



2016 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: _____, 2015

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
Total FTEs	65.00			
Statutory Expenses	\$ 11,897,248			
Non-Statutory Expenses	\$ 1,029,072			
Total Expenses	\$ 12,926,320			
Statutory Inc(Dec) in Fixed Assets	\$ (115,033)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (115,033)			
Statutory Working Capital Requirement	\$ (1,883,767)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (1,883,767)			
Total Statutory Funding Requirement	\$ 9,898,448			
Total Non-Statutory Funding Requirement	\$ 1,029,072			
Total Funding Requirement	\$ 10,927,520			
Statutory Funding Assessments	\$ 9,612,448			
Non-Statutory Fees	\$ 1,029,072			
NEL	341,255,629	341,255,629		
NEL%	100.00%	100.00%		

*Refer to Table B-1 Reserve Analysis on page 41 in Section B.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity and Reliability Monitor for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC). Texas RE's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC) in October 2010 for a five-year period beginning January 1, 2011. NERC and Texas RE are currently renegotiating the Delegation Agreement. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, on behalf of the Public Utility Commission of Texas (PUCT). As the Reliability Monitor, Texas RE

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monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols, Operating Guides, and Texas rules (ERCOT Regional Rules).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the PUCT and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 90% of Texas load and 75% of the Texas land area.

Membership and Governance

Members

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE and complies with the Texas RE Bylaws requirements. The Texas RE bylaws provide for a \$250 membership fee; however, the Texas RE Board of Directors waived the 2016 membership fee to encourage increased membership. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has two stakeholder committees, the Member Representatives Committee (MRC) and the Reliability Standards Committee (RSC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, except for standards development issues, through its elected Chair and Vice Chair, who serve as directors. The RSC includes representatives from the six sectors described above, whether or not members of Texas RE, which may include any entity with a direct and material interest in the ERCOT region BPS. The RSC facilitates the Regional Standards Development Process, and coordinates the development of regional standards and variances with the development of national standards. A subcommittee of the RSC, the NERC Standards Review Subcommittee (NSRS), monitors, reviews, and discusses NERC (continent-wide) standards under development and standards interpretation requests.

Board of Directors

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

- The Texas RE President & Chief Executive Officer

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- Four Independent Directors (elected by membership)
 - Two Affiliated Directors (the Chair and Vice-Chair of the Member Representatives Committee)
 - Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an ex officio non-voting member
 - Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an ex officio non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a chief executive officer to manage and be responsible for the day-to-day on-going activities of Texas RE.

Statutory Functional Scope

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards (Standards), or modifications thereof, and facilitation of developing needed regional standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved Standards and regional standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promotion of effective training and education of personnel, and assistance in the certification of operating personnel.
- Promotion of situation awareness and the protection of critical infrastructure.

Financial Policies

Texas RE has policies and procedures in place that address its overall financial management, including procurement, business expense reimbursement, and line of credit. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

2016 Overview of Cost Impacts

In developing the Texas RE 2016 Business Plan and Budget, Texas RE, NERC, and the other Regional Entities collaborated and agreed upon common foundational and program assumptions which are contained in the [Shared Business Plan and Budget Assumptions for the 2015-2018 Planning Period \(2016 Budget Cycle\)](#). Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2016 Business Plan and Budget. Prior to obtaining final approval from its Board of Directors, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiative for the Electric Reliability Organization (ERO) Enterprise.

Overall, the Texas RE 2016 statutory expenses (\$11,897,248) decreased by 2.1% from the 2015 statutory expenses (\$12,152,761).

The 2016 statutory assessment (\$9,612,448) represents a decrease of 8.5% from the 2015 assessment (\$10,500,446).

Significant statutory expense changes (including capital expenditures) include:

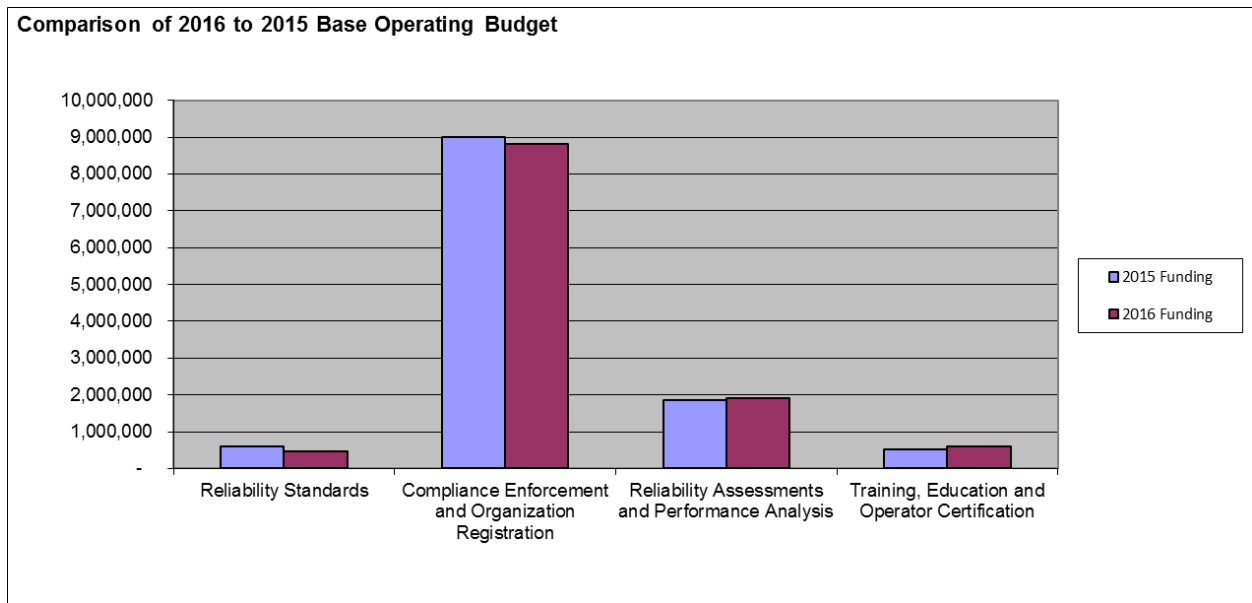
- Total Personnel expenses are increasing by 3.2%. Salaries are increasing 3.3% due to anticipated annual merit increases and promotions and to reflect the reassignment of certain full-time equivalents (FTEs) to higher-salary positions. Payroll taxes are decreasing 19.6% to better align with actual experience. Benefits expense is increasing 17.3%, which offsets the decrease in payroll taxes. The increase is primarily due to higher employee participation in health and retirement benefits. Health plan expense is projected to increase 12% in 2016. Employee benefits also include education reimbursement, relocation, training and professional development costs. This is consistent with the NERC budget guidelines.
- Reallocation of FTEs among various departments caused variances from 2015 in most programs.
- Total Meeting and Travel expenses are decreasing by 15.7% primarily due to cost savings efforts. Meeting expense is increasing by 15.1% due to more on-site meetings anticipated with the new conference room space, which is offset with a decrease in conference call expense by 26.7%. Meeting Expense is decreasing 184% due to more on-site meetings and cost savings efforts.
- Total Operating Expenses are decreasing by 17.5%. The Consultants and Contracts category is decreasing 18.8% due to work previously assumed to be completed by consultants being performed by in-house personnel. Rent cost is increasing 14.6% due to additional conference room space. Professional Services costs are decreasing 52.1% due to the elimination of the contingency for the anticipated cost of outside legal counsel for one contested enforcement case from the 2016 budget. If Texas RE hires outside legal counsel to assist with a contested case, it will be funded through the operating reserve.

All statutory activity in the 2016 Business Plan and Budget aligns with the NERC Enterprise Strategic Plan.

Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2015	2015	2016	2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ 606,806	\$ 606,806	\$ 469,003	\$ (137,803)	-22.7%
Compliance Enforcement and Organization Registration	9,008,548	9,008,548	8,809,903	(198,645)	-2.2%
Reliability Assessments and Performance Analysis	1,857,017	1,857,017	1,911,637	54,619	2.9%
Training, Education and Operator Certification	511,329	511,329	591,672	80,342	15.7%
Total by Program	\$ 11,983,701	\$ 11,983,701	\$ 11,782,215	\$ (201,486)	-1.7%



FTEs by Program Area

Personnel Analysis

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2015	2015	2016	FTEs 2016	2016	from 2015
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.25	2.25	1.75	-	1.75	(0.50)
Compliance and Organization Registration and Certification	33.50	33.50	35.75	-	35.75	2.25
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.50	6.50	6.50	-	6.50	-
Situation Awareness and Infrastructure Security	-	-	-	-	-	-
Total FTEs Operational Programs	44.50	44.50	46.25	-	46.25	1.75
Administrative Programs						
Technical Committees and Member Forums	-	-	-	-	-	-
General & Administrative	2.00	2.00	3.00	-	3.00	1.00
Legal and Regulatory	4.50	4.50	2.75	-	2.75	(1.75)
Information Technology	4.00	4.00	5.00	-	5.00	1.00
Human Resources	1.00	1.00	-	-	-	(1.00)
Finance and Accounting	4.00	4.00	3.00	-	3.00	(1.00)
Total FTEs Administrative Programs	15.50	15.50	13.75	-	13.75	(1.75)
Total FTEs	60.00	60.00	60.00	-	60.00	-

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

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & 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					
ERO Funding					
NERC Assessments	\$ 10,500,446	\$ 10,500,446	\$ -	\$ 9,612,448	\$ (887,998)
Penalty Sanctions	483,500	483,500	-	285,000	(198,500)
Total NERC Funding	\$ 10,983,946	\$ 10,983,946	\$ -	\$ 9,897,448	\$ (1,086,498)
Membership Dues	18,500	18,500	-	-	\$ (18,500)
Interest	15,045	15,045	-	1,000	(14,045)
Total Funding (A)	\$ 11,017,491	\$ 11,017,491	\$ -	\$ 9,898,448	\$ (1,119,043)
Expenses					
Personnel Expenses					
Salaries	\$ 6,531,781	\$ 6,531,781	\$ -	\$ 6,749,489	\$ 217,708
Payroll Taxes	617,840	617,840	-	496,723	(121,117)
Benefits	917,129	917,129	-	1,075,949	158,819
Retirement Costs	935,450	935,450	-	968,077	32,628
Total Personnel Expenses	\$ 9,002,199	\$ 9,002,199	\$ -	\$ 9,290,238	\$ 288,038
Meeting & Travel Expenses					
Meetings	\$ 43,726	\$ 43,726	\$ -	\$ 50,350	\$ 6,624
Travel	451,108	451,108	-	368,115	(82,993)
Conference Calls	13,640	13,640	-	10,000	(3,640)
Total Meeting & Travel Expenses	\$ 508,474	\$ 508,474	\$ -	\$ 428,465	\$ (80,009)
Operating Expenses					
Consultants & Contracts	\$ 288,070	\$ 288,070	\$ -	\$ 342,148	\$ 54,078
Office Rent	427,080	427,080	-	489,557	62,477
Office Costs	636,958	636,958	-	672,307	35,349
Professional Services	1,077,240	1,077,240	-	515,500	(561,740)
Depreciation	212,740	212,740	-	159,033	(53,707)
Total Operating Expenses	\$ 2,642,088	\$ 2,642,088	\$ -	\$ 2,178,545	\$ (463,543)
Total Direct Expenses	\$ 12,152,761	\$ 12,152,761	\$ -	\$ 11,897,248	\$ (255,514)
Indirect Expenses	\$ (0)	\$ (0)	\$ -	\$ -	\$ 0
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 12,152,761	\$ 12,152,761	\$ -	\$ 11,897,248	\$ (255,514)
Change in Assets	\$ (1,135,270)	\$ (1,135,270)	\$ -	\$ (1,998,800)	\$ (863,530)
Fixed Assets					
Depreciation	\$ (212,740)	\$ (212,740)	\$ -	\$ (159,033)	\$ 53,707
Computer & Software CapEx	43,680	43,680	-	44,000	320
Inc(Dec) in Fixed Assets (C)	(169,060)	(169,060)	-	(115,033)	54,027
TOTAL BUDGET (=B + C)	11,983,701	\$ 11,983,701	\$ -	\$ 11,782,215	\$ (201,486)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (966,210)	\$ (966,210)	\$ -	\$ (1,883,767)	\$ (917,557)

Section A – Statutory Programs

2016 Business Plan and Budget



Section A — 2016 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.25	1.75	(0.50)
Direct Expenses	\$ 394,711	\$ 309,161	\$ (85,550)
Indirect Expenses	\$ 220,643	\$ 164,195	\$ (56,448)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,548)	\$ (4,353)	\$ 4,195
Total Funding Requirement	\$ 606,806	\$ 469,003	\$ (137,803)

Program Scope and Functional Description

Texas RE's Reliability Standards Program supports the NERC Reliability Standards program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC), NERC Standards Review Subcommittee (NSRS) and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. In addition, all proposed regional standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The Tracking Site allows all interested parties to access materials related to regional standards and to submit comments on Standard Authorization Requests (SARs) and draft standards during designated commenting periods. The Tracking Site allows members of the Registered Ballot Body to join any open Registered Ballot Pool and to vote online. The Standards Development Process includes an appeals process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

In addition, Texas RE reviews proposed reliability standards from NERC and other regions, and staff from NERC and other Regional Entities have the opportunity to review proposed Texas RE regional standards. This Program area supports and facilitates meetings of the Texas RE RSC

and the NSRS. The RSC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRS provides a regional stakeholder forum for education and discussion of NERC standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

When developing regional Reliability Standards, Texas RE is responsible for adhering to the approved Regional Reliability Standards development processes, and for assisting NERC as needed with obtaining Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

2016 Key Assumptions

- The number of continent-wide standards and regional standards development projects will remain at the reduced 2015 level.
- Continent-wide standards projects will consist primarily of conducting enhanced periodic reviews to improve the content and quality of standards, responding to identified risks to reliability, and addressing FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the enterprise.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standard development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement supporting industry and auditor training, or providing information regarding the intent of the standard.

2016 Goals and Key Deliverables

- Encourage stakeholder awareness and participation in the NERC standards development process through educational outreach efforts and participation in Standard Drafting Teams, the NERC Standards Committee and related subcommittees.
- Participate in and provide outreach to regional stakeholders regarding nation-wide Standard development (including through announcements, meetings and webinars, enhancement to the Texas RE website, and expansion of the NSRS), to help ensure that ERCOT region perspective is represented in continent-wide Standards.
- Facilitate Texas RE participation in NERC standards development activities, including preparation of recommendations for voting and comments on NERC ballots, and provide standards-related expertise to other Program areas.

- Work closely with other Texas RE departments to ensure that staff is appropriately educated and informed regarding proper application and interpretation of standards and requirements while performing functions under the Compliance Monitoring and Enforcement Program (CMEP).
- Continue to enhance communication to and education of the registered entities in the ERCOT region to increase awareness of regional standards development activities and to ensure adequate representation on the Registered Ballot Body.

Resource Requirements

Personnel Expenses

FTEs are decreasing by 0.50 and personnel expenses for this Program are 23.6% less than 2015.

Consultants and Contracts

No consulting support and contracts are budgeted for 2016, which is consistent with the 2015 budget.

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2016. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY STANDARDS					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection	Budget	2016 Budget
			v 2015 Budget		v 2015 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 530,921	\$ 530,921	\$ -	\$ 363,714	\$ (167,207)
Penalty Sanctions	24,447	24,447	-	10,784	(13,663)
Total NERC Funding	\$ 555,368	\$ 555,368	\$ -	\$ 374,498	\$ (180,870)
Membership Dues	\$ 935	935	-	-	(935)
Interest	761	761	-	38	(723)
Total Funding	\$ 557,064	\$ 557,064	\$ -	\$ 374,536	\$ (182,528)
Expenses					
Personnel Expenses					
Salaries	\$ 287,955	\$ 287,955	\$ -	208,137	\$ (79,818)
Payroll Taxes	27,208	27,208	-	16,001	(11,206)
Benefits	26,670	26,670	-	37,853	11,183
Retirement Costs	41,754	41,754	-	31,192	(10,562)
Total Personnel Expenses	\$ 383,586	\$ 383,586	\$ -	\$ 293,183	\$ (90,403)
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	-	\$ -
Travel	9,521	9,521	-	14,333	4,812
Conference Calls	-	-	-	-	-
Total Meeting & Travel Expenses	\$ 9,521	\$ 9,521	\$ -	\$ 14,333	\$ 4,812
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	-	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,604	1,604	-	1,645	41
Professional Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,604	\$ 1,604	\$ -	\$ 1,645	\$ 41
Total Direct Expenses	\$ 394,711	\$ 394,711	\$ -	\$ 309,161	\$ (85,550)
Indirect Expenses	\$ 220,643	\$ 220,643	\$ -	\$ 164,195	\$ (56,448)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 615,354	\$ 615,354	\$ -	\$ 473,356	\$ (141,998)
Change in Assets	\$ (58,290)	\$ (58,290)	\$ -	\$ (98,820)	\$ (40,530)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(8,548)	(8,548)	-	(4,353)	4,195
Inc(Dec) in Fixed Assets (C)	\$ (8,548)	\$ (8,548)	\$ -	\$ (4,353)	4,195
TOTAL BUDGET	\$ 606,806	\$ 606,806	\$ -	\$ 469,003	\$ (137,803)
TOTAL CHANGE IN WORKING CAPITAL	\$ (49,742)	\$ (49,742)	\$ -	\$ (94,467)	\$ (44,725)

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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	33.50	35.75	2.3
Direct Expenses	\$ 5,850,689	\$ 5,544,552	\$ (306,137)
Indirect Expenses	\$ 3,285,129	\$ 3,354,269	\$ 69,140
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (127,270)	\$ (88,917)	\$ 38,353
Total Funding Requirement	\$ 9,008,548	\$ 8,809,903	\$ (198,645)

Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and regional standards, and enforcing and ensuring mitigation of violations of Standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, exception reporting, and data submittals.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Program (risk-based CMEP) formerly known as the Reliability Assurance Initiative (RAI), is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. Risk-based CMEP is designed to improve BES reliability by refocusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. The Risk-Based Registration Initiative (RBR), is a project that is assessing the current registration criteria and practices to ensure the right entities are subject to the right set of applicable Reliability Standards, using a consistent and common approach to risk assessment and registration across the ERO Enterprise. In addition, NERC, the Regional Entities, and registered entities will transition to apply Critical Infrastructure Protection (CIP) Version 5, which adopts new cybersecurity controls and extends the scope of the systems that the CIP standards protect.

