprise wide application.

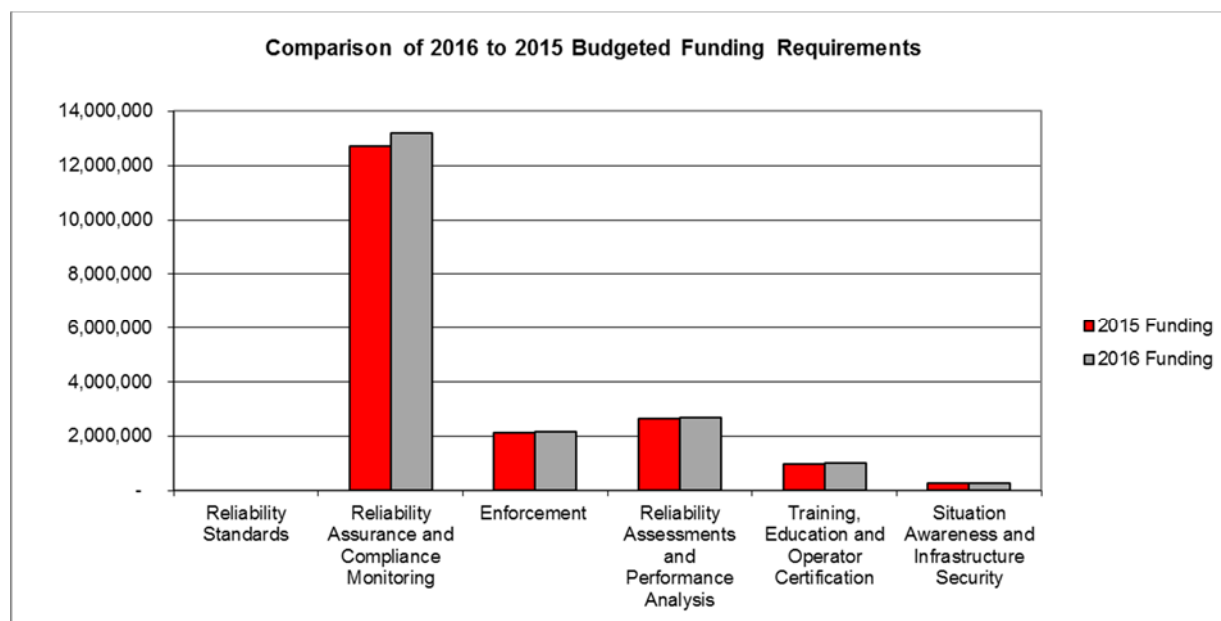
In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the common assumptions referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2016 yielded a requirement of 75.5 Full Time Equivalents (FTEs) in order to fully address the expected workload. Although the manpower analysis indicates a need for 75.5 FTEs, the staffing level incorporated into the 2016 budget includes staffing for 72.2 FTEs, which holds staffing levels stable compared to 2014 and 2015. ReliabilityFirst believes this staffing level is justified due to enhancements being made in many process areas and the maturation of the organization (and the resulting expected efficiency improvements).

Summary by Program Area

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

Program	Budget 2015	Projection 2015	Budget 2016	Variance	
				2015 Budget v 2016 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability Assurance and Compliance Monitoring	12,726,123	12,726,123	13,198,505	472,382	3.7%
Enforcement	2,146,525	2,146,525	2,182,560	36,035	1.7%
Reliability Assessments and Performance Analysis	2,658,506	2,658,506	2,697,660	39,154	1.5%
Training, Education and Operator Certification	959,098	959,098	1,006,098	47,000	4.9%
Situation Awareness and Infrastructure Security	266,512	266,512	282,387	15,875	6.0%

2016 Versus 2015 Cost Allocation by Program Summary of Expenses



FTEs by Program Area

Total FTEs by Program Area	Budget 2015	Projection 2015	Total FTEs 2016 Budget	Change from 2015 Budget
STATUTORY				
Operational Programs				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability Assurance and Compliance Monitoring	37.50	37.50	37.50	0.00
Enforcement	8.25	8.25	8.25	0.00
Reliability Assessment and Performance Analysis	8.35	8.35	8.35	0.00
Training and Education	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	0.50	0.50	0.50	0.00
Total FTEs Operational Programs	57.60	57.60	57.60	0.00
Administrative Programs				
General & Administrative	3.00	3.00	3.00	0.00
Legal and Regulatory Affairs	2.00	2.00	2.00	0.00
Information Technology	5.00	5.00	5.00	0.00
Human Resources	3.00	3.00	3.00	0.00
Finance and Accounting	1.60	1.60	1.60	0.00
Total FTEs Administrative Programs	14.60	14.60	14.60	0.00
Total FTEs	72.20	72.20	72.20	0.00

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

2015 Budget and Projection and 2016 Budget Comparisons

The following table lists the 2015 budget and projection compared to the 2016 budget.

2015 Budget and Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 18,713,897	\$ 18,713,897	\$ -	\$ 19,367,209	\$ 653,312
Penalty Sanctions	570,001	570,001	-	717,500	147,499
Total ReliabilityFirst Funding	\$ 19,283,898	\$ 19,283,898	\$ -	\$ 20,084,709	\$ 800,811
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	100,000	100,000	-	-	(100,000)
Total Funding	\$ 19,383,898	\$ 19,383,898	\$ -	\$ 20,084,709	\$ 700,811
Expenses					
Personnel Expenses					
Salaries	\$ 11,085,279	\$ 11,085,279	\$ -	\$ 11,427,306	\$ 342,027
Payroll Taxes	646,939	646,939	-	699,888	52,949
Benefits	1,666,553	1,666,553	-	1,786,698	120,145
Retirement Costs	1,776,461	1,776,461	-	1,860,244	83,783
Total Personnel Expenses	\$ 15,175,232	\$ 15,175,232	\$ -	\$ 15,774,136	\$ 598,904
Meeting Expenses					
Meetings	\$ 177,350	\$ 177,350	\$ -	\$ 222,750	\$ 45,400
Travel	781,779	781,779	-	836,800	55,021
Conference Calls	40,800	40,800	-	42,000	1,200
Total Meeting Expenses	\$ 999,929	\$ 999,929	\$ -	\$ 1,101,550	\$ 101,621
Operating Expenses					
Consultants & Contracts	\$ 620,734	\$ 620,734	\$ -	\$ 540,110	\$ (80,624)
Office Rent	548,330	548,330	-	534,619	(13,711)
Office Costs	746,477	746,477	-	717,182	(29,295)
Professional Services	455,571	455,571	-	488,989	33,418
Miscellaneous	30,491	30,491	-	34,640	4,149
Depreciation	421,106	421,106	-	352,668	(68,438)
Total Operating Expenses	\$ 2,822,709	\$ 2,822,709	\$ -	\$ 2,668,208	\$ (154,501)
Total Direct Expenses	\$ 18,997,870	\$ 18,997,870	\$ -	\$ 19,543,894	\$ 546,024
Indirect Expenses	\$ (1)	\$ -	\$ 1	\$ -	\$ 1
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 2,483	\$ 2,483
Total Expenses	\$ 18,997,869	\$ 18,997,870	\$ 1	\$ 19,546,377	\$ 548,508
Change in Assets	\$ 386,029	\$ 386,028	\$ (1)	\$ 538,332	\$ 152,303
Fixed Assets					
Depreciation	(421,106)	(421,106)	-	(352,668)	68,438
Computer & Software CapEx	140,000	140,000	-	133,500	(6,500)
Furniture & Fixtures CapEx	40,000	40,000	-	40,000	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (241,106)	\$ (241,106)	\$ -	\$ (179,168)	\$ 61,938
Allocation of Fixed Assets	\$ 1	\$ -	\$ (1)	\$ -	\$ (1)
Inc/(Dec) in Fixed Assets	\$ (241,105)	\$ (241,106)	\$ (1)	\$ (179,168)	\$ 61,937
Total Budget	\$ 18,756,764	\$ 18,756,764	\$ (0)	\$ 19,367,209	\$ 610,445
Change in Working Capital	\$ 627,134	\$ 627,134	\$ 0	\$ 717,500	\$ 90,366

Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

In support of the ERO, ReliabilityFirst may develop Regional Reliability Standards as deemed necessary. Regional Reliability Standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional difference where a NERC Reliability Standard does not, or a regional difference necessitated by a physical difference in the BES.

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

2016 Key Assumptions

The Reliability Standards Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document.

During the 2015 Budget process and continuing in 2016, ReliabilityFirst reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program as a result of decreased activity in the Standards Program and the need to deploy resources to advance the Reliability Assurance Program. In the unanticipated instance that ReliabilityFirst needs to develop a Regional Reliability Standard or regional criteria in 2016, ReliabilityFirst will temporarily redeploy the necessary resources from the existing Reliability Assurance and Compliance Monitoring groups, and Reliability Assessment and Performance Analysis Program resources.

2016 Key Deliverables

- Submit to NERC, and subsequently file with FERC any new regional standards that:
 - May be needed to support revised NERC Reliability Standards.
 - May address reliability gaps not currently covered by NERC Reliability Standards.

- Submit to ReliabilityFirst Board any new regional criteria that:
 - Addresses issues not within the scope of NERC Reliability Standards.
 - Promotes more consistent implementation of a NERC Reliability Standard within the Region.
- Initiate and coordinate revisions to regional standards or regional criteria in any stage of development to align with NERC and FERC requirements.
 - Support for enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards using the Enhanced Periodic Review template.
 - Support for ERO activities necessary to incorporate regional standards into continent-wide standards as appropriate as the continent-wide Reliability Standards are reviewed through the Enhanced Periodic Review process.
 - Retire regional standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.
- Review and provide feedback on potential Regional concerns associated with NERC Reliability Standards and RSAWs under development.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year. As explained in the 2016 Key Assumptions, in the unanticipated instance that ReliabilityFirst needs to develop a Regional Reliability Standard or regional criteria, ReliabilityFirst will temporarily allocate the necessary resources from the Reliability Assurance and Compliance Monitoring groups, and Reliability Assessment and Performance Analysis Program.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Reliability Standards Program Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards Program section of the 2016 Business Plan and Budget.

2015 Budget and Projection, and 2016 Budget					
Reliability Standards					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	-	-	-	-	-
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Compliance Monitoring and Enforcement, and Organization Registration and Certification Program

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	45.75	45.75	0.00
Direct Expenses	\$ 10,677,953	\$ 11,009,462	\$ 331,509
Indirect Expenses	\$ 4,391,664	\$ 4,517,711	\$ 126,047
Inc(Dec) in Fixed Assets	\$ (196,969)	\$ (146,108)	\$ 50,861
Total Funding Requirement	\$ 14,872,648	\$ 15,381,065	\$ 508,417

Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Program is structured to achieve maximum effectiveness, consistency, and provide the requisite due diligence in compliance monitoring, investigations and assessments, data and status reporting, enforcement actions, and settlement and hearing activities with regard to compliance with the Reliability Standards, in the furtherance of ReliabilityFirst's mission to assure reliability.

