



# **FRCC 2016 Business Plan & Budget**

**(As Submitted to NERC and Posted for Comments on 5/1/2015)**

**(Not Approved by the FRCC Board of Directors)**

**Presentation to NERC FAC**

**May 27, 2015**

**Reva R. Maskewitz - Controller**

# 2016 Regional Entity Division Personnel Comparison

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs <sup>1</sup> 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards Development	1.71	1.33	1.41		1.41	-0.30
Compliance Monitoring & Enforcement and Org Reg	19.77	18.31	18.83		18.83	-0.94
Reliability Assessment and Performance Analysis	4.39	4.37	1.00	3.71	4.71	0.32
Training, Education and Operator Certification	0.91	1.35		1.09	1.09	0.18
Situation Awareness and Infrastructure Security	0.09	0.08		0.08	0.08	-0.01
<b>Total FTEs Operational Programs</b>	<b>26.87</b>	<b>25.44</b>	<b>21.24</b>	<b>4.88</b>	<b>26.12</b>	<b>-0.75</b>
<b>Administrative Programs</b>						
General & Administrative	4.04	3.71		4.47	4.47	0.43
<b>Total FTEs Administrative Programs</b>	<b>4.04</b>	<b>3.71</b>	<b>0.00</b>	<b>4.47</b>	<b>4.47</b>	<b>0.43</b>
<b>Total FTEs</b>	<b>30.91</b>	<b>29.15</b>	<b>21.24</b>	<b>9.35</b>	<b>30.59</b>	<b>-0.32</b>

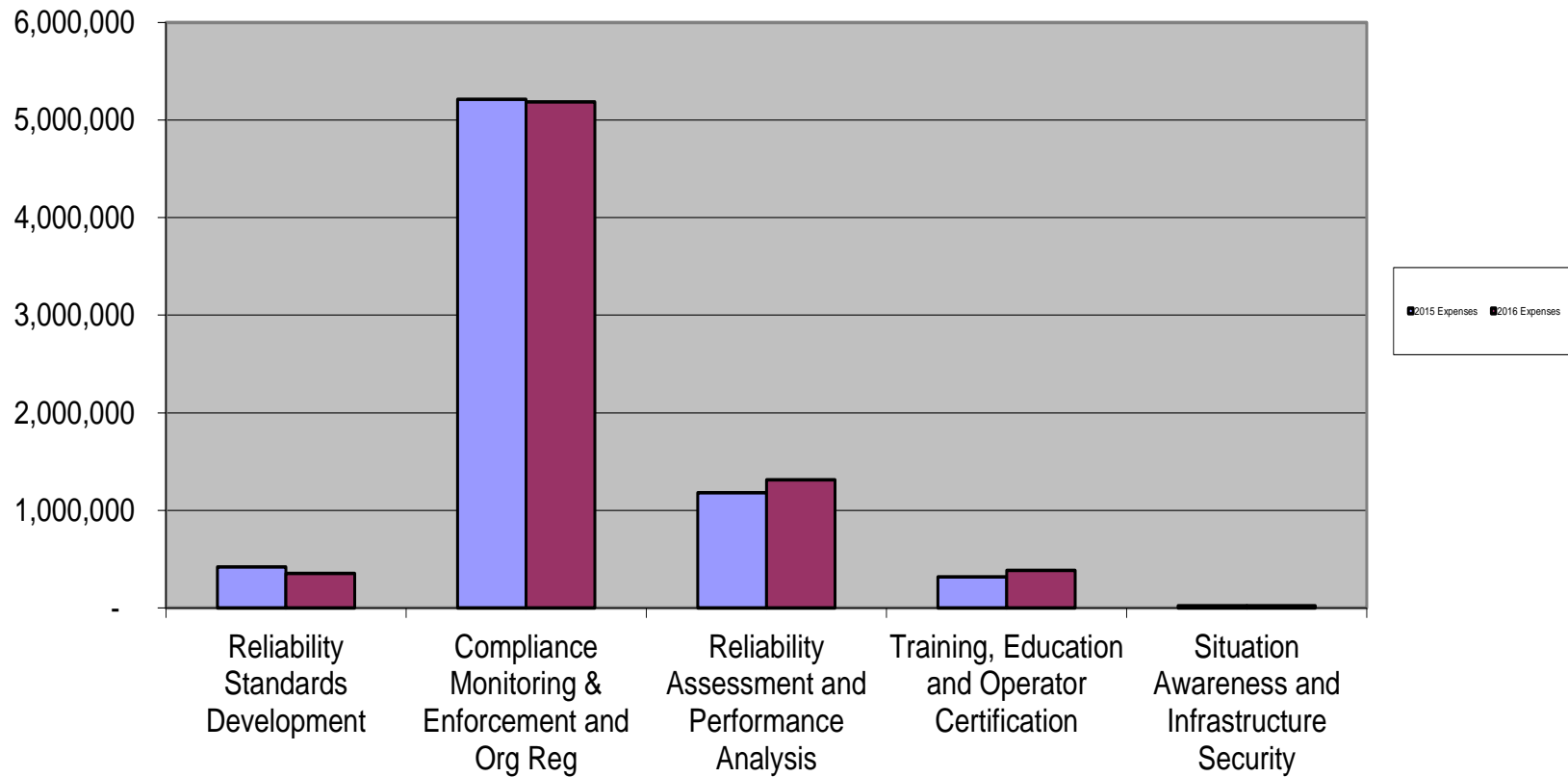
<sup>1</sup>A shared FTE is defined by NERC as an employee who performs both Statutory and Non-Statutory functions.