Two elements of risk-based CMEP—RBR and the CIP Version 5 transition—are expected to be major activities for Texas RE in 2016. Risk-based CMEP, for example, will require Texas RE to allocate resources to re-validate the design and to enhance the processes necessary to implement risk-based CMEP for both compliance and enforcement. Additionally, increased resources may be required to meet the training requirements for the compliance and enforcement staff associated with the implementation of risk-based CMEP 2016 Key Assumptions. Because resource demands are not fully known, consideration will be given to reallocating existing staff or

using available reserves to provide the resource support, if Texas RE determines this to be necessary to support the successful implementation (or transition) of these major activities.

2016 Key Assumptions

- The implementation of the risk-based CMEP, as transformed through the Reliability Assurance Initiative (RAI), will require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement.
- Regional Entities should anticipate at least the same level of participation in implementing the risk-based CMEP as they did in developing it under RAI in 2014 and possibly more as they operationally implement its components for the first time in 2015.
- An assessment project was completed in 2014 to evaluate software systems used for compliance, registration, analysis and tracking, which may result in changing or replacing existing systems in the future. Until a decision is made by the ERO EMG to change or replace existing systems, NERC and the Regional Entities should continue to maintain contractor and consultant services to support existing systems.
- CIP compliance personnel will need to support the transition from the cyber-security Reliability Standards version 3 (V3) to V5 and provide support to entities undergoing a CIP audit:
- NERC will lead the CIP V5 training development, coordination, and facilitation for the ERO CIP auditors and industry outreach. ERO CIP auditors will support these activities in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood, and administered.
- Potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Standards in 2016 and 2017.
- Additional resource considerations should be given to managing the increased amount of registered entities applicable to the CIP Standards due to the addition of “low impact” requirements that are forecast to come into effect in 2017 and 2018.
- Additional resources may be necessary for increased Physical Security activities as the CIP-014 Reliability Standard becomes effective. Similar to the cyber security Reliability Standards activities, industry and auditor training will be developed, along with increased guidance.
- As the depth of focused analysis of reliability performance and events across NERC improves, any identification of possible gaps in standards and compliance monitoring could potentially influence this program area.
- Certification program assessment will result in enhancements to the current program, targeted for implementation in 2016.

- The implementation of the BES definition may place additional resource demands in the registration area. These demands cannot be fully assessed at this time. If a high number of BES exceptions is requested, the potential for a backlog in the first two or three years of implementation is possible.
- Planned oversight activities for 2016 will be aligned with the ERO Enterprise Operating Model and may affect 2016 resource allocation, but they should have little effect on overall NERC resource requirements. NERC understands that each regional entity will need to evaluate its individual resource needs and allocations.

2016 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, risk-based compliance audits for the functions posing risk to the BES. The frequency of audits will vary as a result of new risk-based CMEP process implementation. The number of anticipated audits provided below are similar to the current cyclic approach, but may increase or decrease.
- Perform approximately 40 audits including all aspects of 693 and CIP risks identified through risk-based CMEP processes.
- Perform spot checks where warranted due to identified risks, system events, complaints, or other reliability concerns.
- Continue to work with NERC and other Regional Entities to improve consistency of engagements of registered entities.
- Conduct self-certifications of registered entities as needed.
- Increase coordination with Enforcement regarding all compliance monitoring engagements.
- Enhance registered entities' understanding of standard requirements by capturing lessons learned from compliance monitoring engagements and distributing to registered entities via training programs, newsletters, and announcements.
- Review and re-validate risk-based CMEP processes and tools.
- Participation in the RSAW development process.
- Training related to transition to a risk-based monitoring approach.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible.

- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Support streamlined mechanisms implemented to expedite possible violations which pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.

REGISTRATION AND CERTIFICATION

- Continue to monitor activity in the region and to register and certify entities in accordance with Texas RE procedures and the NERC ROP, including revisions to registrations and annual maintenance to reflect new and revised NERC standards. The level of activity is expected to be consistent with 2016.
- Continue to work with NERC and other Regional Entities to improve efficiency and consistency in performing registration and certification functions. Register new entities associated with generation and transmission facilities that may be planned and constructed during the applicable period, and conduct any required certifications.
- Continue to implement the revised Bulk Electric System definition, including execution of the exception process, handling exclusion notices, tracking the status of exclusions and exceptions, and dealing with related issues.

Resource Requirements

Personnel Expenses

FTEs are increasing from 33.5 FTEs in 2015 to 35.75 FTEs in 2016 due to an FTE reallocation, which results in salaries increasing 4.4%. There is a 26.1% increase in benefits due to more employees participating in the plans and increased cost for the benefits. This increase is offset by a 20.7% decrease in payroll taxes. The payroll tax decrease is the result of correctly aligning the taxes with the salary amounts for 2016.

Consultants and Contracts

There is a slight decrease of 10% in contracts and consulting services for this department. The reduction is based on actual 2014 costs and occurs because work previously expected to be performed by consultants would be performed by in-house personnel.

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2016. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,904,830	\$ 7,904,830	\$ -	\$ 7,430,162	\$ (474,668)
Penalty Sanctions	363,983	363,983	-	220,297	(143,686)
Total NERC Funding	\$ 8,268,813	\$ 8,268,813	\$ -	\$ 7,650,459	\$ (618,354)
Membership Dues	13,927	13,927	-	-	(13,927)
Interest	11,326	11,326	-	773	(10,553)
Total Funding	\$ 8,294,066	\$ 8,294,066	\$ -	\$ 7,651,232	\$ (642,834)
Expenses					
Personnel Expenses					
Salaries	\$ 3,664,126	\$ 3,664,126	\$ -	\$ 3,825,208	\$ 161,082
Payroll Taxes	352,833	352,833	-	279,713	(73,120)
Benefits	442,593	442,593	-	557,967	115,374
Retirement Costs	531,298	531,298	-	556,678	25,380
Total Personnel Expenses	\$ 4,990,849	\$ 4,990,849	\$ -	\$ 5,219,566	\$ 228,717
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 2,900	\$ 2,900
Travel	236,096	236,096	-	146,934	(89,162)
Total Meeting & Travel Expenses	\$ 236,096	\$ 236,096	\$ -	\$ 149,834	\$ (86,262)
Operating Expenses					
Consultants & Contracts	\$ 176,820	\$ 176,820	\$ -	\$ 159,052	\$ (17,768)
Office Rent	-	-	-	-	-
Office Costs	4,924	4,924	-	15,100	10,176
Professional Services	442,000	442,000	-	1,000	(441,000)
Total Operating Expenses	\$ 623,744	\$ 623,744	\$ -	\$ 175,152	\$ (448,592)
Total Direct Expenses	\$ 5,850,689	\$ 5,850,689	\$ -	\$ 5,544,552	\$ (306,137)
Indirect Expenses	\$ 3,285,129	\$ 3,285,129	\$ -	\$ 3,354,269	\$ 69,140
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 9,135,818	\$ 9,135,818	\$ -	\$ 8,898,821	\$ (236,998)
Change in Assets	\$ (841,752)	\$ (841,752)	\$ -	\$ (1,247,588)	\$ (405,836)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(127,270)	(127,270)	-	(88,917)	38,353
Inc(Dec) in Fixed Assets	\$ (127,270)	\$ (127,270)	\$ -	\$ (88,917)	\$ 38,353
TOTAL BUDGET	\$ 9,008,548	\$ 9,008,548	\$ -	\$ 8,809,903	\$ (198,645)
TOTAL CHANGE IN WORKING CAPITAL	\$ (714,482)	\$ (714,482)	\$ -	\$ (1,158,671)	\$ (444,189)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	6.50	6.50	-
Direct Expenses	\$ 1,244,298	\$ 1,317,936	\$ 73,638
Indirect Expenses	\$ 637,413	\$ 609,867	\$ (27,546)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (24,694)	\$ (16,167)	\$ 8,527
Total Funding Requirement	\$ 1,857,017	\$ 1,911,637	\$ 54,619

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, industry trends, or proposed public policy measures. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. Most of the Texas RE CIP resources functionally reside in the Compliance, Monitoring, Enforcement and Organizational Registration and Certification Program, and much of situation awareness involves initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

2016 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs; however, as many RAPA tasks are presently in preliminary stages of definition or are under re-evaluation, potential additional program staffing demands are not known. Additionally, there is some uncertainty regarding the amount of resources that will be required to support joint Enterprise-wide modeling and data collection systems.
- Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for seasonal, long-term and probabilistic risk assessments as well as events analysis and performance metrics.