In preparation to execute the programs necessary to implement the risk-based compliance monitoring approach recently approved by FERC,¹ ReliabilityFirst reorganized its departments in April 2014 to align with the four-step process for risk-based compliance monitoring (risk/threat identification; the Inherent Risk Assessment; the Internal Controls Evaluation; and the informed use of compliance monitoring and enforcement tools based on the foregoing steps).

ReliabilityFirst staff has now delineated the responsibility to execute the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program among three groups: Reliability Assurance, Compliance Monitoring, and Enforcement.

The Reliability Assurance group performs various activities to assess risk and scope compliance monitoring and enforcement activities in accordance with risk. These activities, discussed in further detail in the Reliability Assurance section, include: (1) conducting Inherent Risk Assessments to determine the scope and frequency of compliance monitoring activities; (2) conducting Internal Controls Evaluations to drive continuous improvement and to further refine the scope and frequency of compliance monitoring, based upon the maturity of the Registered Entity's internal controls; (3) developing lessons learned and identifying key trends from all aspects of the compliance monitoring processes and Registered Entity corrective action activities; (4) performing registration and certification activities; and (5) conducting risk assessments and

¹ *Order on Electric Reliability Organization Reliability Assurance Initiative and Requiring Compliance Filing*, 150 FERC ¶ 61,108 (2015).

supporting mitigation plan activities associated with noncompliances (e.g., reviewing proposed mitigation plans and accepting those that contain effective corrective and preventative actions and verifying mitigation plan completion to ensure the Registered Entity has returned to compliance).

The Compliance Monitoring group monitors compliance to Reliability Standards across 343 registered owners, operators, and users of the BES through a variety of risk-based activities. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, investigations, and the assessment of complaints.

The Enforcement group is responsible for performing ReliabilityFirst's delegated function to enforce, where necessary, compliance with the NERC Reliability Standards. These efforts, discussed in further detail in the Enforcement section, involve ensuring that the selected disposition method for any noncompliance (whether settlement agreement or compliance exception) is appropriately supported by the record in light of the risk posed by the noncompliance and promotes the desired Registered Entity behavior.

Major activities for the Reliability Assurance, Compliance Monitoring, and Enforcement groups during 2016 and through 2018 include the advancement of the Reliability Assurance program and Risk-Based Registration, and the transition to the CIP Version 5 Standards (CIPv5). These are all joint ERO Enterprise level initiatives that will benefit NERC, the Regional Entities, and the Registered Entities. ReliabilityFirst will continue to assess resource conditions and will redeploy existing staff, utilize contract resources, or provide a manpower evaluation for additional staffing to provide the resource support which is determined to be necessary to support the implementation of these major activities.

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

Reliability Assurance and Compliance Monitoring (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	37.50	37.50	0.00
Direct Expenses	\$ 9,292,640	\$ 9,619,254	\$ 326,614
Indirect Expenses	\$ 3,599,725	\$ 3,703,042	\$ 103,317
Inc(Dec) in Fixed Assets	\$ (166,242)	\$ (123,790)	\$ 42,452
Total Funding Requirement	\$ 12,726,123	\$ 13,198,505	\$ 472,382

Reliability Assurance

Program Scope and Functional Description

The activities performed by the Reliability Assurance group include: Inherent Risk Assessments, Internal Controls Evaluations, assist visits, organization registration, organization certification, mitigation plan acceptance, approval, and verification, assessment of self-certifications and periodic data submittals, review and analysis of events for risk trending, analysis and reporting of system disturbances and events, risk-harm analysis and analytics (e.g., in support of the use of enforcement discretion for lesser-risk issues), the creation of compliance monitoring plans and schedules to align with potential risk, the provision of industry training, BES Definition implementation, and serving as a technical resource for the Corporation.

2016 Key Assumptions

The Reliability Assurance group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. Inherent Risk Assessment and Internal Controls Evaluation activities are expected to increase with the implementation of the Reliability Assurance Program.
2. With the implementation of the revised BES definition, there have been additional resource demands in the registration area to process BES Exception Requests, Self-Determined Notifications and answer entity questions related to the revised BES Definition. The BES Definition and Exception Process was mostly implemented in 2015 but it is anticipated that there will continue to be new submittals in 2016.
3. Entities have expressed a desire to consolidate and where applicable, increase the number of Joint Registration Organizations and Coordinated Functional Registrations. Requests are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance management by registering as a corporate entity. This increase will have a direct impact on the workload associated with registration and certification.

4. The Multi-Regional Registered Entity (MRRE) process is now in the first phases of implementation. To date, ReliabilityFirst has been designated Lead Region for six MRRE entities, and as affected region for seven MRRE entities. It is anticipated, taking into account RF's location and impact on the eastern interconnection, that RF will be designated as the Lead Region for additional MRREs. Additionally, requests to use the MRRE process are expected to increase as entities seek to achieve efficiency and effectiveness in compliance. The aforementioned factors may have an impact on the workload associated with coordinating compliance monitoring and enforcement processes under the MRRE process.
5. Revisions to the registration process will take place in 2016 in accordance with FERC's recent issuance of its Order approving NERC's Risk-Based Registration Initiative. A resulting increase in workload is expected in 2016 to implement the changes associated with the Risk Based Registration Initiative and to assure that no reliability gaps are created.
6. Assist Visits and Internal Controls Evaluations will continue to take place to collaboratively assist an entity's drive for continuous improvement and reliability excellence, its capability in key management practice areas, and to assure reliability performance. An increase in Assist Visit requests is anticipated due to the transition to the CIP V5 Reliability Standards.
7. There will be an effort to ensure that a specific risk targeted by a particular Reliability Standard is being adequately addressed (i.e., whether the Reliability Standard as written, monitored and enforced for compliance, is effectively mitigating the identified risk.)
8. Work with NERC will continue on the development of educational materials for Registered Entities regarding the Reliability Assurance Program, Risk-Based Registration, and new and revised Reliability Standards.

2016 Key Deliverables

- Develop material for Registered Entities regarding expectations for new and existing Reliability Standards.
- Process all registration requests and implement the recently-approved Risk-Based Registration Initiative.
- Process and assess self-certifications and periodic data submittals.
- Provide technical subject matter expertise and support for compliance monitoring activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Collect and validate data, review, and analyze system events and disturbances as described in the NERC ERO Event Analysis Process and cooperate with NERC and FERC staff and other Regional Entity staff to assure root cause, corrective actions, and lessons learned are identified.

- For system events and disturbances, review and make a timely decision whether a compliance monitoring action needs to be undertaken (considering the significance of the event and its risk to the BES).
- Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Support and participate in the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement (CMEP) Program, with a focus on ongoing assessment of ReliabilityFirst Regional Risk Elements, and maturation of the Inherent Risk Assessment and Internal Controls Evaluation processes.
- Perform Inherent Risk Assessments of registered entities in alignment with the ERO Inherent Risk Assessment guide to define the scope, recommended tool (audit, spot check, self-certification, etc.), and frequency of the compliance monitoring activity for a given registered entity.
- Conduct risk harm assessments of all possible non-compliances to assess the potential risk posed by each noncompliance and to inform the proper enforcement action(s).
- Perform mitigation plan activities associated with noncompliances in an effort to return entities to compliance and prevent reoccurrence by:
 - Reviewing proposed mitigation plans and accepting those that contain effective corrective and preventative actions.
 - Communicating with Enforcement and the Registered Entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the violation.
 - Verifying mitigation plan completion through the evaluation of evidence provided by the Registered Entity to demonstrate that agreed to actions have been implemented according to established milestones.
- Perform reviews of self-logged noncompliances, submitted quarterly by registered entities afforded logging privileges, to assess the non-compliances and associated mitigating activities.
- Continue to increase efficiency through process improvement, such as efficiency in the completion of risk-harm analysis, mitigation acceptance and verification reviews, and self-logging reviews.
- Support the development, training, and outreach for Registered Entities to successfully transition to CIP v5 standards.
- Perform assist visits, support two regional compliance workshops, and monthly “open” compliance calls.
- Support the NERC Sufficiency Review Program/CIP-OS Outreach Sessions, as requested. The expectation is that NERC will conduct 1 to 2 sufficiency reviews of entities registered in the ReliabilityFirst region.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

In the event the work load exceeds available resources, contractors may be used to temporarily supplement staff. There is a possible need for additional resources to address an increase in the demand for Internal Controls Evaluations from Registered Entities as the program becomes more fully realized.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to assist in Mitigation Plan review activities where needed.

Compliance Monitoring

Program Scope and Functional Description

The Compliance Monitoring group is responsible for the completion of the Operations/Planning and Critical Infrastructure Protection (CIP) audits, complaints, investigations, spot checks, and management of TFEs, which address the NERC Reliability Standards. The Compliance Monitoring group also reviews and finalizes compliance monitoring plans and serves as a subject matter expert and technical resource for the Corporation.

2016 Key Assumptions

The Compliance Monitoring group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. Continue to monitor compliance to the NERC Reliability Standards for applicable Registered Entities through compliance audits and/or spot checks, ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
2. Audits will continue under the on-going schedule to complete the BA, TOP, and RC audits on a three year cycle. All Registered Entities that are registered for other functions will have an Inherent Risk Assessment completed to determine if their engagement will continue or be delayed. Audit schedules will be determined through an assessment of a Registered Entity's risk profile (the Inherent Risk Assessment and an optional Internal Controls Evaluation) and will no longer be subject to predefined actively monitored lists. This change is not expected to result in a reduction in resource needs during the 2016 through 2018 timeframe.
3. The use of spot checks and self-certifications, when determined to be the most effective and efficient means to assure significant reliability risks do not exist, is expected to increase as risk-based monitoring is implemented, and should have a minor effect on overall resource requirements.

4. ReliabilityFirst will continue to implement the guidance and process steps contained in the Audit Handbook and Checklist and other ERO Enterprise tools. ReliabilityFirst will support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide. The Compliance Auditor Capabilities and Competency Guide is being used to assess ReliabilityFirst's existing resources and potentially adjust skill sets to meet these requirements.
5. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. Through NERC training and other available training courses, ReliabilityFirst will provide the necessary training to continue to provide a skilled, competent, and respected audit staff.
6. ReliabilityFirst will continue to seek and employ initiatives to increase efficiencies and production. Staff will continue to work with NERC to develop a global audit management tool which will be utilized by all the Regions. This will improve the efficiency of monitoring processes and NERC oversight for all the Regions.
7. The Final FERC Rule in Order 791 approving CIP Version 5 (CIP V5) Reliability Standards established the following:
 - a. Effective date for Compliance with all non-periodic requirements as of **April 1, 2016** for High and Medium Impact BES Cyber Systems, and **April 1, 2017** for Low Impact BES Cyber Systems
 - b. Compliance with initial performance of periodic requirements using an Effective Date of **April 1, 2016**

A resource impact is anticipated during the ensuing transition period from CIP Version 3 (CIP V3) Reliability Standards to CIP V5. Associated with the transition period is the additional workload of providing extensive outreach and training to Registered Entities on the effective implementation of CIP V5. The actual impact is materializing in 2015 and is expected to continue throughout 2016. Existing CIP staff will continue to manage and monitor the impact, which will guide the development of any future resource recommendations.

