



RELIABILITY FIRST

**RELIABILITYFIRST CORPORATION
2017 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS ON
APRIL 25, 2016 FOR STAKEHOLDER COMMENT**

VERSION 1

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Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2017.

	2017 Budget			
	(in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	72.3			
Non-statutory FTEs	-			
Total FTEs	72.3			
Statutory Expenses	\$ 19,995,941			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 19,995,941			
Statutory Inc(Dec) in Fixed Assets	\$ (87,002)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (87,002)			
Statutory Working Capital Requirement	\$ 310,942			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ 310,942			
Total Statutory Funding Requirement	\$ 20,219,881			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 20,219,881			
Statutory Funding Assessments	\$ 19,560,881	\$ 19,560,881		
Non-Statutory Fees	\$ -	\$ -		
NEL (MWH)				
NEL%	100%	100%		

Organizational Overview

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

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

- Promoting effective training and education of personnel and entities.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO in 2017.

Membership and Governance

Members

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

There are currently 60 Members of ReliabilityFirst; 43 are Regular Members with voting rights, 9 are Associate Members, and 8 are Adjunct Members. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the BES. ReliabilityFirst believes that use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong and cost effective approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

Board of Directors

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

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

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

2017 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The *ERO Enterprise 2016-2019 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's 2017 Business Plan and Budget.

2017 Key Deliverables

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

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

2017 Overview of Budget

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2017. Overall, the ReliabilityFirst 2017 budget of \$19,908,939 increased 2.8% over the 2016 budget of \$19,367,209. The 2017 assessment of \$19,560,881 represents a 1% increase over the 2016 assessment of \$19,367,209.

Personnel costs increased by \$582,486, an increase of 3.7% over the 2016 budget. Incorporated into the personnel costs is a 3% general wage increase and a 15% medical premium increase. For 2017, ReliabilityFirst did not include a personnel vacancy rate because the personnel dollars resulting from vacancies are to be used to fund the company's recruitment activities to attract necessary employee candidates, support employee relocation needs, and the use of college interns.

The meetings, operating and fixed asset costs of \$3,552,317 decreased by 1.1% over the 2016 budget of \$3,593,074.

The 2017 assessment represents the actual monies to be collected to fund the total operating expenses of the organization for the calendar year. Based upon an evaluation of projected assessments across multiple years, the 2017 assessment was determined in an effort to stabilize year-upon-year assessment variations.

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2017, which is the same level that existed in 2016. This level of operating reserve is believed to be sufficient for any unbudgeted and unexpected expenditures of the organization, and is consistent with Board Policy.

The board of directors also approved an increase in the working capital reserve. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. However, in an ERO Enterprise wide effort to better manage and stabilize assessments, the working capital reserve has been increased to include additional funds that will be used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. In the 2017 budget, the operating and working capital reserves have been differentiated to enable more granular identification and control in the utilization and monitoring of these funds in the appropriate manner.

Several years ago, NERC and the eight Regional Entities formed an executive management group (known as the ERO EMG) which, among other things, concentrates on developing enterprise-wide applications, thus improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed at NERC. ReliabilityFirst assumes agreed upon ERO Enterprise wide applications will be available and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