2016 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews.
- Provide independent review of the two anticipated special reliability assessments in 2016, involving topics such as the impact of physical security, new technologies and environmental regulations, changes in resource mix, gas dependency, or delays in transmission development.
- Oversee collection of reliability data for the ERCOT Region, provide analysis and validation, and support stakeholders as enhancements for databases and portals are added or as new systems are developed. Systems include:
 - Transmission Availability Data System (TADS)
 - Generation Availability Data System (GADS)
 - Demand Response Availability Data System (DADS)
 - Spare Equipment Database (SED)
 - Protection System Mis-operations
- Participate in ERO development of an outcome-based approach to achieve measurable improvements in reliability, utilizing the data above and NERC's adequate level of reliability (ALR) metrics. Collect data and perform analysis as needed to evaluate the ALR metrics. The number of metrics and level of analysis is expected to remain consistent in 2016.
- Provide regional data collection and analysis to meet NERC or FERC initiatives, orders or directives. These may include continuing review of high impact/low frequency events (such as geomagnetic disturbances), physical security, protection system mis-operations, system frequency response, human performance, drought, environmental regulations, single point of failure in protection systems, characterization of contingent load loss and new technology integration. Additional topics are likely to develop based on emerging reliability concerns.

- Review NERC Standards and process developments.
- Review proposed Regional criteria and processes for reliability.
- Continue to implement the NERC event analysis and cause-coding process within the ERCOT Region, expecting a similar volume of events as 2015, estimated at 12 Category 1 (minor), three Category 2 or 3 (moderate impact) and 1 Category 4 or 5 event (significant impact). Conduct follow-up on recommendations from past major events within ERCOT and other Regions and event trends associated with events across the ERO.
- Review approximately 100 lesser system events, such as special protection system mis-operations, communications issues, and frequency disturbances, which do not meet the threshold for NERC events analysis, in order to monitor trends and system impacts in these areas.
- Contribute to the implementation of the BES Definition exception process by providing technical review of exception requests and coordination internally and with other Regions and NERC for consistent application. At this time, the number of such requests is uncertain but is expected to be handled by existing staff.
- Engage ERCOT stakeholders to identify system issues that lead to reliability concerns, including those identified and prioritized by the NERC Reliability Issues Steering Committee.
- Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.
- Texas RE staff will continue ongoing monitoring for Situation Awareness, including system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long term horizon.
- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool.
- Texas RE will support utilization of data for Situation Awareness, including regular weekly reporting to NERC along with providing current information on on-going events in the ERCOT Region.
- Texas RE will continue to monitor and follow up on NERC alerts and anticipates that the volume of alerts will be similar to 2015, or approximately four, with one alert expected to require responses and analysis.
- Texas RE's staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely NERC cyber security staff. An example is participation in the NERC Grid-X Security exercise.

Resource Requirements

Personnel Expenses

The number of FTEs is remaining constant for 2016.

Consultants and Contracts

No consulting support and contracts are budgeted for 2016, which is consistent with the 2015 budget.

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2016. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY ASSESSMENTS 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					
ERO Funding					
NERC Assessments	\$ 1,533,773	\$ 1,533,773	\$ -	\$ 1,350,939	\$ (182,834)
Penalty Sanctions	70,624	70,624	-	40,054	(30,570)
Total NERC Funding	\$ 1,604,397	\$ 1,604,397	\$ -	\$ 1,390,993	\$ (213,404)
Membership Dues	\$ 2,702	2,702	-	-	(2,702)
Interest	\$ 2,198	2,198	-	141	(2,057)
Total Funding	\$ 1,609,296	\$ 1,609,296	\$ -	\$ 1,391,133	\$ (218,164)
Expenses					
Personnel Expenses					
Salaries	\$ 836,623	\$ 836,623	\$ -	\$ 871,652	\$ 35,029
Payroll Taxes	79,049	79,049	-	66,974	(12,075)
Benefits	129,673	129,673	-	135,225	5,552
Retirement Costs	121,310	121,310	-	127,401	6,091
Total Personnel Expenses	\$ 1,166,654	\$ 1,166,654	\$ -	\$ 1,201,251	\$ 34,597
Meeting & Travel Expenses					
Travel	72,284	72,284	-	75,825	3,541
Total Meeting & Travel Expenses	\$ 72,284	\$ 72,284	\$ -	\$ 75,825	\$ 3,541
Operating Expenses					
Office Costs	5,360	5,360	-	40,860	35,500
Professional Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,360	\$ 5,360	\$ -	\$ 40,860	\$ 35,500
Total Direct Expenses	\$ 1,244,298	\$ 1,244,298	\$ -	\$ 1,317,936	\$ 73,638
Indirect Expenses	\$ 637,413	\$ 637,413	\$ -	\$ 609,867	\$ (27,546)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,881,711	\$ 1,881,711	\$ -	\$ 1,927,803	\$ 46,092
Change in Assets	\$ (272,416)	\$ (272,416)	\$ -	\$ (536,670)	\$ (264,256)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(24,694)	(24,694)	-	(16,167)	8,527
Inc(Dec) in Fixed Assets	\$ (24,694)	\$ (24,694)	\$ -	\$ (16,167)	\$ 8,527
TOTAL BUDGET	\$ 1,857,017	\$ 1,857,017	\$ -	\$ 1,911,637	\$ 54,619
TOTAL CHANGE IN WORKING CAPITAL	\$ (247,721)	\$ (247,721)	\$ -	\$ (520,503)	\$ (272,783)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 299,234	\$ 386,160	\$ 86,925
Indirect Expenses	\$ 220,643	\$ 211,108	\$ (9,535)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,548)	\$ (5,596)	\$ 2,952
Total Funding Requirement	\$ 511,329	\$ 591,672	\$ 80,342

Program Scope and Functional Description

Texas RE's Training, Education, and Operator Certification Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Standards, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other Programs provide expertise for educational materials, meetings, and workshops. In addition, Texas RE provides assistance for the annual ERCOT Operations Training Seminar.

Texas RE will continue to coordinate Standards and Compliance workshops and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2016. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other industry meetings.

2016 Key Assumptions

- Additional resources may be required to support certain training activities of the risk-based CMEP and the CIP version 5 transition.
- The Operating Personnel Certification program is expected to remain at a steady state with no additional resources required from Texas RE.

2016 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials for and present Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance working groups.
- Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2016. Personnel expenses have increased to reflect actual costs based on experience. Benefits include professional development and training costs for employees assigned to this Program.

Consultants and Contracts

Consulting support and contracts are consistent with the 2015 budget.

Training, Education, and Operator Certification Program

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 530,921	\$ 530,921	\$ -	\$ 467,633	\$ (63,289)
Penalty Sanctions	24,447	24,447	-	13,865	(10,582)
Total NERC Funding	\$ 555,368	\$ 555,368	\$ -	\$ 481,497	\$ (73,871)
Membership Dues	935	935	-	-	(935)
Interest	761	761	-	49	(712)
Total Funding	\$ 557,064	\$ 557,064	\$ -	\$ 481,546	\$ (75,518)
Expenses					
Personnel Expenses					
Salaries	\$ 180,683	\$ 180,683	\$ -	\$ 232,644	\$ 51,961
Payroll Taxes	17,072	17,072	-	17,822	750
Benefits	27,385	27,385	-	51,265	23,880
Retirement Costs	26,199	26,199	-	33,588	7,389
Total Personnel Expenses	\$ 251,339	\$ 251,339	\$ -	\$ 335,320	\$ 83,980
Meeting & Travel Expenses					
Meetings	\$ 30,900	\$ 30,900	\$ -	\$ 30,000	\$ (900)
Travel	2,705	2,705	-	6,700	3,995
Conference Calls	10,000	10,000	-	10,000	-
Total Meeting & Travel Expenses	\$ 43,605	\$ 43,605	\$ -	\$ 46,700	\$ 3,095
Operating Expenses					
Consultants & Contracts	\$ 2,250	\$ 2,250	\$ -	\$ 2,000	\$ (250)
Office Rent	-	-	-	-	-
Office Costs	2,040	2,040	-	2,140	100
Professional Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 4,290	\$ 4,290	\$ -	\$ 4,140	\$ (150)
Total Direct Expenses	\$ 299,234	\$ 299,234	\$ -	\$ 386,160	\$ 86,925
Indirect Expenses	\$ 220,643	\$ 220,643	\$ -	\$ 211,108	\$ (9,535)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 519,877	\$ 519,877	\$ -	\$ 597,268	\$ 77,390
Change in Assets	\$ 37,186	\$ 37,186	\$ -	\$ (115,722)	\$ (152,909)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(8,548)	(8,548)	-	(5,596)	2,952
Inc(Dec) in Fixed Assets	\$ (8,548)	\$ (8,548)	\$ -	\$ (5,596)	\$ 2,952
TOTAL BUDGET	\$ 511,329	\$ 511,329	\$ -	\$ 591,672	\$ 80,342
TOTAL CHANGE IN WORKING CAPITAL	\$ 45,734	\$ 45,734	\$ -	\$ (110,125)	\$ (155,861)