8. The time required to complete the onsite CIP audit reviews for CIP V5 includes site and field visits based on the scope of the audit and whether initial evidence is sufficient to substantiate that an entity is compliant. This may add workload to the CIP Monitoring Program.
9. For Registered Entities subject to compliance to CIP V3 that have historically declared no Critical Cyber Assets, the audit scope will continue to focus on CIP-002 and CIP-003 R2. During the transition period these audits will be conducted offsite or through self-certifications, spot checks, or data submittals.

10. For Registered Entities who have completed their transition to CIP V5 and declare only Low Impact BES Cyber Systems, Compliance Monitoring will conduct offsite audits.
11. After FERC approval of CIP V5, the ERO continues to evaluate:
 - a. Whether the changes being proposed in CIP V5 will materially change the amount of time Regional Entities will need to spend on audit/monitoring activities for entities with and without Critical Assets and Critical Cyber Assets, including whether field visits will be required; and
 - b. Whether material changes or additions are going to be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.

Results of this evaluation may impact the audit scope, regional resource requirements, and expectations that will need to be factored into future resource recommendations for the budget.
12. The NERC Rules of Procedure Appendix 4D will require revisions due to a change in the applicable TFE requirements. This will require webCDMS tool updates and internal process modifications. The immediate impact of these required changes is unknown. ReliabilityFirst will continue to support the TFE program with existing CIP staff and will monitor the impact, which will guide the development of any future resource recommendations.
13. Any approved and/or terminated TFEs will continue to be audited as part of a scheduled CIP audit according to Appendix 4D. This rule is applicable to entities that have identified Critical Cyber Assets under CIP V3 and have such TFEs. During the transition to CIP V5, the applicable TFE requirements will continue to be audited as they were under CIP V3. The effort required to review these TFEs continues to be monitored and may extend the audit review schedule or result in a separate unscheduled audit review, resulting in additional time and/or resources required to complete the audit of such TFEs.
14. CIP Staff will support the ERO and Regional outreach and training efforts including the NERC Security Reliability Program, CIP V5 Small Group Advisory Sessions, ReliabilityFirst CIP V5 Workshops, ReliabilityFirst CIP V5 Focus Group Sessions, and CIP-related Assist Visits.

2016 Key Deliverables

- Manage all compliance activities in a risk-based, unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
- Conduct thorough and formal compliance audits consistently with all regions through the incorporation of the Auditor Handbook and Checklist. Audit teams will consist of staff supplemented, when necessary, by independent contractors.

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- Prepare and distribute compliance monitoring process reports to NERC and Registered Entities.
 - Ensure all auditors receive training and meet all NERC auditor training requirements.
 - Provide efficiencies in audit and spot check processes through continued auditor training and process improvements.
 - Support two reliability workshops, monthly "open" compliance calls, CIP V5 Outreach Workshops and training sessions, assist visits (as needed), and provide Registered Entity assistance as required.
 - CIP audits will be performed as separate audits from the Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP audits targeted for 2016 is defined below and will be based on the number of entities that identify Critical Assets in accordance with the latest Cyber Security Standards Transition Guidance published by NERC. It is expected that the number of CIP audits will be greater than or at least the same as in 2015 due to the transition to CIP V5, resulting in approximately:
 - 9 CIP audits of entities on the three year cycle (onsite).
 - During the CIP V3 to V5 transition period entities can be audited to either the CIP V3 or CIP V5s, or both. These entities typically have Critical Assets and Critical Cyber Assets under CIP V3 or High and/or Medium BES Cyber Systems under CIP V5 due to being registered for multiple functions such as a Balancing Authority, Transmission Operator, and Reliability Coordinator.
 - 15 CIP audits of entities historically on the six year cycle (offsite).
 - During the CIP V3 to V5 transition period these entities can be audited to either CIP V3 or CIP V5, or both. These entities may or may not have Critical Assets but have identified no Critical Cyber Assets under CIP V3 and will have only Low Impact BES Cyber Systems under CIP V5.
 - Spot Checks will be used to assess performance to selected Reliability Standards as outlined in the annual CMEP Implementation Plan and/or as defined by ReliabilityFirst's regional risk assessment, Inherent Risk Assessments, and results from compliance monitoring activities that identify emerging risks. This monitoring process may also be used to confirm self-certifications, self-reports, the status of mitigation plans or agreed-to activities associated with settlement agreements.
 - Manage TFE processing in accordance with the revised NERC Rules of Procedure Appendix 4D.
 - Compliance audits of CIP Standards will continue to include the review of Approved and Terminated TFEs. The plan is to continue incorporating the review of these TFEs into the existing audit review schedule for 2016 and beyond.

- Participate in the 2016 NERC Security Reliability Program CIP-OS Outreach sessions. The expectation is that NERC will conduct two to three security reviews of entities registered in the ReliabilityFirst region in 2016.
- Support NERC in developing and supporting training and outreach for Registered Entities to successfully transition to CIP Version 5 standards.
- Complete Compliance Assessment Reviews according to the ReliabilityFirst designed and approved Compliance Assessment process, to determine if there is a need for the initiation of a compliance monitoring process. It is anticipated that the reviews will include a request for the Registered Entities' Compliance Self-Assessment and at least one request for information to acquire any needed clarification in order to make a determination if a formal monitoring process is initiated.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff. The workload in the CIP monitoring area will be continually evaluated to ensure the availability of necessary resources.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2016 to temporarily supplement staff in the event workload exceeds available resources.

Reliability Assurance and Compliance Monitoring Budget Detail

The following table shows funding sources and related expenses for the Reliability Assurance and Compliance Monitoring section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Reliability Assurance and Compliance Monitoring					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 12,289,925	\$ 12,289,925	\$ -	\$ 12,731,382	\$ 441,457
Penalty Sanctions	371,094	371,094	-	467,122	96,028
Total ReliabilityFirst Funding	\$ 12,661,019	\$ 12,661,019	\$ -	\$ 13,198,505	\$ 537,486
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	65,104	65,104	-	-	(65,104)
Total Funding	12,726,123	12,726,123	-	13,198,505	472,382
Expenses					
Personnel Expenses					
Salaries	\$ 5,931,175	\$ 5,931,175	\$ -	\$ 6,157,443	\$ 226,268
Payroll Taxes	350,077	350,077	-	383,693	33,616
Benefits	837,400	837,400	-	924,660	87,260
Retirement Costs	928,260	928,260	-	963,975	35,715
Total Personnel Expenses	\$ 8,046,912	\$ 8,046,912	\$ -	\$ 8,429,771	\$ 382,859
Meeting Expenses					
Meetings	\$ 9,400	\$ 9,400	\$ -	\$ 21,850	\$ 12,450
Travel	522,379	522,379	-	564,000	41,621
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 531,779	\$ 531,779	\$ -	\$ 585,850	\$ 54,071
Operating Expenses					
Consultants & Contracts	\$ 375,000	\$ 375,000	\$ -	\$ 243,600	\$ (131,400)
Office Rent	-	-	-	-	-
Office Costs	310,613	310,613	-	336,287	25,674
Professional Services	-	-	-	-	-
Miscellaneous	1,765	1,765	-	1,400	(365)
Depreciation	26,571	26,571	-	22,345	(4,226)
Total Operating Expenses	\$ 713,949	\$ 713,949	\$ -	\$ 603,632	\$ (110,317)
Total Direct Expenses	\$ 9,292,640	\$ 9,292,640	\$ -	\$ 9,619,254	\$ 326,614
Indirect Expenses	\$ 3,599,725	\$ 3,599,725	\$ 0	\$ 3,703,042	\$ 103,317
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 12,892,365	\$ 12,892,365	\$ 0	\$ 13,322,295	\$ 429,930
Change in Assets	\$ (166,242)	\$ (166,242)	\$ (0)	\$ (123,790)	\$ 42,452
Fixed Assets					
Depreciation	(26,571)	(26,571)	-	(22,345)	4,226
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ (26,571)	\$ (26,571)	\$ -	\$ (22,345)	\$ 4,226
Allocation of Fixed Assets	\$ (139,671)	\$ (139,671)	\$ (0)	\$ (101,445)	\$ 38,226
Inc/(Dec) in Fixed Assets	\$ (166,242)	\$ (166,242)	\$ (0)	\$ (123,790)	\$ 42,452
Total Budget	\$ 12,726,123	\$ 12,726,123	\$ 0	\$ 13,198,505	\$ 472,382
Total Change in Working Capital	\$ -	\$ (0)	\$ (0)	\$ -	\$ (0)

Enforcement

	Enforcement (in whole dollars)		
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	8.25	8.25	0.00
Direct Expenses	\$ 1,385,313	\$ 1,390,209	\$ 4,896
Indirect Expenses	\$ 791,939	\$ 814,669	\$ 22,730
Inc(Dec) in Fixed Assets	\$ (30,727)	\$ (22,318)	\$ 8,409
Total Funding Requirement	\$ 2,146,525	\$ 2,182,560	\$ 36,035

Program Scope and Functional Description

The Enforcement group is responsible for performing ReliabilityFirst's delegated function to enforce, where necessary, compliance with the NERC Reliability Standards.

This effort involves ensuring that the selected disposition method for any noncompliance (whether settlement agreement or compliance exception) is appropriately supported by the record in light of the risk posed by the noncompliance and promotes the desired Registered Entity behavior. In the event that a noncompliance is enforced, Enforcement staff is responsible for (1) drafting and negotiating with Registered Entities all necessary disposition documents; (2) performing hearings where necessary; (3) ensuring all requisite notices are timely issued; (4) post-filing support and advocacy with NERC and FERC; and (5) ensuring that the record and related disposition documents comply with all applicable (a) FERC orders, rules, and regulations, (b) NERC Rules of Procedures and Appendices, guidance, and ERO-wide program documents, and (c) ReliabilityFirst policies and procedures (collectively, "applicable orders, rules, and procedures"). In the event that a noncompliance is not enforced (e.g., compliance exception or dismissal), Enforcement staff is responsible for (1) ensuring all requisite notices are timely issued; (2) post-filing support and advocacy with NERC and FERC; and (3) ensuring that the record and related disposition documents comply with all applicable orders, rules, and procedures.

For continuity and stakeholder convenience, Enforcement staff also serve as a single point of contact for Registered Entities for noncompliance-related activities.

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

Enforcement staff regularly works with FERC, NERC, the other Regions, and industry to shape effective enforcement policies that drive desired entity behavior. This work includes drafting, or supporting the drafting, of ERO-wide enforcement program documents and enforcement related regulatory filings and presenting and training on enforcement programs in various forums.

