

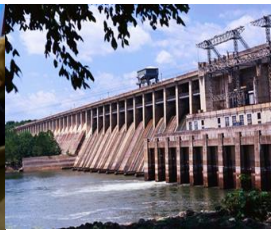


RELIABILITY FIRST

2016 Business Plan & Budget

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May 27, 2015



2016 Budget Overview

➤ Total 2016 Budget: \$19,367,209

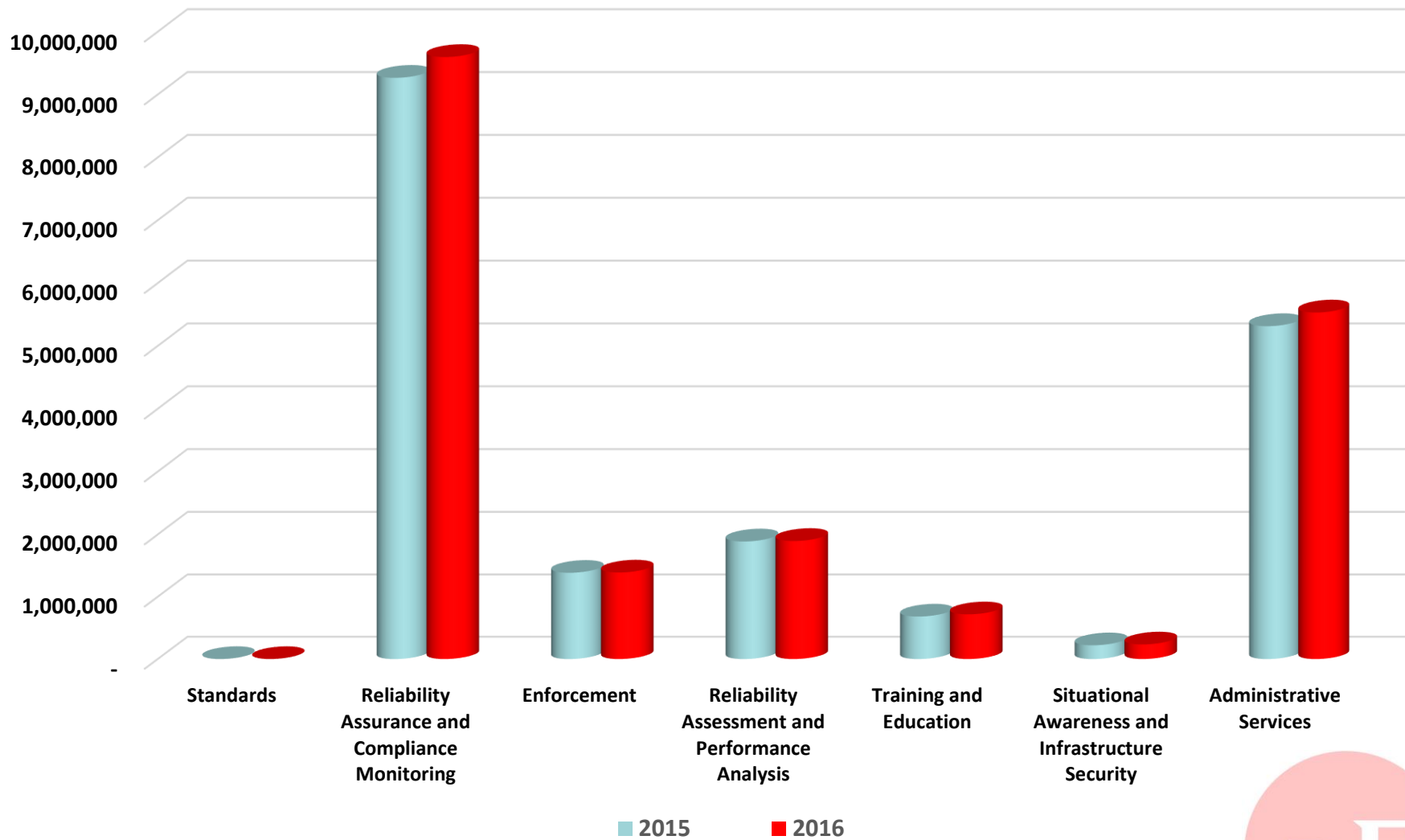
Budget	3.25%	\$610,446
Personnel Expense	3.95%	\$598,904
Operating and Fixed Asset	.3%	\$ 11,543