Approved by the Texas RE Board of Directors , 2015

Administrative Services

	Administrative Services					
	Direct Expenses & Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Inc (Dec)	2015 Budget	2016 Budget	Inc (Dec)
General and Administrative	1,533,261	1,799,268	266,007	2.00	3.00	1.00
Legal and Regulatory	641,648	476,792	(164,857)	4.50	2.75	(1.75)
Information Technology	1,232,388	1,301,812	69,424	4.00	5.00	1.00
Human Resources	193,440	98,370	(95,070)	1.00	-	(1.00)
Finance and Accounting	594,032	548,164	(45,868)	4.00	3.00	(1.00)
Total Administrative Services	4,194,768	4,224,405	29,637	15.50	13.75	(1.75)

Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its general and administrative expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.

Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

General and Administrative

This Program includes the President and CEO and the personnel costs for the HR Department. The President and CEO carries out the general affairs of Texas RE, including administrative and corporate facilities support, and includes the time and expenses of the Texas RE Board. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The CEO's time is expended for and charged to other operational Program activities.

Personnel expenses are increasing due in part to the personnel cost for Human Resources (HR) being included in General and Administrative (G&A) beginning in 2016. The benefits expenses in G&A now include tuition reimbursement, training and classes, and relocation costs previously charged to HR.

Consulting fees and contracts are increasing 50.8% due to a compensation study for the Board of Directors.

Legal and Regulatory

The Legal and Regulatory area provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings and voting; (2) Board meetings, minutes, support, training and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

2016 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels.

2016 Key Deliverables and Goals

- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.
- Review contracts and corporate documents.
- Update and maintain corporate policies and procedures.
- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.

The budgeted number of FTEs for Legal and Regulatory is 2.75, a decrease of 1.75 FTEs over 2015. The FTEs were reallocated to the CMEP program to better align actual work performed.

Consulting support and contracts are consistent with the 2015 budget.

Information Technology

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware, systems, software, and applications; physical security, electronic security, data center operations, IT and security-related vendor management, strategy, planning, development, and deployment of enterprise systems,

application, and training, research, and planning for improvement and efficiency of business process and operations.

Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development to ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with business, federal, and regional requirements.

Texas RE supports the ERO efforts to implement, operate and maintain software tools supporting common enterprise wide operations which have been approved by the ERO Executive Management Group (EROEMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications are delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region specific IT support needs. Texas RE's 2016 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes on Texas RE costs for internal region specific supports needs.

2016 Key Assumptions

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

2016 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including: IT and security budget; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
 - Continue to develop knowledge of systems through training and experience to reduce the reliance on external vendors.
 - Continue to utilize third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's Internal Controls Program and security posture.
 - Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.

-
- Continue to outsource IT and security services that are not within the core competencies or IT's cost containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
 - Develop internal applications to increase consistency, efficiency, and assist users in business processes.
 - Assist business staff with development of webCDMS enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
 - Coordinate and share best practices with other Regional Entities and NERC.
 - Participate in the design, planning and implementation of ERO Centralized Applications.
 - Continue maturing a Security Awareness Program that addresses, through education and training, social vulnerabilities that pose threats to Texas RE systems.
 - Train and support Texas RE staff on software and applications.
 - Continue to develop and test failover and disaster recovery methods for all Texas RE systems.
 - Improve the usability and functionality of Texas RE's website and implement an extranet site.

FTEs are increasing by 1.0.

Consulting fees and contracts are decreasing 28.2% due to significant improvements in Disaster Recovery capabilities eliminating the need for offsite tape vaulting.

Human Resources

The Texas RE Human Resource (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources related databases and ensures compliance with all federal and state requirements.

2016 Key Assumptions

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

2016 Goals and Key Deliverables

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.

Personnel expenses are reported under G&A beginning in 2016.

Consulting services and contracts are increasing significantly in 2016 due to a compensation study and a potential custom Regional Entity salary survey.

Finance and Accounting

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

2016 Key Assumptions

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to Directors, Finance and Audit Committee and the Board of Directors.

2016 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, managers, and the Texas RE Board.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

FTEs are decreasing by 1.0. The FTE has been reallocated to G&A.

No consulting support and contracts are budgeted for 2016, which is consistent with the 2015 budget.

Administrative Services

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 Department Section and with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & 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					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,562,394	\$ 1,562,394	\$ -	\$ 1,611,847	\$ 49,454
Payroll Taxes	141,679	141,679	-	116,213	(25,466)
Benefits	290,809	290,809	-	293,639	2,830
Retirement Costs	214,889	214,889	-	219,218	4,329
Total Personnel Expenses	<u>\$ 2,209,770</u>	<u>\$ 2,209,770</u>	<u>\$ -</u>	<u>\$ 2,240,917</u>	<u>\$ 31,147</u>
Meeting and Travel Expenses					
Meetings	\$ 12,826	\$ 12,826	\$ -	\$ 17,450	\$ 4,624
Travel	130,502	130,502	-	124,323	(6,179)
Conference Calls	3,640	3,640	-	-	(3,640)
Total Meeting & Travel Expenses	<u>\$ 146,968</u>	<u>\$ 146,968</u>	<u>\$ -</u>	<u>\$ 141,773</u>	<u>\$ (5,195)</u>
Operating Expenses					
Consultants & Contracts	\$ 109,000	\$ 109,000	\$ -	\$ 181,096	\$ 72,096
Office Rent	427,080	427,080	-	489,557	62,477
Office Costs	623,030	623,030	-	612,562	(10,468)
Professional Services	635,240	635,240	-	514,500	(120,740)
Depreciation	212,740	212,740	-	159,033	(53,707)
Total Operating Expenses	<u>\$ 2,007,090</u>	<u>\$ 2,007,090</u>	<u>\$ -</u>	<u>\$ 1,956,748</u>	<u>\$ (50,342)</u>
Total Direct Expenses	<u>\$ 4,363,828</u>	<u>\$ 4,363,828</u>	<u>\$ -</u>	<u>\$ 4,339,438</u>	<u>\$ (24,390)</u>
Indirect Expenses	<u>\$ (4,363,828)</u>	<u>\$ (4,363,828)</u>	<u>\$ -</u>	<u>\$ (4,339,438)</u>	<u>\$ 24,390</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Change in Assets	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Fixed Assets					
Depreciation	(212,740)	(212,740)	-	(159,033)	53,707
Computer & Software CapEx	43,680	43,680	-	44,000	320
Allocation of Fixed Assets	169,060	\$ 169,060	-	115,033	(54,027)
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>

Approved by the Texas RE Board of Directors , 2015

Section B – Supplemental Financial Information

2016 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	5,254,312
Plus: 2015 Funding (from LSEs or designees)	10,983,946
Plus: 2015 Other funding sources	33,545
Less: 2015 Projected expenses & capital expenditures	(11,983,701)
Projected Working Capital Reserve (Deficit), December 31, 2015	4,288,102
Desired Working Capital Reserve, December 31, 2016 ¹	2,404,335
Minus: Projected Working Capital Reserve, December 31, 2015	(4,288,102)
Minus: adjustment to Cash Reserve, December 31, 2015	-
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(1,883,767)
2016 Expenses and Capital Expenditures	11,782,215
Less: Penalty Sanctions ²	(285,000)
Less: Other Funding Sources	(1,000)
Adjustment to achieve desired Working Capital Reserve	(1,883,767)
2016 NERC Assessment	9,612,448

¹

On _____, 2015, the Finance and Audit Committee of the NERC Board of Trustees approved management's proposed 2016 Business Plan and Budget which included a projected year end working capital reserve of approximately \$2.4M.

² Represents collections on or prior to June 30, 2015.

Explanation of Changes in Reserve Policy from Prior Years

Consistent with its Working Capital and Operating Reserve Policy, Texas RE is retaining its \$2,000,000 cash reserve requirement plus an additional \$400,000 and has obtained a \$500,000 line of credit to ensure it has appropriate liquidity for contingencies.

Approved by the Texas RE Board of Directors _____, 2015

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 9 of the 2016 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2015. The 2016 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2015 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.