Enforcement staff also works with NERC and the other Regions to promote and otherwise ensure the consistent application of enforcement programs and Reliability Standards.

In NERC's recent five-year assessment of ReliabilityFirst, NERC noted that ReliabilityFirst should consider exploring and implementing solutions (such as process improvements and additional staffing) that will assist ReliabilityFirst in processing the substantial number of noncompliances that it receives on a yearly basis.

The Enforcement group has evaluated its processes and staffing levels and has determined that, since the number of noncompliances appear to be reaching more of a steady state and there has been implementation of various process improvements, Enforcement staff levels are adequate to ensure that noncompliances are processed as quickly as practicable consistent with their circumstances.

Although the number of noncompliances processed has remained steady over the past two years, ReliabilityFirst anticipates an increase in the number of noncompliances for a period of time when CIP V5 becomes enforceable due to the increased scope of the assets covered. ReliabilityFirst presently anticipates that enforcement work in this regard will mostly occur in the compliance exception space and entail enforcement ensuring that adequate records are internally developed and maintained.

2016 Key Assumptions

The Enforcement Management group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. The number of non-CIP violations will remain steady, and the number of CIP violations will increase leading up to CIP Version 5 implementation and for a period of time thereafter.
2. Enforcement staff levels are adequate to ensure the completion of the activities described in the Program Scope and Functional Description. If noncompliances increase in the future, additional Enforcement staff may be needed to avoid the creation of a backlog.
3. Complex, higher-risk noncompliances will require approximately 50% of Enforcement resources. These matters often involve more complex mitigation, above and beyond action items, and the negotiation of sanctions.
4. The Find Fix and Track (FFT) disposition method will be used for moderate risk issues. It will be used less than in prior years in favor of the Compliance Exception disposition method, which will be used for almost all qualified minimal risk noncompliances.
5. Enforcement staff will spend significant time ensuring adequate records are created for minimal risk issues. The expenditure of this time will be driven by anticipated receipt of minimal risk issues for CIP V5 as well as implementation of the new self logged and case by case compliance exception mechanisms.

6. ReliabilityFirst will frequently serve as the lead Region for multi-regional Registered Entities and devote substantial resources to coordinate enforcement work and negotiate acceptable solutions among the Regions.
7. Enforcement staff will continue to work with FERC, NERC, the other Regions, and the industry to shape effective enforcement policies that drive desired behavior and ensure consistency.
8. The number of hearings to be conducted in 2016 is unknown, and therefore no internal or external resources have been budgeted for hearings.

2016 Key Deliverables

- Continue to focus on resolving enforcement actions in a thoughtful, risk-based, reliability focused manner.
- Ensure that the use of discretion in Enforcement is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
- Conduct initial violation fact and circumstance reviews and communicate with the entity through each step of the enforcement process.
- Continue to work with the Reliability Assurance group to refine the risk harm assessment process, a key input into enforcement decision making.
- Continue to increase efficiency, through process improvement, in dispositioning enforcement actions and preparing settlement agreements.
- Continue to work with NERC and the other Regions to shape a well-reasoned Enforcement philosophy that results in uniform, repeatable, transparent, and reliability-focused approaches.
- Use knowledge obtained in the context of Inherent Risk Assessments and Internal Controls Evaluations to inform all of its decision-making.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Enforcement Budget Detail

The following table shows funding sources and related expenses for the Enforcement section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Enforcement					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,050,561	\$ 2,050,561	\$ -	\$ 2,079,793	\$ 29,232
Penalty Sanctions	81,641	81,641	-	102,767	21,126
Total ReliabilityFirst Funding	\$ 2,132,202	\$ 2,132,202	\$ -	\$ 2,182,560	\$ 50,358
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	14,323	14,323	-	-	(14,323)
Total Funding	2,146,525	2,146,525	-	2,182,560	36,035
Expenses					
Personnel Expenses					
Salaries	\$ 902,267	\$ 902,267	\$ -	\$ 944,027	\$ 41,760
Payroll Taxes	64,104	64,104	-	67,401	3,297
Benefits	202,968	202,968	-	173,031	(29,937)
Retirement Costs	144,216	144,216	-	150,897	6,681
Total Personnel Expenses	\$ 1,313,555	\$ 1,313,555	\$ -	\$ 1,335,356	\$ 21,801
Meeting Expenses					
Meetings	\$ 8,000	\$ 8,000	\$ -	\$ 5,500	\$ (2,500)
Travel	40,000	40,000	-	40,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 48,000	\$ 48,000	\$ -	\$ 45,500	\$ (2,500)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	23,258	23,258	-	8,853	(14,405)
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	500	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 23,758	\$ 23,758	\$ -	\$ 9,353	\$ (14,405)
Total Direct Expenses	\$ 1,385,313	\$ 1,385,313	\$ -	\$ 1,390,209	\$ 4,896
Indirect Expenses	\$ 791,939	\$ 791,940	\$ 1	\$ 814,669	\$ 22,730
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,177,252	\$ 2,177,253	\$ 1	\$ 2,204,878	\$ 27,626
Change in Assets	\$ (30,727)	\$ (30,728)	\$ (1)	\$ (22,318)	\$ 8,409
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (30,727)	\$ (30,728)	\$ (1)	\$ (22,318)	\$ 8,409
Inc/(Dec) in Fixed Assets	\$ (30,727)	\$ (30,728)	\$ (1)	\$ (22,318)	\$ 8,409
Total Budget	\$ 2,146,525	\$ 2,146,525	\$ (0)	\$ 2,182,560	\$ 36,035
Total Change in Working Capital	\$ -	\$ 0	\$ 0	\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	8.35	8.35	0.00
Direct Expenses	\$ 1,888,067	\$ 1,895,704	\$ 7,637
Indirect Expenses	\$ 801,539	\$ 824,544	\$ 23,005
Inc(Dec) in Fixed Assets	\$ (31,100)	\$ (22,588)	\$ 8,512
Total Funding Requirement	\$ 2,658,506	\$ 2,697,660	\$ 39,154

Program Scope and Functional Description

ReliabilityFirst's Reliability Assessment and Performance Analysis (RAPA) staff independently analyzes, assesses, and reports on the reliability and adequacy of the BES within the ReliabilityFirst footprint, in accordance with the Regional Delegation Agreement and NERC's Rules of Procedure. This includes performance of seasonal, near-term and long-term resource and transmission assessments, special investigations as warranted, and collection and dissemination of data, lessons learned, and other information. The RAPA program provides resources and data input for the technical analyses and support of the many risk based activities described in the Reliability Assurance and Compliance Monitoring sections.

2016 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document for the 2016 budget cycle. There are no additional assumptions unique to the Reliability Assessment and Performance Program.

2016 Key Deliverables

- Assessments of Reliability Performance
 - Perform seasonal (summer and winter) and long term resource adequacy assessments and produce reports.
 - Perform seasonal (summer and winter) transmission assessment studies, a near-term (1 through 5 years into the future) transmission assessment, and a long-term (5 through 10 years into the future) transmission assessment and produce reports.
 - Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, long-term, and post-seasonal operational reports.
 - Work with neighboring Regional Entities in the Eastern Interconnection Reliability Assessment Group (ERAG) to perform seasonal, near-term, and long-term transmission assessment studies and produce reports.

- Model Development to Conduct Assessments
 - Develop a series of thirteen power flow base case models (ERAG/Multiregional Modeling Working Group (MMWG) effort).
 - Update power flow base case models for regional and interregional study efforts.
 - Develop a series of eight dynamic base case models (ERAG/MMWG effort).
 - Develop any needed dynamic base case models (regional and interregional study efforts).
- Reporting Requirements
 - Submit ReliabilityFirst load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
 - Assist NERC in the collection and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS) and the Demand Response Availability Data System (DADS)
 - Assist NERC in the collection and validation of data for the Reliability Assessment Data System (RADS). This project has been created to help automate the data collection, validation, submission, and analysis process for the reliability assessment reports.
 - Submit ReliabilityFirst power flow data annually for the FERC 715 report.
 - Submit an assessment report to the Public Utilities Commission of Ohio.
- Other Requirements and Activities
 - Publish any lessons learned that are developed from misoperation reporting, and other sources.
 - Continue to actively participate in ERAG, which includes the Management Committee, MMWG, and the study forums.
 - Analyze protective relay misoperation information and track corrective action plans.
 - Conduct initial and periodic Special Protection System reviews and maintain a database of regional Special Protection Systems.
 - Conduct under-frequency load shed (UFLS) reviews.
 - Conduct under-voltage load shed (UVLS) reviews.
 - Develop and maintain a ReliabilityFirst BES facilities map for EIA-411 reporting.
 - Develop and maintain a linear contingency database for transmission assessment studies.
 - In support of the ERO, actively participate in NERC committees, subcommittees, task forces, and other technical groups, such as the Planning Committee, Operating Committee, and associated subgroups.

- Continue to support stakeholder participation through various regional technical groups. The Reliability Committee is the primary technical advisory body to the ReliabilityFirst Board of Directors. Other technical subcommittees analyze and discuss technical issues related to reliability assessments, disturbance reporting, event analysis, and other technical and assessment related activities.
- Provide the various organizational groups with information and presentations to improve human performance.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consulting support is budgeted to develop power flow and dynamic base case models.

Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Reliability Assessment and Performance Analysis					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,561,379	\$ 2,561,379	\$ -	\$ 2,593,647	\$ 32,268
Penalty Sanctions	82,630	82,630	-	104,013	21,383
Total ReliabilityFirst Funding	\$ 2,644,009	\$ 2,644,009	\$ -	\$ 2,697,660	\$ 53,651
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	14,497	14,497	-	-	(14,497)
Total Funding	2,658,506	2,658,506	-	2,697,660	39,154
Expenses					
Personnel Expenses					
Salaries	\$ 1,242,644	\$ 1,242,644	\$ -	\$ 1,251,776	\$ 9,132
Payroll Taxes	76,842	76,842	-	80,732	3,890
Benefits	143,664	143,664	-	133,015	(10,649)
Retirement Costs	198,437	198,437	-	199,898	1,461
Total Personnel Expenses	\$ 1,661,587	\$ 1,661,587	\$ -	\$ 1,665,421	\$ 3,834
Meeting Expenses					
Meetings	\$ 15,000	\$ 15,000	\$ -	\$ 11,500	\$ (3,500)
Travel	80,000	80,000	-	92,500	12,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 95,000	\$ 95,000	\$ -	\$ 104,000	\$ 9,000
Operating Expenses					
Consultants & Contracts	\$ 80,734	\$ 80,734	\$ -	\$ 91,280	\$ 10,546
Office Rent	-	-	-	-	-
Office Costs	50,686	50,686	-	34,883	(15,803)
Professional Services	-	-	-	-	-
Miscellaneous	60	60	-	120	60
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 131,480	\$ 131,480	\$ -	\$ 126,283	\$ (5,197)
Total Direct Expenses	\$ 1,888,067	\$ 1,888,067	\$ -	\$ 1,895,704	\$ 7,637
Indirect Expenses	\$ 801,539	\$ 801,539	\$ (0)	\$ 824,544	\$ 23,005
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,689,606	\$ 2,689,606	\$ (0)	\$ 2,720,248	\$ 30,642
Change in Assets	\$ (31,100)	\$ (31,100)	\$ 0	\$ (22,588)	\$ 8,512
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (31,100)	\$ (31,100)	\$ (0)	\$ (22,588)	\$ 8,512
Inc/(Dec) in Fixed Assets	\$ (31,100)	\$ (31,100)	\$ (0)	\$ (22,588)	\$ 8,512
Total Budget	\$ 2,658,506	\$ 2,658,506	\$ (0)	\$ 2,697,660	\$ 39,154
Total Change in Working Capital	\$ -	\$ 0	\$ 0	\$ -	\$ (0)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 682,294	\$ 717,970	\$ 35,676
Indirect Expenses	\$ 287,978	\$ 296,243	\$ 8,265
Inc(Dec) in Fixed Assets	\$ (11,174)	\$ (8,116)	\$ 3,058
Total Funding Requirement	\$ 959,098	\$ 1,006,098	\$ 47,000

Program Scope and Functional Description

The ReliabilityFirst Training and Education Program focuses on providing relevant training to entities operating in the ReliabilityFirst region. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization. The Director of Human Resources participates in the NERC Staff Training Group, which identifies training needs of the industry and Regional Entity staff. ReliabilityFirst does not provide system operator certification training, as it is provided by the RTO's within the region.