➤ Total 2016 Assessment: \$19,367,209

Assessment	3.49%	\$653,312
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2016 Versus 2015 Cost Allocation By Program



2015 – 2016 Budget Comparison

	2015	2016	Variance	% Variance
Funding				
Assessments	18,713,897	19,367,209	653,312	3.49%
Penalties	570,000	717,500	147,500	25.88%
Miscellaneous	100,000	-	(100,000)	-100.00%
Total Funding	19,383,897	20,084,709	700,812	3.62%
Expenses				
Personnel Expenses	15,175,232	15,774,136	598,904	3.95%
Meetings	177,350	222,750	45,400	25.60%
Travel	781,779	836,800	55,021	7.04%
Conference Calls	40,800	42,000	1,200	2.94%
Consultants and Contracts	620,734	540,110	(80,624)	-12.99%
Office Rent	548,330	534,619	(13,711)	-2.50%
Office Costs	746,476	717,182	(29,294)	-3.92%
Professional Services	455,571	488,989	33,418	7.34%
Miscellaneous	30,491	34,640	4,149	13.61%
Depreciation	421,106	352,668	(68,438)	-16.25%
Total Expenses	18,997,869	19,543,894	546,025	
Non-Operating Expenses	-	2,483	2,483	0.00%
Increase(Decrease) in Fixed Assets	(241,106)	(179,168)	61,938	-25.69%
Total Budget	18,756,763	19,367,209	610,446	3.25%
Change in Working Capital	627,134	717,500	90,366	14.41%



2016 Major Budget Increases/(Decreases)

Personnel Expenses	3.95%	\$598,904	% of Budget Increase
Direct Salaries	3.1%	\$342,027	56%
Payroll Taxes	8.2%	\$52,949	8.6%
Medical Benefits	3.6%	\$46,351	7.6%
Retirement Costs	4.72%	\$83,783	13.72%
Training & Education	29.2%	\$73,042	11.97%
Operating Expenses	.3%	\$11,543	
Meeting	25.6%	\$45,400	7.4%
Travel	7%	\$55,021	9.0%
Contractors	(13%)	(\$80,624)	(13.2%)
Office Costs	(3.9%)	(\$29,293)	(4.8%)
Professional Services	7.3%	\$33,418	(5.5%)



Staffing Allocation

2016 Staffing Allocation	2015 Budget Allocation	2016 Budget Allocation	Change
Reliability Standards	0.00	0.00	0.00
Compliance, Reliability Assurance, and Registration and Certification	37.50	37.50	0.00
Enforcement	8.25	8.25	0.00
Reliability Assessments and Performance Analysis	8.35	8.35	0.00
Training & Education	3.00	3.00	0.00
Situation Awareness & Infrastructure Security	0.50	0.50	0.00
General & Administrative	3.00	3.00	0.00
Legal & Regulatory	2.00	2.00	0.00
Information Technology	5.00	5.00	0.00
Human Resources	3.00	3.00	0.00
Finance & Accounting	1.60	1.60	0.00
FTEs	72.20	72.20	0.00
Headcount	73.20	73.20	0.00

- **Conducted a manpower analysis - No additional FTEs are being requested.**
- **With the process improvements and efficiency gains that are currently being experienced and expected to achieve, ReliabilityFirst is confident that the level of staffing is adequate to complete the necessary tasks and to meet the obligations of the Regional Delegation Agreement.**
- **Will monitor resource impact of CIP V5 implementation and make any adjustments.**