All penalties received by June 30, 2015 are detailed in exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; and Training, Education and Operator Certification. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2015	Date Received	Amount Received
	7/3/2014	25,000
	8/21/2014	20,000
	9/3/2014	40,000
	9/19/2014	10,000
	11/10/2014	28,000
	12/22/2014	56,000
	1/9/2015	106,000
Total Penalties Received		<u>\$ 285,000</u>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ -	\$ -	\$ -	-
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 15,045	\$ 15,045	\$ 1,000	\$ (14,045)
Membership Dues	\$ 18,500	\$ 18,500	\$ -	\$ (18,500)
Total	\$ 33,545	\$ 33,545	\$ 1,000	\$ (32,545)
Total Outside Funding	\$ 33,545	\$ 33,545	\$ 1,000	\$ (32,545)

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Texas RE anticipates its investments will earn interest of approximately \$1,000 in 2016. The decrease reflects historical interest income.
- Texas RE will not charge membership dues for 2016, in order to encourage increased membership.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 6,531,781	\$ 6,531,781	\$ 6,749,489	\$ 217,708	3.3%
Total Payroll Taxes	617,840	617,840	496,723	(121,117)	-19.6%
Total Benefits	917,129	917,129	1,075,949	158,819	17.3%
Total Retirement	935,450	935,450	968,077	32,628	3.5%
Total Personnel Costs	\$ 9,002,199	\$ 9,002,199	\$ 9,290,238	\$ 288,038	3.2%
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 108,863	\$ 108,863	\$ 112,491	3,628	3.3%
Payroll Taxes	10,297	10,297	8,279	(2,019)	-19.6%
Benefits	15,285	15,285	17,932	2,647	17.3%
Retirement	15,591	15,591	16,135	544	3.5%
Total Cost per FTE	\$ 150,037	\$ 150,037	\$ 154,837	\$ 4,801	3.2%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Total costs for Texas RE personnel expenses are increasing by 3.2%. Salaries are increasing 3.3% due to anticipated annual merit increases and promotions and to reflect the reassignment of certain full-time equivalents (FTEs) to higher-salary positions. Payroll taxes are decreasing 19.6% to more accurately reflect actual tax costs based on experience. The decrease in taxes is offset by employee benefits, which are increasing 17.3% primarily due to a projected 12% increase in health benefits.
- Total benefits include employee training, relocation, and employee education reimbursement.
- A vacancy rate of 2% is assumed for the 2016 budget.

Table B-5 – Meeting & Travel Expenses

Meeting and Travel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Meetings	\$ 43,726	\$ 43,726	\$ 50,350	\$ 6,624	15.1%
Travel	451,108	451,108	368,115	(82,993)	-18.4%
Conference Calls	13,640	13,640	10,000	(3,640)	-26.7%
	\$ 508,474	\$ 508,474	\$ 428,465	\$ (80,009)	-15.7%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Meeting Expense is increasing due to the anticipated costs of on-site meetings in the new conference room space.
- The ability to hold meetings on-site is reducing travel expense.

Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	176,820	176,820	159,052	(17,768)	-10.0%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	2,250	2,250	2,000	(250)	-11.1%
General and Administrative	47,004	47,004	70,896	23,892	50.8%
Legal and Regulatory	3,000	3,000	3,200	200	6.7%
Information Technology	38,996	38,996	28,000	(10,996)	-28.2%
Human Resources	20,000	20,000	79,000	59,000	295.0%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 288,070	\$ 288,070	\$ 342,148	\$ 54,078	18.8%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Table B-7 – Office Rent

Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 427,080	\$ 427,080	\$ 489,557	\$ 62,477	14.6%
Utilities			-	-	
Maintenance			-	-	
Total Office Rent	\$ 427,080	\$ 427,080	\$ 489,557	\$ 62,477	14.6%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Rent expense is increasing by 14.6%. The increase in rent is due to additional conference space being leased beginning in 2015.
- The rent expense includes utilities.

Table B-8 – Office Costs

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone/Cell Phone	\$ 17,280	\$ 17,280	\$ 24,760	\$ 7,480	43.3%
Internet Expense	140,000	140,000	125,000	(15,000)	-10.7%
Office Supplies	28,779	28,779	49,590	20,811	72.3%
Computer Supplies & Maintenance	31,530	31,530	28,100	(3,430)	-10.9%
Software & Software Maintenance	142,080	142,080	161,020	18,940	13.3%
Subscriptions & Publications	23,300	23,300	34,450	11,150	47.9%
Dues	7,419	7,419	12,350	4,931	66.5%
Postage	535	535	495	(40)	-7.5%
Express Shipping	575	575	575	-	0.0%
Stationary & Office Forms	3,910	3,910	2,200	(1,710)	-43.7%
Equipment Repair/Srv. Contracts	2,000	2,000	5,000	3,000	150.0%
Bank Charges	2,100	2,100	2,313	213	10.1%
Property Taxes	25,200	25,200	15,000	(10,200)	-40.5%
Merchant Credit Card Fee	2,250	2,250	1,454	(796)	-35.4%
IT-Leased Equipment	210,000	210,000	200,000	(10,000)	-4.8%
Total Office Costs	\$ 636,958	\$ 636,958	\$ 662,307	\$ 25,349	3.98%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- All categories in the Office Costs have been adjusted in the 2016 budget to more accurately reflect actual experience, including Telephone/Cell phone and Office supplies. Office Supplies are increasing to cover supplies for the added conference area space.
- Internet Expense is decreasing primarily due to negotiation for cost savings with the telecommunications vendors.
- Software and Software Maintenance increased to cover the cost of licenses and maintenance agreements for ongoing and new software programs. The increase is partially offset by the decrease in Computer Supplies and Maintenance.
- Subscriptions and Publications increased to cover costs for Board of Director meeting package publication software.
- Dues increase is caused by more employees maintaining professional licenses.
- Equipment Repair and Service Contracts is increasing for maintenance on equipment not covered under maintenance agreements.
- Stationery and Office Forms decreased 43.7% to more accurately reflect actual experience.
- Property Taxes decreased primarily due to moving the data center location from the Dallas area to San Antonio.
- Merchant credit card fee decrease is due to negotiating rates for a corporate card for company travel.

Table B-9 – Professional Services

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Board of Director Fees	\$ 351,600	\$ 351,600	\$ 275,000	\$ (76,600)	-21.8%
Accounting & Auditing Fees	88,400	88,400	42,500	(45,900)	-51.9%
Legal Fees	472,000	472,000	31,000	(441,000)	-93.4%
Insurance - Commercial	81,000	81,000	75,000	(6,000)	-7.4%
Professional Services-Other	84,240	84,240	92,000	7,760	9.2%
Total Professional Services	\$ 1,077,240	\$ 1,077,240	\$ 515,500	\$ (561,740)	-52.1%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Fees paid to Independent Board of Directors have been adjusted to reflect actual experience.
- Accounting and Auditing fees are decreasing 51.9%. The decrease is partially due to negotiated rates with the outside auditors, the payroll service, and expense reimbursement and travel agent service. The budget for these fees has been reduced to reflect historical experience.
- Legal Fees are decreasing because the costs for a potential contested case are not included in the 2016 operating budget.
- Commercial Insurance is projected to decrease 7.4% based on an estimate from the broker. Texas RE now has history with an experience rating that allows for better rates.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

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

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- N/A

Table B-12 – Fixed Assets

Fixed Assets	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Depreciation	\$ (212,740)	\$ (212,740)	\$ (159,033)	\$ 53,707	-25.2%
Computer & Software CapEx	43,680	43,680	44,000	320	0.7%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Total Fix Assets	\$ (169,060)	\$ (169,060)	\$ (115,033)	\$ 54,027	-32.0%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Depreciation is decreasing 25.2% due to assets fully depreciating.
- Computer and software equipment is remaining consistent with 2015 budget.