2016 Key Assumptions

The Training and Education Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the ReliabilityFirst Training and Education Program.

2016 Key Deliverables

- Board of Directors Training
 - Per the Bylaws of ReliabilityFirst, the Board of Directors receives training annually to keep current with activities within the ReliabilityFirst footprint and to stay abreast of changes affecting the industry. This training requirement also includes orientation training for new directors addressing the organization, governance, goals, and objectives.
- Industry Education
 - ReliabilityFirst will increase and add greater focus to its activities aimed at helping industry participants achieve excellence in reliability. These activities include:
 - The development and publication of lessons learned/best practices from system events.
 - Guidance on the transition from CIP V3 to CIP V5 reliability standards.
 - Identification of common root causes of Reliability Standards violations.

- Efforts to better prepare entities for compliance audits and enforcement activities.
- Open compliance and enforcement calls that cover a span of compliance, CIP V5 transition and enforcement related topics.
- Increased focus on any lessons learned or trends in reliability assessments.
- Industry Workshops
 - Continued workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders. Workshops to be conducted in 2016 include:
 - Two Compliance Monitoring and Enforcement Program workshops (spring and fall) to promote an understanding of the concepts of the Inherent Risk Assessment and the Internal Controls Evaluation, as well as targeted discussion on methods to demonstrate compliance.
 - Open forums to provide insight into new standards developed and approved by the industry, changes in the Compliance Monitoring and Enforcement Program, Critical Infrastructure Protection issues, or other topics requested by Members/Registered Entities.
 - CIP Version 5 Standards Seminar to provide insight into the evolution of these standards and to provide a forum for registered entities to share thoughts, problems, and solutions.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Training, Education, and Operator Certification Program Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Training, Education, and Operator Certification Program					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 924,202	\$ 924,202	\$ -	\$ 968,728	\$ 44,526
Penalty Sanctions	29,688	29,688	-	37,370	7,682
Total ReliabilityFirst Funding	\$ 953,890	\$ 953,890	\$ -	\$ 1,006,098	\$ 52,208
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	5,208	5,208	-	-	(5,208)
Total Funding	959,098	959,098	-	1,006,098	47,000
Expenses					
Personnel Expenses					
Salaries	\$ 426,419	\$ 426,419	\$ -	\$ 444,686	\$ 18,267
Payroll Taxes	28,864	28,864	-	31,103	2,239
Benefits	57,040	57,040	-	58,287	1,247
Retirement Costs	67,971	67,971	-	70,894	2,923
Total Personnel Expenses	\$ 580,294	\$ 580,294	\$ -	\$ 604,970	\$ 24,676
Meeting Expenses					
Meetings	\$ 90,000	\$ 90,000	\$ -	\$ 105,000	\$ 15,000
Travel	12,000	12,000	-	8,000	(4,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 102,000	\$ 102,000	\$ -	\$ 113,000	\$ 11,000
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 682,294	\$ 682,294	\$ -	\$ 717,970	\$ 35,676
Indirect Expenses	\$ 287,978	\$ 287,978	\$ 0	\$ 296,243	\$ 8,265
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 970,272	\$ 970,272	\$ 0	\$ 1,014,213	\$ 43,941
Change in Assets	\$ (11,174)	\$ (11,174)	\$ (0)	\$ (8,116)	\$ 3,058
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (11,174)	\$ (11,174)	\$ 0	\$ (8,116)	\$ 3,058
Inc/(Dec) in Fixed Assets	\$ (11,174)	\$ (11,174)	\$ 0	\$ (8,116)	\$ 3,058
Total Budget	\$ 959,098	\$ 959,098	\$ 0	\$ 1,006,098	\$ 47,000
Total Change in Working Capital	\$ -	\$ (0)	\$ (0)	\$ -	\$ -

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Direct Expenses	\$ 220,378	\$ 235,369	\$ 14,991
Indirect Expenses	\$ 47,996	\$ 49,374	\$ 1,378
Inc(Dec) in Fixed Assets	\$ (1,862)	\$ (2,356)	\$ (494)
Total Funding Requirement	\$ 266,512	\$ 282,387	\$ 15,875

Program Scope and Functional Description

In support of the ERO, Situation Awareness and Infrastructure Security staff, in coordination with members of the Engineering staff, will monitor present conditions on, and emerging threats to, the BES.

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

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

2016 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document, and includes the following regional assumption:

1. National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and Data Acquisition, and information technology assets. ReliabilityFirst will participate in these exercises as appropriate.

2016 Key Deliverables

- Support of the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC)
 - The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the region. Situation Awareness and Infrastructure Security staff will support the committee through the scheduling and facilitation of

committee meetings and webinars and the dissemination of messages, alerts, and warnings from NERC, the Electricity Sector-Information Sharing and Analysis Center (ES-ISAC), and the U.S. Department of Homeland Security (U.S. DHS).

- Support/Oversee ReliabilityFirst Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-011)
 - ReliabilityFirst is committed to complying with the intent of the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security staff will provide training, guidance, and oversight to the staff, particularly the Information Technology staff, in achieving compliance to these standards.
- Provide Information on CIP-Related Issues
 - This activity involves dissemination of information to Registered Entities from agencies such as the ES-ISAC, the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.
 - Situation Awareness and Infrastructure Security staff will work with other members of the NERC CIPC and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience and will promote the use of this messaging system for exchange of security-related information.
- Monitor the Health of the BES
 - The use of situation awareness tools by staff has been evolving over the last few years. Situation Awareness and Infrastructure Security staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and is making use of the SAFNRv2 displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such, will use tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to SAFNR Version 2, to monitor the health of the BES within the ReliabilityFirst geographical area.
- Facilitate the ReliabilityFirst Threats and Vulnerabilities Team
 - In early 2014, ReliabilityFirst created a cross-functional team of subject matter experts to monitor, quantify, and assess new and emerging threats to the BES. The team continues to mature the tools and techniques used to perform this activity in support of the Reliability Assurance program.
- Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office
 - A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets.

- Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout.
- A pandemic plan focuses on business continuity in the face of a declared pandemic.
- Assist stakeholders in complying with CIP Standards
 - As the NERC Cyber Security Standards (CIP-002 - CIP-011) and the Physical Security Standard (CIP-014) evolve, ReliabilityFirst stakeholders will continue to monitor and implement revisions to the standards as those revisions are completed and approved. Situation Awareness and Infrastructure Security staff will be available to answer questions concerning these standards and, in coordination with the ReliabilityFirst CIPC, will sponsor/support regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by stakeholders.
- Support the Compliance Monitoring and Enforcement Program
 - Support the activities involving CIP-related issues and events in the Compliance Monitoring and Enforcement program, by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the CIP Standards (CIP-002 - CIP-011).

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2016 to complete the Vulnerability Assessment (scheduled to begin in 2015).

Situation Awareness and Infrastructure Security Program Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Situation Awareness and Infrastructure Security					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 260,696	\$ 260,696	\$ -	\$ 276,159	\$ 15,463
Penalty Sanctions	4,948	4,948	-	6,228	1,280
Total ReliabilityFirst Funding	\$ 265,644	\$ 265,644	\$ -	\$ 282,387	\$ 16,743
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	868	868	-	-	(868)
Total Funding	266,512	266,512	-	282,387	15,875
Expenses					
Personnel Expenses					
Salaries	\$ 106,160	\$ 106,160	\$ -	\$ 109,593	\$ 3,433
Payroll Taxes	5,276	5,276	-	5,717	441
Benefits	7,958	7,958	-	12,883	4,925
Retirement Costs	16,899	16,899	-	17,448	549
Total Personnel Expenses	\$ 136,293	\$ 136,293	\$ -	\$ 145,641	\$ 9,348
Meeting Expenses					
Meetings	\$ 2,400	\$ 2,400	\$ -	\$ 2,000	\$ (400)
Travel	19,500	19,500	-	23,000	3,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 21,900	\$ 21,900	\$ -	\$ 25,000	\$ 3,100
Operating Expenses					
Consultants & Contracts	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,185	2,185	-	3,725	1,540
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	1,003	1,003
Total Operating Expenses	\$ 62,185	\$ 62,185	\$ -	\$ 64,728	\$ 2,543
Total Direct Expenses	\$ 220,378	\$ 220,378	\$ -	\$ 235,369	\$ 14,991
Indirect Expenses	\$ 47,996	\$ 47,996	\$ 0	\$ 49,374	\$ 1,378
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 268,374	\$ 268,374	\$ 0	\$ 284,743	\$ 16,369
Change in Assets	\$ (1,862)	\$ (1,862)	\$ (0)	\$ (2,356)	\$ (494)
Fixed Assets					
Depreciation	-	-	-	(1,003)	(1,003)
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ -	\$ -	\$ -	\$ (1,003)	\$ (1,003)
Allocation of Fixed Assets	\$ (1,862)	\$ (1,862)	\$ (0)	\$ (1,353)	\$ 509
Inc/(Dec) in Fixed Assets	\$ (1,862)	\$ (1,862)	\$ (0)	\$ (2,356)	\$ (494)
Total Budget	\$ 266,512	\$ 266,512	\$ 0	\$ 282,387	\$ 15,875
Total Change in Working Capital	\$ -	\$ (0)	\$ (0)	\$ -	\$ (0)