# 2016 Regional Entity Summary by Program Area

Program	Budget		Variance	
	2015	2016	2016 Budget v 2015 Budget	Variance %
Reliability Standards Development	\$ 423,143	\$ 353,799	\$ (69,345)	-16.4%
Compliance Monitoring & Enforcement and Org Reg	5,211,874	5,186,867	(25,007)	-0.5%
Reliability Assessment and Performance Analysis	1,182,409	1,312,392	129,983	11.0%
Training, Education and Operator Certification	321,525	386,376	64,851	20.2%
Situation Awareness and Infrastructure Security	23,281	22,093	(1,188)	-5.1%
<b>Total Budget</b>	<b>\$ 7,162,233</b>	<b>\$ 7,261,527</b>	<b>\$ 99,294</b>	<b>1.4%</b>

# 2016 to 2015 RE Division Comparative Budgeted Funding

## Comparison of 2016 To 2015 Budgeted Expenses



# 2016 RE Division Overview

- The FRCC will continue to evaluate the adequacy and skills of its resources and to evaluate efficiency, consistency, quality and timeliness of its procedures, processes and data collection in order to carry out its delegated responsibilities.
- The FRCC will continue to align itself and support the ERO Strategic Plan for goals, activities and major activities which include:
  - Support the ERO activities to identify risks and appropriate risk control projects designed to enhance reliability or mitigate risks
  - Support NERC's goals that will continue to improve the quality and content of Reliability Standards
  - In collaboration with NERC and the other RE's, support on going CIP V5 transition plans, related training and outreach to registered entities
  - Work with NERC and the other RE's to facilitate a learning environment throughout the industry
  - Support the ERO efforts to expand the assessment and performance analysis capabilities in RA to achieve measureable improvements in the BES reliability

# Regional Entity – 2016 Assumptions

2016 Budget includes anticipated expenses for:

- Expected decrease in Compliance software costs
- 3% Salary increases, 3.7% Attrition factor and an open position replaced by a contract auditor
- Increased time in Reliability Assessments to support ERO improvement in assessment and performance capabilities
- Increased time in Training and Education (TE) for Registered Entities on CIP V5, risk-based CMEP, etc.

## Regional Entity – 2016 Risks

Risks that could impact 2016 expenses that have not been included in the budget:

- ERO changes in Reliability Assessment program may require additional resources
- FRCC Region could experience a CAT 3 or higher event
- Compliance Software costs may be higher than expected
- May have a Compliance Hearing
- Possible business continuity need for additional off-site hosting and improved resiliency for IT.