Section B — 2016 Business Plan – Supplemental Financial Information

Table B-13 – 2017 and 2018 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital							
2016 Budget & Projected 2017 and 2018 Budgets							
	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17
Funding							
ERO Funding							
NERC Assessments	\$ 10,012,526	\$ 10,413,027	\$ 400,501	4.00%	\$ 10,829,548	\$ 416,521	3.8%
Penalty Sanctions	285,000	-	(285,000)	-100.00%	-	-	
Total NERC Funding	\$ 10,297,526	\$ 10,413,027	\$ 115,501	1.1%	\$ 10,829,548	\$ 416,521	3.8%
Membership Dues	-	\$ -	-		-	-	
Interest	1,000	1,040	40	4.00%	1,082	42	4.0%
Total Funding (A)	\$ 10,298,526	\$ 10,414,067	\$ 115,541	1.1%	\$ 10,830,630	\$ 416,563	4.0%
Expenses							
Personnel Expenses							
Salaries	\$ 6,350,050	\$ 6,604,052	\$ 254,002	4.0%	\$ 6,868,214	\$ 264,162	4.0%
Payroll Taxes	480,710	499,938	19,228	4.0%	519,936	19,998	4.0%
Benefits	1,032,344	1,073,638	41,294	4.0%	1,116,584	42,946	4.0%
Retirement Costs	909,975	946,374	36,399	4.0%	984,229	37,855	4.0%
Total Personnel Expenses	\$ 8,773,079	\$ 9,124,002	\$ 350,923	4.0%	\$ 9,488,963	\$ 364,960	4.0%
Meeting & Travel Expenses							
Meetings	\$ 50,350	\$ 52,364	\$ 2,014	4.0%	\$ 54,458.56	2,095	4.0%
Travel	368,115	382,840	14,725	4.0%	398,153	15,314	4.0%
Conference Calls	10,000	10,400	400	4.0%	10,816	416	4.0%
Total Meeting & Travel Expenses	\$ 428,465	\$ 445,604	\$ 17,139	4.0%	\$ 463,428	\$ 17,824	4.0%
Operating Expenses							
Consultants & Contracts	\$ 342,148	\$ 355,834	13,686	4.0%	\$ 370,067	14,233	4.0%
Office Rent	489,557	509,139	19,582	4.0%	529,505	20,366	4.0%
Office Costs	672,307	699,199	26,892	4.0%	727,167	27,968	4.0%
Professional Services	515,500	536,120	20,620	4.0%	557,565	21,445	4.0%
Depreciation	159,033	165,394	6,361	4.0%	172,010	6,616	4.0%
Total Operating Expenses	\$ 2,178,545	\$ 2,265,687	\$ 87,142	4.0%	\$ 2,356,314	\$ 90,627	4.0%
Total Direct Expenses	\$ 11,380,089	\$ 11,835,293	\$ 455,204	4.0%	\$ 12,308,705	\$ 473,412	4.0%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 11,380,089	\$ 11,835,293	\$ 455,204	4.0%	\$ 12,308,705	\$ 473,412	4.0%
Change in Assets	\$ (1,081,563)	\$ (1,421,226)	\$ (339,663)	31.4%	\$ (1,478,075)	\$ (56,849)	4.0%
Fixed Assets							
Depreciation	\$ (159,033)	\$ (165,394)	\$ (6,361)	4.0%	\$ (172,010)	\$ (6,616)	4.0%
Computer & Software CapEx	43,680	45,427	1,747	4.0%	47,244	1,817	4.0%
Inc(Dec) in Fixed Assets (C)	\$ (115,353)	\$ (119,967)	\$ (4,614)	4.0%	\$ (124,766)	\$ (56,849)	0.0%
TOTAL BUDGET (=B + C)	\$ 11,264,736	\$ 11,715,326	\$ 450,589	4.0%	\$ 12,183,939	\$ 473,412	4.0%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (966,210)	\$ (1,301,258)	\$ (335,048)	34.7%	\$ (1,353,309)	(52,050)	4.0%
FTEs	60	60	-	0.0%	60	-	-

2017 and 2018 Projection Analysis

- Assumes overall workload will remain consistent; reflects no additional FTEs and an overall expense increase of approximately 4% per year.

Section C – 2016 State (Non-Statutory) Activities 2016 Business Plan and Budget



Section C — 2016 State (Non-Statutory) Business Plan and Budget

State (Non-Statutory) Activities (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	
Direct Expenses	999,100	1,029,073	29,973
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	
Total Funding Requirement	999,100	1,029,073	29,973

State (Non-Statutory) Functional Scope

Texas RE is authorized by Public Utility Commission of Texas (PUCT), and is permitted by NERC, to serve as PUCT’s Reliability Monitor for the ERCOT region. Under the direction of PUCT, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market entities’ compliance with the reliability-related ERCOT Protocols, Operating Guides, and PUCT rules (Regional Rules). Texas RE also monitors the ERCOT Regional Rules creation and modification process and provides technical support to the PUCT regarding proposed reliability-related changes. Texas RE does not perform any enforcement activities related to Regional Rules, but, when needed, provides testimony and technical support to PUCT for its enforcement cases.

Major 2016 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for PUCT in 2016.

2016 State (Non-Statutory) Goals and Objectives

- Appropriately monitor, investigate, and report to PUCT regarding stakeholder compliance with the Regional Rules.
- Review and assess system disturbances for potential violations of ERCOT Regional Rules and report all findings to PUCT.
- Provide technical expertise to PUCT for the review and modification of ERCOT Regional Rules that impact reliability of the BES.
- Provide technical or testimony support as needed to the PUCT for its enforcement of ERCOT Regional Rules violations.

Funding Sources

- State (Non-Statutory) activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT. Texas RE’s total 2016 non-statutory budget and funding is \$1,029,079.
- Total expenses for 2016 are increasing 3% over 2015 .

Personnel Expenses

- State (Non-statutory) personnel are remaining constant at 5 FTEs. Personnel expenses are increasing 16.1%. One FTE will continue to represent the composite of time spent on non-statutory activities by employees who report to statutory and G&A program areas.

Meeting and Travel Expenses

- Meeting and travel is increasing 66.7%. The increase is primarily due to conference calls for meetings. This increase is offset by a decrease in Operating Expenses.

Operating Expenses

- Operating expenses are decreasing 50.3%.

Indirect Expenses

- Costs are being charged directly to the expense line item in 2016, therefore, no indirect expenses are charged.

Section C — 2016 Business Plan – 2016 State (Non-Statutory) Activities

2016 Budget and Projection and 2015 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATE (NON-STATUTORY)					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	-	-		-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
PUCT	\$ 999,100	\$ 999,100		\$ 1,029,073	\$ 29,973
Total Funding (A)	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	\$ 29,973
Expenses					
Personnel Expenses					
Salaries	\$ 600,736	\$ 600,736		\$ 672,103	\$ 71,368
Payroll Taxes	48,624	48,624		51,667	3,043
Benefits	62,841	62,841		106,573	43,732
Retirement Costs	86,607	86,607		97,455	10,848
Total Personnel Expenses	\$ 798,807	\$ 798,807	\$ -	\$ 927,798	\$ 128,991
Meeting and Travel Expenses					
Travel	1,500	1,500		1,500	\$ -
Conference Calls	-	-		1,000	1,000
Total Meeting and Travel Expenses	\$ 1,500	\$ 1,500	\$ -	\$ 2,500	\$ 1,000
Operating Expenses					
Consultants & Contracts	\$ 99,593	\$ 99,593		\$ 22,861	(76,732)
Office Rent	32,146	32,146		50,000	17,854
Office Costs	41,625	41,625		7,220	(34,405)
Professional Services	8,640	8,640		7,140	(1,500)
Depreciation	16,789	16,789		11,553	(5,236)
Total Operating Expenses	\$ 198,793	\$ 198,793	\$ -	\$ 98,774	\$ (100,019)
Total Direct Expenses	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	\$ 29,973
Indirect Expenses	\$ -	\$ -			\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	\$ 29,973
Change in Assets	\$ 0	\$ 0	\$ -	\$ (0)	\$ (0)
Fixed Assets					
Depreciation	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	29,973
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ (0)	\$ (0)

Approved by the Texas RE Board of Directors [REDACTED], 2015

Personnel Analysis

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
STATE (NON-STATUTORY)						
Operational Programs						
State (Non-Statutory)	4.00	4.00	4.00	0.00	4.00	0.00
Total FTEs Operational Programs	4.00	4.00	4.00	0.00	4.00	0.00
Administrative Programs						
G&A	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs Administrative Programs	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs	5.00	5.00	4.00	1.00	5.00	0.00

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

Reserve Analysis — 2015–2016

Texas RE does not have reserves for State (Non-Statutory) activities due to contractual provisions ensuring minimal risk for this funding.