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Increase (Decrease)	2015 Budget	2016 Budget	Increase (Decrease)
General and Administrative	\$ 2,314,990	\$ 2,435,418	\$ 120,428	3.00	3.00	0.00
Legal and Regulatory	\$ 708,440	\$ 724,146	\$ 15,706	2.00	2.00	0.00
Information Technology	\$ 1,251,295	\$ 1,297,466	\$ 46,171	5.00	5.00	0.00
Human Resources	\$ 786,929	\$ 812,803	\$ 25,874	3.00	3.00	0.00
Finance and Accounting	\$ 252,989	\$ 262,219	\$ 9,230	1.60	1.60	0.00
Total Administrative Services	\$ 5,314,643	\$ 5,532,052	\$ 217,409	14.60	14.60	0.00

Program Scope and Functional Description

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

Methodology for Allocation of Administrative Services Expenses to Programs

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

Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Administrative Services					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 627,134	\$ 627,134	\$ -	\$ 717,500	\$ 90,366
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ 627,134	\$ 627,134	\$ -	\$ 717,500	\$ 90,366
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	627,134	627,134	-	717,500	90,366
Expenses					
Personnel Expenses					
Salaries	\$ 2,476,614	\$ 2,476,614	\$ -	\$ 2,519,781	\$ 43,167
Payroll Taxes	121,776	121,776	-	131,242	9,466
Benefits	417,523	417,523	-	484,822	67,299
Retirement Costs	420,678	420,678	-	457,132	36,454
Total Personnel Expenses	\$ 3,436,591	\$ 3,436,591	\$ -	\$ 3,592,977	\$ 156,386
Meeting Expenses					
Meetings	\$ 52,550	\$ 52,550	\$ -	\$ 76,900	\$ 24,350
Travel	107,900	107,900	-	109,300	1,400
Conference Calls	40,800	40,800	-	42,000	1,200
Total Meeting Expenses	\$ 201,250	\$ 201,250	\$ -	\$ 228,200	\$ 26,950
Operating Expenses					
Consultants & Contracts	\$ 105,000	\$ 105,000	\$ -	\$ 145,230	\$ 40,230
Office Rent	548,330	548,330	-	534,619	(13,711)
Office Costs	359,735	359,735	-	333,435	(26,300)
Professional Services	455,571	455,571	-	488,989	33,418
Miscellaneous	28,166	28,166	-	32,620	4,454
Depreciation	394,535	394,535	-	329,320	(65,215)
Total Operating Expenses	\$ 1,891,337	\$ 1,891,337	\$ -	\$ 1,864,212	\$ (27,125)
Total Direct Expenses	\$ 5,529,178	\$ 5,529,178	\$ -	\$ 5,685,389	\$ 156,211
Indirect Expenses	\$ (5,529,178)	\$ (5,529,178)	\$ -	\$ (5,687,872)	\$ (158,694)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 2,483	\$ 2,483
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ 0
Change in Assets	\$ 627,134	\$ 627,134	\$ -	\$ 717,500	\$ 90,366
Fixed Assets					
Depreciation	(394,535)	(394,535)	-	(329,320)	65,215
Computer Hardware & Software CapEx	140,000	140,000	-	133,500	(6,500)
Furniture & Fixtures CapEx	40,000	40,000	-	40,000	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (214,535)	\$ (214,535)	\$ -	\$ (155,820)	\$ 58,715
Allocation of Fixed Assets	\$ 214,535	\$ 214,535	\$ -	\$ 155,820	\$ (58,715)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ 0
Total Change in Working Capital	\$ 627,134	\$ 627,134	\$ -	\$ 717,500	\$ 90,366

General and Administrative

Program Scope and Functional Description

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

2016 Key Assumptions & Deliverables

The General and Administrative Program incorporates the regional specific common business planning assumptions as described in *the ERO Enterprise 2015 – 2018 Shared Business Plan and Budget Assumptions document*. There are no additional assumptions or deliverables unique to the General and Administrative Program.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2016 for leadership training and project management support of the Regional Entity Management Group.

Legal and Regulatory Affairs

Program Scope and Functional Description

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

First, the department is responsible for all legal issues germane to the corporation. This responsibility includes ensuring legal and regulatory compliance with all applicable laws, orders, rules, and regulations; serving as advisor to the President and CEO and the Board of Directors; providing legal support to all other departments of the corporation; and overseeing all regulatory filings and interactions.

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

Third, the department is responsible for ReliabilityFirst's external affairs. This responsibility includes communication and outreach to ReliabilityFirst's stakeholders, the general public, and media. This work concerns media relations, the issuance of announcements, newsletters, and reports on key issues facing the corporation and the industry. This work generally ensures that ReliabilityFirst clearly communicates its strategic initiatives in a clear and articulate manner.

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

2016 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document, and includes the following regional assumptions:

1. Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.

2. Provide legal support to all other departments to make all necessary regulatory filings with FERC, NERC, and any other applicable regulatory body or agency, as well as support NERC in its efforts to do the same.
3. Continue to lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
4. Continue work to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions, including its leadership role in the implementation of the Regional Consistency Tool and the Multi-Regional Registered Entity program.
5. Continue to lead public communications and outreach, including the ReliabilityFirst website and the issuance of the bimonthly corporate newsletter, reports on key issues facing the corporation and the industry, ReliabilityFirst's annual report, and quarterly reports to the NERC Board of Trustees.
6. Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization.

2016 Key Deliverables

- Support all legal and regulatory needs of the corporation.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for leadership training.

Information Technology

Program Scope and Functional Description

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

- Data Center Management (Local/Remote)
- Website Hosting
- VOIP Phone System
- Voice Conferencing (outsource)
- Web Conferencing (outsource)
- Email
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management
- Desktop Support
- Telecommuter Support
- Application Support and Development
- Business Analysis
- Information Security Awareness and Monitoring
- Business Continuity and Disaster Recovery

ReliabilityFirst will continue to support NERC in the implementation of centralized enterprise IT applications. These efforts include refining existing strategies, governance and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, and developing software and data systems that support both NERC and Regional Entity operations.

The implementation of an offsite Data Management Center will be in its third year of operation. Operational experience to date has been excellent and believed to be very effective in IT resource management. Initial data indicates substantial savings in the operation of our equipment, while affording the organization many benefits in security, utilities, and back up capability.

NERC's business plan and budget will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise application funding will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. ReliabilityFirst has included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise applications funded by NERC.

2016 Key Assumptions

The IT Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document, specifically the support for building and implementing centralized enterprise applications for the ERO. The IT Program includes the following regional assumptions:

1. Provide IT support services to all corporate functions to ensure efficient and effective performance.
2. Continue monitoring of the security posture across the company-wide data infrastructure and remediate any vulnerability to protect sensitive data.
3. Maintain lower fixed asset costs (infrastructure servers) by continuing implementation of virtualization technologies, therefore minimizing replacement costs.
4. Continue to improve departmental processes and efficiencies where automation is needed.
5. Continue departmental training exercises for implemented technologies in order to maintain proficiency.

2016 Key Deliverables

- Perform necessary software upgrades including, but not limited to, the upgrade of various workstation and server applications and targeted server operating systems.
- Continue the implementation of infrastructure virtualization technologies. Remaining physical infrastructure servers will be transitioned to use virtualization to improve manageability and business continuity/disaster recovery capabilities. This will also allow for a more efficient hardware preventative maintenance program in the future, lowering overall infrastructure hardware and software costs.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Continue enhancements of the internal "intranet" website and related applications to further improve employee efficiency. Focus will continue to be with the Document Management System, Time Management System, and Report Management System.
- Continue the implementation of new data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats.
- Working closely with the Situation Awareness and Infrastructure Security department to continue security awareness of staff by providing training documents, questionnaires, simulated exercises, and/or seminars on existing workplace vulnerabilities. Vulnerability Assessment is scheduled to occur in late 2015 and continue into early 2016.
- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted for 2016 as needed for network maintenance projects, vulnerability assessment activities, and document/data management system implementation activities.

Human Resources

Program Scope and Functional Description

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

ReliabilityFirst will maintain its staff of 73 individuals including two part-time positions equaling one (1.2) FTE, which brings the total to an equivalent of 72.2 FTEs. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

2016 Key Assumptions

The Human Resources Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the ReliabilityFirst Human Resources Program.

2016 Key Deliverables

- Recruit highly skilled and excellent employees.
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide training programs and career development.
 - ReliabilityFirst conducts a week of training for staff as part of its effort to provide cost-effective training. The training topics are selected to improve the knowledge of staff in areas relevant to staff members' functions and strategic business initiatives as specified in the Strategic Plan.
- Review and manage employee benefits.
- Review succession plans.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted in 2016 to perform a compensation and benefits study.

Finance and Accounting

Program Scope and Functional Description

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

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

2016 Key Assumptions

The Finance and Accounting Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the Finance and Accounting Program.

2016 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.
- Provide all ReliabilityFirst program areas, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.
- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting internal controls and standards.
- Participate with NERC on the annual Regional Entity true-up filing.
- In an effort to continuously improve the entire accounting and budgeting process, actions to monitor operating expenses at a more granular level with the management staff.

- Provide advice from the financial perspective on contracts into which the organization may enter.

Resource Requirements

Personnel

No increase in personnel is budgeted in this year.

Contractors and Consultants

No contractors or consultants are budgeted in this year.

Section B – Supplemental Financial Information

Table B-1: Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2015-2016			
STATUTORY			
	Total	Working Capital Reserve	Operating Reserve
Beginning Working Capital, December 31, 2014 Per Audited Financial Statements	2,705,878		
Less: Adjustment for Future Long-Term Liabilities	(757,358)		
Less: Temporarily Restricted Funds as of December 31, 2014	(1,362,500)		
Plus: Penalty Funds Released from Restriction January 1, 2015	570,000		
Plus: 2015 ReliabilityFirst Funding (from LSEs or designees)	18,713,897		
Plus: 2015 Other funding sources ¹	100,000		
Less: 2015 Projected expenses & capital expenditures	(18,756,764)		
Other Adjustments to Reserves ²	(158,074)		
Projected Working Capital and Operating Reserves, December 31, 2015	1,055,079	305,079	750,000
Working Capital and Operating Reserves, December 31, 2016	1,614,505	614,505	1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2015	(1,055,079)	(305,079)	(750,000)
Increase/(Decrease) in Assessments to Achieve Working Capital and Operating Reserves	559,426	309,426	250,000
2016 Expenses and Capital Expenditures	19,367,209		
Less: Penalty Sanctions ³	(717,500)		
Less: Other Funding Sources	0		
Adjustment to achieve Working Capital and Operating Reserves	559,426		
Other Adjustments to Reserve ²	158,074		
2016 ReliabilityFirst Assessment ⁴	19,367,209		

¹ Includes office relocation grant money from the City of Independence.

² Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

³ Represents penalty sanctions collected from July 1, 2014 to June 30, 2015.

⁴ On April 21, 2015, the ReliabilityFirst Board of Directors approved a resolution to make the 2016 assessment equal to the 2016 budget.

Explanation of the Working Capital Reserve

The Working Capital Reserve funded by penalty sanctions and projected working capital remaining at the end of the current 2015 fiscal year will be utilized to stabilize future assessments.

Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On March 25, 2015, the ReliabilityFirst Board approved a \$250,000 increase in the operating reserve for 2016 to restore reserves to the historical amount of \$1,000,000. This level of operating reserve is consistent with ReliabilityFirst policy and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

Breakdown of Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditure Tables in the Introduction section. The explanations of variances are provided based on the following criteria:

- Variances equal to or greater than +/- 10% and
- Variances greater than \$10,000, or
- Variances that are considered significant.

Table B-2: Penalty Sanctions Received

Penalty Sanctions Received Between July 1, 2014 and June 30, 2015	
Dates Received	Amount Received
11/10/2014	30,000
11/12/2014	50,000
11/14/2014	12,500
11/25/2014	208,333
12/3/2014	208,333
12/3/2014	208,333
Collected July 1, 2014 to December 31, 2014	<u>717,500</u>
Collected January 1, 2015 to June 30, 2015	<u>0</u>
Total	<u>717,500</u>

Penalty monies received between July 1, 2014 and June 30, 2015, are totaled above and are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

Allocation Method

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

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

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Interest Income	\$ -	\$ -	\$ -	\$ -
Miscellaneous Income	100,000	100,000	-	(100,000)
Total Outside Funding	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Miscellaneous Income includes office relocation grant money that will be received from the City of Independence.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Salaries					
Salaries	\$ 11,039,403	\$ 11,039,403	\$ 11,381,430	\$ 342,027	3.10%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	45,876	45,876	45,876	-	0.00%
Total Salaries	\$ 11,085,279	\$ 11,085,279	\$ 11,427,306	\$ 342,027	3.09%
Total Payroll Taxes	\$ 646,939	\$ 646,939	\$ 699,888	\$ 52,949	8.18%
Benefits					
Workers Compensation	\$ 26,000	\$ 26,000	\$ 27,000	\$ 1,000	3.85%
Medical Insurance	1,277,315	1,277,315	1,323,666	46,351	3.63%
Life-LTD Insurance	93,328	93,328	93,080	(248)	-0.27%
Education	249,910	249,910	322,952	73,042	29.23%
Relocation	20,000	20,000	20,000	-	0.00%
Total Benefits	\$ 1,666,553	\$ 1,666,553	\$ 1,786,698	\$ 120,145	7.21%
Retirement					
Discretionary 401k Contribution	\$ 1,074,351	\$ 1,074,351	\$ 1,107,965	\$ 33,614	3.13%
Savings Plan	644,610	644,610	664,779	20,169	3.13%
Pension & Savings Admin	57,500	57,500	87,500	30,000	52.17%
Total Retirement	\$ 1,776,461	\$ 1,776,461	\$ 1,860,244	\$ 83,783	4.72%
Total Personnel Costs	\$ 15,175,232	\$ 15,175,232	\$ 15,774,136	\$ 598,904	3.95%
FTEs	72.20	72.20	72.20	0.00	0.00%
Cost per FTE					
Salaries	\$ 153,536	\$ 153,536	\$ 158,273	4,737	3.09%
Payroll Taxes	8,960	8,960	9,694	733	8.18%
Benefits	23,082	23,082	24,747	1,664	7.21%
Retirement	24,605	24,605	25,765	1,160	4.72%
Total Cost per FTE	\$ 210,183	\$ 210,183	\$ 218,478	\$ 8,295	3.95%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Education** is due to the increase costs associated with the annual week of corporate training and education for the entire staff.
- The increase in **Pension & Savings Admin** is due to the administrative costs relating to the management of the company's retirement plans.

Table B-5: Meeting Expenses

Meeting Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring	531,779	531,779	585,850	54,071	10.17%
Enforcement	48,000	48,000	45,500	(2,500)	-5.21%
Reliability Assessment and Performance Analysis	95,000	95,000	104,000	9,000	9.47%
Training and Education	102,000	102,000	113,000	11,000	10.78%
Situation Awareness and Infrastructure Security	21,900	21,900	25,000	3,100	14.16%
Administrative Services	201,250	201,250	228,200	26,950	13.39%
Total Meeting Expenses	\$ 999,929	\$ 999,929	\$ 1,101,550	\$ 101,621	10.16%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Reliability Assurance and Compliance Monitoring** is due to the increase in the regional outreach activities.
- The increase in **Training and Education** is due to the costs associated with the two workshops, the CIP Version 5 Standards Seminars, and the open forums.
- The increase in **Administrative Services** is due to the costs associated with the fourth quarter Annual Meeting of the Members and Board of Directors and Committee meetings.

Table B-6: Consultants and Contracts

Contractors	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring Enforcement	375,000	375,000	243,600	(131,400)	-35.04%
Reliability Assessment and Performance Analysis Training and Education	80,734	80,734	91,280	10,546	13.06%
Situation Awareness and Infrastructure Security Administrative Services	60,000	60,000	60,000	-	0.00%
	105,000	105,000	145,230	40,230	38.31%
Contractors Total	\$ 620,734	\$ 620,734	\$ 540,110	\$ (80,624)	-12.99%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The decrease in **Reliability Assurance and Compliance Monitoring** is due to the process improvements and efficiency gains that are being achieved from implementing risk based compliance monitoring.
- The increase in **Reliability Assessment and Performance Analysis** is due to the additional enhancements approved by ERAG relating to the power flow and dynamic databases.
- The increase in **Administrative Services** is due to the additional support needed to redesign and implement the latest version of the document management system and a compensation and benefits study that is planned to be performed.

Table B-7: Office Rent

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 437,530	\$ 437,530	437,530	\$ -	0.00%
Data Center Rent	70,800	70,800	63,789	(7,011)	-9.90%
Utilities	40,000	40,000	33,300	(6,700)	-16.75%
	-	-	-	-	
Total Office Rent	\$ 548,330	\$ 548,330	\$ 534,619	\$ (13,711)	-2.50%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- No explanation is needed

Table B-8: Office Costs

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ 75,587	\$ 75,587	\$ 76,993	\$ 1,406	1.86%
Internet	36,545	36,545	35,369	(1,176)	-3.22%
Office Supplies	25,575	25,575	51,797	26,222	102.53%
Computer Supplies and Maintenance	555,634	555,634	502,913	(52,721)	-9.49%
Publications & Subscriptions	14,691	14,691	14,940	249	1.69%
Dues	18,617	18,617	15,377	(3,240)	-17.40%
Postage	2,263	2,263	2,180	(83)	-3.67%
Express Shipping	1,540	1,540	850	(690)	-44.81%
Copying	13,680	13,680	14,040	360	2.63%
Reports	600	600	600	-	0.00%
Stationary Forms	40	40	544	504	1260.00%
Equipment Repair/Service Contracts	1,704	1,704	980	(724)	-42.49%
Bank Charges	-	-	600	600	
Total Office Costs	\$ 746,476	\$ 746,476	\$ 717,182	\$ (29,294)	-3.92%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Office Supplies** is due to the planned replacement of the employee's desk chairs.
- **Computer Supplies and Maintenance**
 - The increase in **Reliability Assurance and Compliance Monitoring** is due to the computer supplies that were previously included in the Enforcement budget, thus a decrease in the **Enforcement** budget.
 - The decrease in **Reliability Assessment and Performance Analysis** is a result of no longer utilizing an engineering software tool.

Table B-9: Professional Services

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Independent Trustee Fees	\$ 227,750	\$ 227,750	\$ 290,000	\$ 62,250	27.33%
Outside Legal	65,000	65,000	62,000	(3,000)	-4.62%
Accounting & Auditing Fees	80,821	80,821	57,989	(22,832)	-28.25%
Insurance Commercial	82,000	82,000	79,000	(3,000)	-3.66%
				-	
Total Services	\$ 455,571	\$ 455,571	\$ 488,989	\$ 33,418	7.34%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The **Independent Trustee Fees** increased due to the fees associated with the search for a new independent director.
- The **Accounting & Auditing Fees** decreased due to the lower fees associated with a new payroll service provider.

Table B-10: Miscellaneous

Miscellaneous Expense	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous	\$ 30,491	\$ 30,491	\$ 37,123	\$ 6,632	21.75%
	-	-	-	-	
Total Miscellaneous Expense	\$ 30,491	\$ 30,491	\$ 37,123	\$ 6,632	21.75%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- No explanation is needed

Table B-11: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Interest Expense	\$ -	\$ 4,587	\$ 2,483	\$ 2,483	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ 4,587	\$ 2,483	\$ 2,483	

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- **Interest Expense** is a result of the note payable that was entered into to fund the purchase of laptop computers.

Table B-12: Fixed Assets

Fixed Assets	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Computer Hardware	\$ 70,000	\$ 70,000	\$ 103,500	\$ 33,500	47.86%
Computer Software	70,000	70,000	\$ 30,000	(40,000)	-57.14%
Furniture & Fixtures	40,000	40,000	\$ 40,000	-	0.00%
Leasehold Improvements	-	-	-	-	
Total Fixed Assets	\$ 180,000	\$ 180,000	\$ 173,500	\$ (6,500)	-3.61%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Computer Hardware** is due to the implementation of new data security and defense technologies to address cyber security threats.
- The decrease in **Computer Software** is due to the budgeting for a one time purchase of a Human Resource Information System expected in 2015.