Efficiency & Controlling Costs

- **Gains in efficiencies in Compliance Monitoring functions will allow for redeployment of resources into new areas**
 - Inherent Risk Assessments
 - Internal Control Evaluations
 - Entity Development
- **Holding meetings at corporate office versus at third party facilities**
- **Reducing infrastructure costs by implementing the virtualization of technologies**



Process Improvements

- **Development of tools will enable a broader range of data analysis to aid in more reliability risk informed and predictive decision making**
- **Enforcement process improvements to ensure informed risk-based decision making and consistent use of enforcement discretion**



Alignment with ERO

- **Support CIP V5 implementation**
- **Support risk based registration activities**
- **Support NERC RAPA efforts**
 - Assessments
 - TADS, GADS, DADS Data Analysis
 - Misoperation Analysis
 - Leadership of NERC groups
- **Support centralized enterprise IT applications**
- **Support Implementation of Reliability Assurance concepts**
- **Support the implementation of the revised BES definition**
- **Enterprise Risk Management**



2017 Budget Projection

Budget Projections		
Personnel Expense <ul style="list-style-type: none"> • Salary Increase: 3% • Medical/Dental/Vision Premiums: 15%/8%/8% 	3.5%	
Meeting Expense	1%	
Travel Expense	3.5%	
Operating Expense	4.4%	
Projected 2017 Budget Low Range		3.6%
Additional Budget Items (At Risk Areas)		
Personnel Expense <ul style="list-style-type: none"> • 2 Positions: RAI/Appraisal/Entity Development 	2.5%	
Fixed Assets Additions <ul style="list-style-type: none"> • Document and Data Management Application \$200,000 • Risk Management Software \$100,000 	1.1%	
Projected 2017 Budget (Including Risk Items)		7.2%

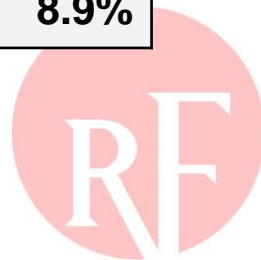
Projected Range of 2017 Budget: 3.6% to 7.2%



2018 Budget Projection

Budget Projections		
Personnel Expense <ul style="list-style-type: none"> • Salary Increase: 3% • Medical/Dental: 20%/8% • Life Insurance: 5% 	6.8%	
Meeting Expense	1%	
Travel Expense	3.5%	
Operating Expense	1.6%	
Projected 2018 Budget Low Range		5.9%
Additional Budget Items (At Risk Areas)		
Personnel Expense <ul style="list-style-type: none"> • 2 Positions: RAI/Appraisal/Entity Development 	2.4%	
Fixed Assets Additions <ul style="list-style-type: none"> • Document and Data Management Application \$100,000 • Risk Management Software \$100,000 	.6%	
Projected 2018 Budget (Including Risk Items)		8.9%

Projected Range of 2018 Budget: 5.9% to 8.9%



Working Capital

- **The 2016 Working Capital Reserve will be utilized to manage cash flow for daily operations and to stabilize future assessments.**
- **The working capital internal controls are included in the “Statement of Policy and Procedure on the Working Capital and Operating Reserve” approved by the ReliabilityFirst board on May 23, 2013**



Operating Reserve

- **It is the policy of ReliabilityFirst to maintain 10% of the budgeted year's expenses, or a minimum of \$1,000,000, as the Operating Reserve.**
- **This amount is determined and recommended for approval by our Audit Committee during the annual budget process.**
- **For 2016, ReliabilityFirst Board approved a \$250,000 increase in the operating reserve to restore reserves to the historical amount of \$1,000,000.**
- **The Operating Reserve Fund is set aside each year with the intention of providing for unbudgeted or unexpected expenditures.**



Questions & Answers

Forward Together  **ReliabilityFirst**