Section D – Supplemental Information

2016 Business Plan and Budget



Section D – Supplemental Information

2016 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)

Statement of Activities and Capital Expenditures by Program 2016 Budget	Total	Statutory Total	State (Non-Statutory) Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 800)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	State (Non-Statutory) Total
Funding														
ERO Funding														
NERC Assessments	9,612,448	9,612,448	-	9,612,448	363,714	7,430,162	1,350,939	467,633	-	-	-	-	-	-
Penalty Sanctions	285,000	285,000	-	285,000	10,784	220,297	40,054	13,865	-	-	-	-	-	-
Total NERC Funding	9,897,448	9,897,448	-	9,897,448	374,498	7,650,459	1,390,993	481,497	-	-	-	-	-	-
PUCT Fees	1,029,073	-	1,029,073	-	-	-	-	-	-	-	-	-	-	1,029,073
Interest	1,000	1,000	-	1,000	38	773	141	49	-	-	-	-	-	-
Total Funding (A)	10,927,521	9,898,448	1,029,073	9,898,448	374,536	7,651,232	1,391,133	481,546	-	-	-	-	-	1,029,073
Expenses														
Personnel Expenses														
Salaries	7,421,592	6,749,489	672,103	6,749,489	208,137	3,825,208	871,652	232,644	529,762	316,836	413,493	-	351,756	672,103
Payroll Taxes	548,390	496,723	51,667	496,723	16,001	279,713	66,974	17,822	32,958	24,349	31,835	-	27,071	51,667
Benefits	1,182,522	1,075,949	106,573	1,075,949	37,853	557,967	135,225	51,265	68,129	41,100	121,048	-	63,363	106,573
Retirement Costs	1,065,532	968,077	97,455	968,077	31,192	556,678	127,401	33,588	62,316	45,941	59,956	-	51,005	97,455
Total Personnel Expenses	10,218,036	9,290,238	927,798	9,290,238	293,183	5,219,566	1,201,251	335,320	693,165	428,227	626,332	-	493,194	927,798
Meeting Expenses														
Meetings	50,350	50,350	-	50,350	-	2,900	-	30,000	4,750	-	3,000	9,700	-	-
Travel	369,615	368,115	1,500	368,115	14,333	146,934	75,825	6,700	84,133	12,200	19,980	4,575	3,435	1,500
Conference Calls	11,000	10,000	1,000	10,000	-	-	-	10,000	-	-	-	-	-	1,000
Total Meeting Expenses	430,965	428,465	2,500	428,465	14,333	149,834	75,825	46,700	88,883	12,200	22,980	14,275	3,435	2,500
Operating Expenses														
Consultants & Contracts	365,009	342,148	22,861	342,148	-	159,052	-	2,000	70,896	3,200	28,000	79,000	-	22,861
Office Rent	539,557	489,557	50,000	489,557	-	-	-	-	489,557	-	-	-	-	50,000
Office Costs	679,527	672,307	7,220	672,307	1,645	15,100	40,860	2,140	106,767	3,165	488,500	5,095	9,035	7,220
Professional Services	522,640	515,500	7,140	515,500	-	1,000	-	-	350,000	30,000	92,000	-	42,500	7,140
Depreciation	170,586	159,033	11,553	159,033	-	-	-	-	159,033	-	-	-	-	11,553
Total Operating Expenses	2,277,319	2,178,545	98,774	2,178,545	1,645	175,152	40,860	4,140	1,176,253	36,365	608,500	84,095	51,535	98,774
Total Direct Expenses	12,926,320	11,897,248	1,029,072	11,897,248	309,161	5,544,552	1,317,936	386,160	1,958,301	476,792	1,257,812	98,370	548,164	1,029,072
Indirect Expenses	-	-	-	-	164,195	3,354,269	609,867	211,108	(1,958,301)	(476,792)	(1,257,812)	(98,370)	(548,164)	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	12,926,320	11,897,248	1,029,073	11,897,248	473,356	8,898,821	1,927,803	597,268	-	-	-	-	-	1,029,072
Change in Assets	(1,998,799)	(1,998,800)	(0)	(1,998,800)	(98,820)	(1,247,588)	(536,670)	(115,722)	-	-	-	-	-	-
Fixed Assets														
Depreciation	(159,033)	(159,033)	-	(159,033)	-	-	-	-	(159,033)	-	-	-	-	-
Computer & Software CapEx	44,000	44,000	-	44,000	-	-	-	-	-	-	44,000	-	-	-
Allocation of Fixed Assets	-	-	-	-	(4,353)	(88,917)	(16,167)	(5,596)	159,033	-	(44,000)	-	-	-
Inc(Dec) in Fixed Assets (C)	(115,033)	(115,033)	-	(115,033)	(4,353)	(88,917)	(16,167)	(5,596)	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	11,782,215	11,782,215	-	11,782,215	469,003	8,809,903	1,911,637	591,672	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(1,883,767)	(1,883,767)	(0)	(1,883,767)	(94,467)	(1,158,671)	(520,503)	(110,125)	-	-	-	-	-	-
FTEs	65.00	60.00	5.00	60.00	1.75	35.75	6.50	2.25	3.00	2.75	5.00	-	3.00	5.00

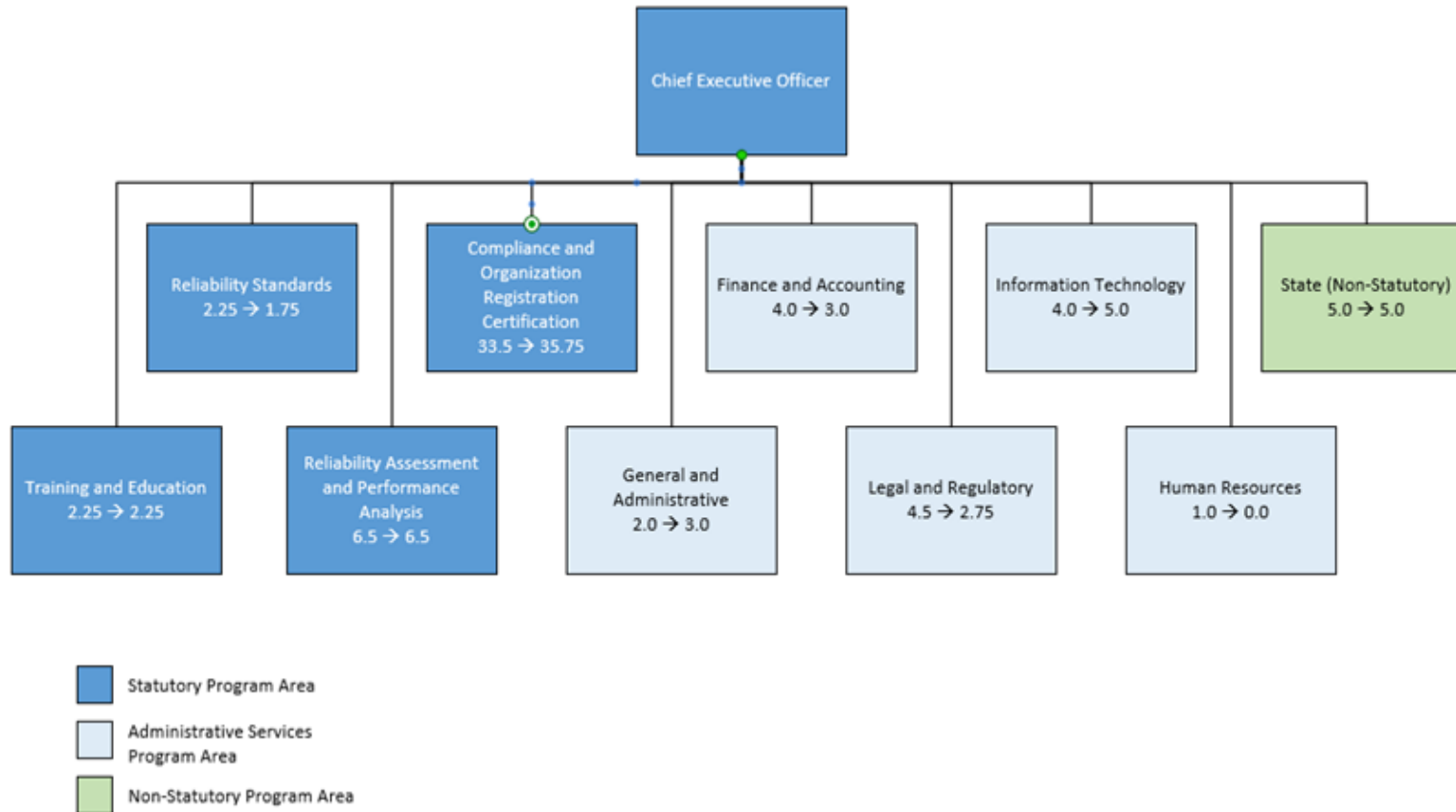
Approved by the Texas RE Board of Directors [REDACTED], 2015

Statement of Financial Position

Statement of Financial Position			
STATUTORY and STATE (NON- STATUTORY)			
	(Per Audit) 31-Dec-14	Projected 31-Dec-15	Budget 31-Dec-16
ASSETS			
Cash	6,811,872	2,000,000	2,404,335
Accounts receivable, net of allowance for uncollecti	-	-	-
Other Receivables	106,000	-	-
Prepaid expenses and other current assets	194,795	194,795	194,795
Security deposit	39,705	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	455,373	296,340	296,340
Total Assets	7,607,745	2,530,840	2,935,175
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	703,901	703,901	703,901
Deferred income/rent	151,133	151,133	151,133
Deferred penalty income	-	-	-
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities			
Accrued incentive compensation			
Total Liabilities	855,034	855,034	855,034
Unrestricted Net Assets			
Undesignated	6,058,379	1,390,806	1,390,806
Regulator designated	694,332	285,000	285,000
Total Net Assets	6,752,711	1,675,806	2,080,141
Total Liabilities and Net Assets	7,607,745	2,530,840	2,935,175

Approved by the Texas RE Board of Directors , 2015

2016 Texas RE Combined Statutory and Non-statutory Organization Chart



Arrow indicates number of FTEs from 2015 to 2016.