Table B-13: 2017 and 2018 Projections

Statement of Activities 2017 and 2018 Projections							
	2016 Budget	2017 Projection	\$ Change 16 v 17	% Change 16 v 17	2018 Projection	\$ Change 17 v 18	% Change 17 v 18
Funding							
ERO Funding							
ERO Assessments	\$ 19,367,209	\$ 20,073,206	\$ 705,997	3.6%	\$ 21,255,270	\$ 1,182,065	5.9%
Penalty Sanctions	717,500	-	-717,500	-100%	-	-	
Total ERO Funding	\$ 20,084,709	\$ 20,073,206	\$ (11,503)	-0.1%	\$ 21,255,270	\$ 1,182,065	5.9%
Membership Dues	-	-	-		-	-	
Federal Grants	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	-	-	-		-	-	
Miscellaneous	-	-	-		-	-	
Total Funding	\$ 20,084,709	\$ 20,073,206	\$ (11,503)	-0.1%	\$ 21,255,270	\$ 1,182,065	5.9%
Expenses							
Personnel Expenses							
Salaries	\$ 11,427,306	\$ 11,787,712	\$ 360,406	3.2%	\$ 12,438,030	\$ 650,318	5.5%
Payroll Taxes	699,888	709,362	9,474	1.4%	739,148	29,786	4.2%
Benefits	1,786,698	1,912,411	125,713	7.0%	2,231,752	319,341	16.7%
Retirement Costs	1,860,244	1,919,225	58,981	3.2%	2,024,476	105,251	5.5%
Total Personnel Expenses	\$ 15,774,136	\$ 16,328,710	\$ 554,575	3.5%	\$ 17,433,406	\$ 1,104,696	6.8%
Meeting Expenses							
Meetings	\$ 222,750	\$ 224,978	\$ 2,228	1.0%	\$ 227,227	\$ 2,250	1.0%
Travel	836,800	866,088	29,288	3.5%	896,401	30,313	3.5%
Conference Calls	42,000	43,260	1,260	3.0%	44,558	1,298	3.0%
Total Meeting Expenses	\$ 1,101,550	\$ 1,134,326	\$ 32,775	3.0%	\$ 1,168,186	\$ 33,861	3.0%
Operating Expenses							
Consultants & Contracts	\$ 540,110	\$ 556,313	\$ 16,203	3.0%	\$ 573,003	\$ 16,689	3.0%
Office Rent	534,619	539,965	5,346	1.0%	545,365	5,400	1.0%
Office Costs	717,182	806,526	89,344	12.5%	822,657	16,131	2.0%
Professional Services	488,989	493,879	4,890	1.0%	498,818	4,939	1.0%
Miscellaneous	34,640	34,986	346	1.0%	35,336	350	1.0%
Depreciation	352,668	352,668	-	0.0%	352,668	-	0.0%
Total Operating Expenses	2,668,208	2,784,338	116,129	4.4%	2,827,846	43,508	1.6%
Total Direct Expenses	\$ 19,543,894	\$ 20,247,374	\$ 703,479	3.6%	\$ 21,429,438	\$ 1,182,065	5.8%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ 2,483	\$ -	\$ (2,483)	-100.0%	\$ -	\$ -	
Total Expenses	\$ 19,546,377	\$ 20,247,374	\$ 700,997	3.6%	\$ 21,429,438	\$ 1,182,065	5.8%
Change in Assets	\$ 538,332	\$ (174,168)	\$ (712,500)	-132.4%	\$ (174,168)	\$ -	0.0%
Fixed Assets							
Depreciation	\$ (352,668)	\$ (352,668)	\$ -	0.0%	\$ (352,668)	\$ -	0.0%
Computer & Software CapEx	133,500	138,500	5,000	3.7%	138,500	-	0.0%
Furniture & Fixtures CapEx	40,000	40,000	-	0.0%	40,000	-	0.0%
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	-	-		-	-	
	\$ (179,168)	\$ (174,168)	\$ 5,000	-2.8%	\$ (174,168)	\$ -	0.0%
Allocation of Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -	
Inc/(Dec) in Fixed Assets	\$ (179,168)	\$ (174,168)	\$ 5,000	-2.8%	\$ (174,168)	\$ -	0.0%
Total Budget	\$ 19,367,209	\$ 20,073,206	\$ 705,997	3.6%	\$ 21,255,270	\$ 1,182,065	5.9%
Change in Working Capital	\$ 717,500	\$ -	\$ (717,500)	-100.0%	\$ -	\$ -	

Explanation of 2017 and 2018 Projections

ReliabilityFirst projected budget increases for 2017 and 2018. The projected range for 2017 is 3.6% to 7.2%; and for 2018 is 5.9% to 8.9%. ReliabilityFirst identified a range for its 2017 and 2018 projections to reflect both its baseline projections (the lower end of the range) and its projections of significant at-risk initiatives (the higher end of the range).

These at-risk initiatives primarily concern projected staffing needs to support increased internal work load to implement various programs currently under way or in consideration. They also concern the need to mature ReliabilityFirst's document and data management capability and risk analytics and management applications. Below is an overview of each of these at-risk initiatives.

Additional Staffing

- To effectively implement the Reliability Assurance Program, ReliabilityFirst projects that a small investment may be needed to increase regional staffing to yield significant savings for stakeholders. This staffing increase is intended to effectively reduce and otherwise shift the current administrative burden from the stakeholders to ReliabilityFirst. The staffing increase is intended to position ReliabilityFirst to perform meaningful internal control evaluations, entity development, risk management and outreach activities, and ensure ReliabilityFirst's activities are focused on reliability. Need for additional staffing will be solely driven by and dependent on Registered Entity demand for optional voluntary outreach, assist visits, and internal control/management practice evaluations.

Fixed Asset Additions

- With eight years of accumulating significant amounts of documentation and data, the present documentation management tools need to be updated to assure improved controls, improved configuration management, and advanced data mining capabilities.
- Risk analytics and management software will enable more robust risk assessment capability in support of Reliability Assurance activities.
- Personal Computers will be required to be replaced across 2017 and 2018.

The following is a breakdown of the projected budget ranges for 2017 and 2018.

2017 Lower Range: 3.6%

- Personnel Expense: 3.5%
 - Salary Increase: 3%
 - Medical/Dental/Vision Premiums: 15%/8%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 4.4%

2017 Higher Range Increase to Address At-Risk Initiatives: 7.2%

- Personnel Expense: 6.0%
 - Salary Increase: 3%
 - Hire 2 FTEs: Reliability Assurance/Entity Development
 - Medical/Dental/Vision Premiums: 15%/8%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 4.4%
- Fixed Asset Additions:
 - Document/Data Management Application: \$200,000
 - Risk Management Software: \$100,000

2018 Lower Range: 5.9%

- Personnel Expense: 6.8%
 - Salary Increase: 3%
 - Medical/Dental Premiums: 20%/8%
 - Life Insurance: 5%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.6%

2018 Higher Range Increase to Address At-Risk Initiatives: 8.9%

- Personnel Expense: 9.2%
 - Salary Increase: 3%
 - Hire 2 FTEs: Reliability Assurance/Entity Development
 - Medical/Dental: 20%/8%
 - Life Insurance: 5%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.6%
- Fixed Asset Additions:
 - Document/Data Management Application: \$100,000
 - Risk Management Software: \$100,000

Notes:

1. 2017 Projections are based on 2016 budget.

2018 Projections are based on 2017 lower range projections.

Section C – Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2015 and the organization does not intend to perform any functions outside its ERO delegated activities in 2016, therefore Section C is not applicable.

**Section D – Additional Consolidated Financial
Statements**

2016 Consolidated Statement of Activities by Program

Funding	Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance and Compliance Monitoring	Enforcement	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ReliabilityFirst Funding													
ReliabilityFirst Assessments	19,367,209	19,367,209	-	12,731,382	2,079,793	2,593,647	968,728	276,159	717,500	-	-	-	-
Penalty Sanctions	717,500	717,500	-	467,122	102,767	104,013	37,370	6,228	-	-	-	-	-
Total ReliabilityFirst Funding	20,084,709	20,084,709	-	13,198,505	2,182,560	2,697,660	1,006,098	282,387	717,500	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	20,084,709	20,084,709	-	13,198,505	2,182,560	2,697,660	1,006,098	282,387	717,500	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	11,427,306	11,427,306	-	6,157,443	944,027	1,251,776	444,686	109,593	1,117,807	475,326	530,157	261,174	135,317
Payroll Taxes	699,888	699,888	-	383,693	67,401	80,732	31,103	5,717	37,197	23,430	39,888	19,751	10,975
Benefits	1,786,698	1,786,698	-	924,660	173,031	133,015	58,287	12,883	69,897	32,508	124,266	232,149	26,002
Retirement Costs	1,860,244	1,860,244	-	963,975	150,897	199,898	70,894	17,448	151,839	69,811	84,602	129,231	21,649
Total Personnel Expenses	15,774,136	15,774,136	-	8,429,771	1,335,356	1,665,421	604,970	145,641	1,376,740	601,075	778,913	642,305	193,943
Meeting Expenses													
Meetings	222,750	222,750	-	21,850	5,500	11,500	105,000	2,000	56,600	750	1,050	17,500	1,000
Travel	836,800	836,800	-	564,000	40,000	92,500	8,000	23,000	46,500	42,000	12,500	4,700	3,600
Conference Calls	42,000	42,000	-	-	-	-	-	-	-	-	42,000	-	-
Total Meeting Expenses	1,101,550	1,101,550	-	585,850	45,500	104,000	113,000	25,000	103,100	42,750	55,550	22,200	4,600
Operating Expenses													
Consultants & Contracts	540,110	540,110	-	243,600	-	91,280	-	60,000	52,230	5,000	51,000	37,000	-
Office Rent	534,619	534,619	-	-	-	-	-	-	470,830	-	63,789	-	-
Office Costs	717,182	717,182	-	336,287	8,853	34,883	-	3,725	91,498	13,321	207,631	5,584	15,401
Professional Services	488,989	488,989	-	-	-	-	-	-	290,000	62,000	-	88,714	48,275
Miscellaneous	34,640	34,640	-	1,400	500	120	-	-	11,020	-	4,600	17,000	-
Depreciation	352,668	352,668	-	22,345	-	-	-	1,003	162,683	-	166,437	200	-
Total Operating Expenses	2,668,208	2,668,208	-	603,632	9,353	126,283	-	64,728	1,078,261	80,321	493,457	148,498	63,676
Total Direct Expenses	19,543,894	19,543,894	-	9,619,254	1,390,209	1,895,704	717,970	235,369	2,558,101	724,146	1,327,920	813,003	262,219
Indirect Expenses	(0)	(0)	-	3,703,042	814,669	824,544	296,243	49,374	(2,558,101)	(724,146)	(1,330,403)	(813,003)	(262,219)
Other Non-Operating Expenses	2,483	2,483	-	-	-	-	-	-	-	-	2,483	-	-
Total Expenses	19,546,377	19,546,377	-	13,322,295	2,204,878	2,720,248	1,014,213	284,743	-	-	-	-	-
Change in Assets	538,332	538,332	-	(123,790)	(22,318)	(22,588)	(8,116)	(2,356)	717,500	-	-	-	-
Fixed Assets													
Depreciation	(352,668)	(352,668)	-	(22,345)	-	-	-	(1,003)	(162,683)	-	(166,437)	(200)	-
Computer & Software CapEx	133,500	133,500	-	-	-	-	-	-	-	-	133,500	-	-
Furniture & Fixtures CapEx	40,000	40,000	-	-	-	-	-	-	40,000	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
	(179,168)	(179,168)	-	(22,345)	-	-	-	(1,003)	(122,683)	-	(32,937)	(200)	-
Allocation of Fixed Assets	-	-	-	(101,445)	(22,318)	(22,588)	(8,116)	(1,353)	122,683	-	32,937	200	-
Inc/(Dec) Fixed Assets	(179,168)	(179,168)	-	(123,790)	(22,318)	(22,588)	(8,116)	(2,356)	-	-	-	-	-
Total Budget	19,367,209	19,367,209	-	13,198,505	2,182,560	2,697,660	1,006,098	282,387	-	-	-	-	-
Change in Working Capital	717,500	717,500	-	-	-	-	-	-	717,500	-	-	-	-
FTEs	72.20	72.20	-	37.50	8.25	8.35	3.00	0.50	3.00	2.00	5.00	3.00	1.60

Statement of Financial Position

This table includes the audited December 31, 2014 balances, the December 31, 2015 projected balances, and the December 31, 2016 budget balances and will be included in the final draft presented in June.

Appendix A – Organization Chart