# Regional Entity – 2016 Expense Uncertainty

	Possible impact on 2016		
	Approx Cost	Probability	As of 4/23/2015
<b>Reliability Assessment</b>			
No shared RA staff (2 Additional FTEs)	\$ 400,000	10%	\$ 40,000
Event Analysis for CAT 3 and above event	\$ 100,000	5%	\$ 5,000
Reliability Assessment Enhancements (1 FTE)	\$ 200,000	5%	\$ 10,000
<b>Total Reliability Assessment Risks</b>	<b>\$ 700,000</b>		<b>\$ 55,000</b>
<b>Compliance and Enforcement</b>			
Increased software cost	\$ 125,000	85%	\$ 106,250
Compliance Hearing	\$ 500,000	3%	\$ 15,000
<b>Total Compliance and Enforcement Risks</b>	<b>\$ 625,000</b>		<b>\$ 121,250</b>
RE Portion of IT Risks (Off-site host (event & business continuity driven))	\$ 34,020	4%	\$ 1,361
<b>Total RE Risk</b>	<b>\$ 1,359,020</b>		<b>\$ 177,611</b>



# 2016 Proposed RE Division Working Capital Policy

Based on the risks that FRCC has identified, we feel that the Reserve and Working Capital Policy already in effect does not need any changes. This policy remains as follows:

- Working Capital and operating reserve requirements shall be one (1) month of the total annual budget
- A 1.5 million line of credit is available for short term and other risks that may be needed to bridge budget cycles and approved assessments.
- Working Capital shall be utilized to satisfy projected annual cash flow and cash balance requirements.
- Operating reserves shall be utilized to satisfy known contingencies where the specific timing and amount is uncertain.

# RE 2016 Funding

## 2016 FRCC Budget Summary Comparison 5/1/2015 Preliminary

	2015	2016	% Change 2016:2015	\$ Change 2016:2015
<b>Regional Services</b>				
Reliability Standards Development	423,143	353,799	-16.4%	(69,344)
Compliance Monitoring and Enforcement	5,211,874	5,186,867	-0.5%	(25,007)
Reliability Assessment & Performance Analysis	1,182,409	1,312,392	11.0%	129,983
Training, Education and Operator Certification	321,525	386,376	20.2%	64,851
Situational Awareness & Infrastructure Security	23,281	22,093	-5.1%	(1,188)
<b>Total Statutory Expenses &amp; Net Fixed Assets</b>	<b>7,162,232</b>	<b>7,261,527</b>	<b>1.4%</b>	<b>99,295</b>
<b>Funding:</b>				
<b>Total Statutory Funding Assessment</b>	<b>6,062,837</b>	<b>6,628,457</b>	<b>9.3%</b>	<b>565,620</b>
Pass Thru Training & Education	90,000	92,000	2.2%	2,000
Pass Thru Software Maintenance	24,000	24,000	0.0%	-
Cash Reserve Refund (Requirement)	810,395	436,070	-46.2%	(374,325)
Penalty Assessment Allocation	175,000	81,000	-53.7%	(94,000)
<b>Total Statutory Funding (Equals Total Expenses)</b>	<b>7,162,232</b>	<b>7,261,527</b>	<b>1.4%</b>	<b>99,295</b>

# 2016 BP&B Summary

- **Regional Entity**
  - Budget increase of 1.4%
  - Attrition factor of 3.7%
  - 0 new Staff
  - 0.32 decreased FTEs
  
- **Member Services**
  - Budget increase of 3.6%
  - Attrition factor of 1.6%
  - 0 new Staff
  - .29 decreased FTEs

# Budget Schedule Review

## Regional Entity

- Reviewed by RECCF on 3/24/2015
- May 1, 2015 – Sent to NERC and Posted to the FRCC website
- May 4, 2015 – Deadline for comments from the committees directed to Angela Erisman ([aerisman@frcc.com](mailto:aerisman@frcc.com)) and Reva Maskewitz ([rmaskewitz@frcc.com](mailto:rmaskewitz@frcc.com)) – **no comments were received**
- May 8, 2015 – CCFAC Reviewed
- May 14, 2015 – Board Reviewed
- June 1, 2015 – Presentation to FERC
- June 5, 2015 – Deadline for comments from the BOD directed to Angela Erisman and Reva Maskewitz
- June 25, 2015 – Board Approval

# FRCC

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**QUESTIONS?**