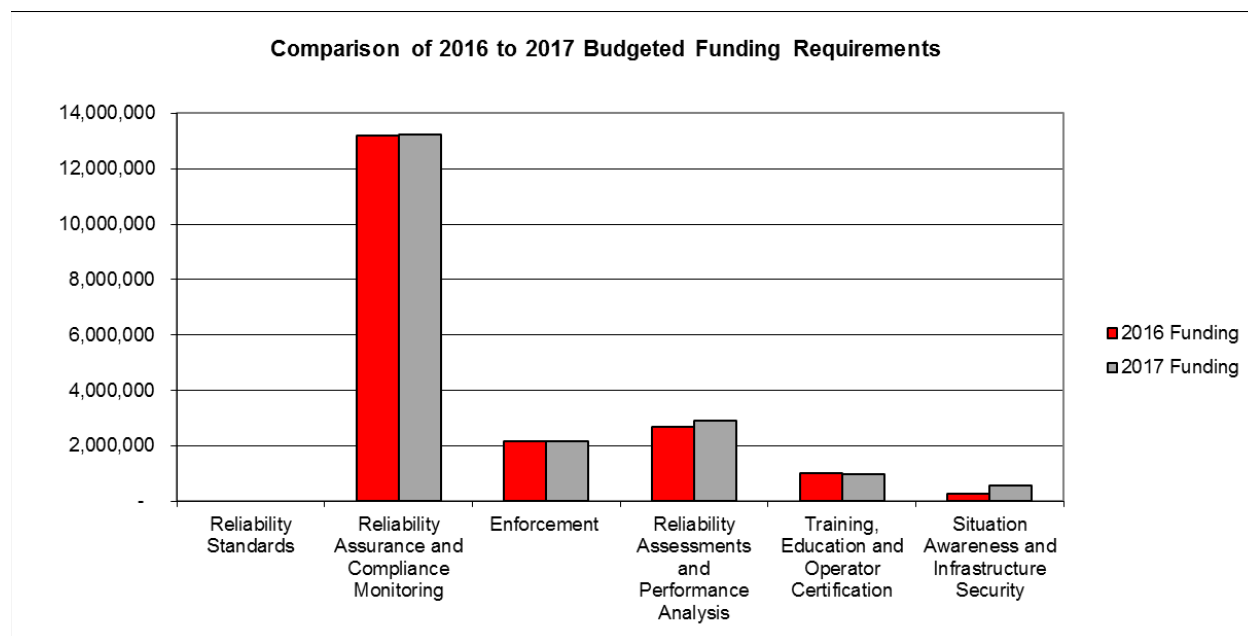
In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the common assumptions referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2017 yielded a requirement of 75.5 Full Time Equivalents (FTEs) in order to fully address the expected workload. Although the manpower analysis indicates a need for 75.5 FTEs, the staffing level incorporated into the 2017 budget includes staffing for 72.3 FTEs, which holds staffing levels stable compared to 2015 and 2016. ReliabilityFirst believes this staffing level is justified due to enhancements being made in many process areas and the maturation of the organization (and the resulting expected efficiency improvements).

Summary of Budget by Program Area

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

Program	Budget 2016	Projection 2016	Budget 2017	Variance	
				2016 Budget v 2017 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability Assurance and Compliance Monitoring	13,198,505	12,838,969	13,238,645	40,140	0.3%
Enforcement	2,182,560	2,164,777	2,183,152	592	0.0%
Reliability Assessments and Performance Analysis	2,697,660	2,731,375	2,925,193	227,533	8.4%
Training, Education and Operator Certification	1,006,097	921,274	975,009	(31,088)	-3.1%
Situation Awareness and Infrastructure Security	282,387	284,111	586,940	304,553	107.8%

2017 Versus 2016 Cost Allocation by Program Summary of Expenses



FTEs by Program Area

Total FTEs by Program Area	Budget 2016	Projection 2016	Total FTEs 2017 Budget	Change from 2016 Budget
STATUTORY				
Operational Programs				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability Assurance and Compliance Monitoring	37.50	36.29	36.50	-1.00
Enforcement	8.25	8.59	8.25	0.00
Reliability Assessment and Performance Analysis	8.35	8.35	8.35	0.00
Training and Education	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	0.50	0.50	1.50	1.00
Total FTEs Operational Programs	57.60	56.73	57.60	0.00
Total FTEs Administrative Programs	14.60	14.70	14.70	0.10
Total FTEs	72.20	71.43	72.30	0.10

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

2016 Budget and Projection and 2017 Budget Comparisons

The following table lists the 2016 budget and projection compared to the 2017 budget.

2016 Budget and Projection, and 2017 Budget					
STATUTORY					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 19,367,209	\$ 19,367,209	\$ -	\$ 19,560,881	\$ 193,672
Penalty Sanctions	748,250	748,250	-	659,000	(89,250)
Total ReliabilityFirst Funding	\$ 20,115,459	\$ 20,115,459	\$ -	\$ 20,219,881	\$ 104,422
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	20,115,459	20,115,459	-	20,219,881	104,422
Expenses					
Personnel Expenses					
Salaries	\$ 11,427,306	\$ 11,222,439	\$ (204,867)	\$ 11,895,781	\$ 468,475
Payroll Taxes	699,888	660,537	(39,351)	705,869	5,981
Benefits	1,786,698	1,671,323	(115,375)	1,805,733	19,035
Retirement Costs	1,860,244	1,793,133	(67,111)	1,949,240	88,996
Total Personnel Expenses	\$ 15,774,136	\$ 15,347,432	\$ (426,704)	\$ 16,356,622	\$ 582,486
Meeting Expenses					
Meetings	\$ 222,750	\$ 222,750	\$ -	\$ 243,490	\$ 20,740
Travel	836,800	836,800	-	765,950	(70,850)
Conference Calls	42,000	42,000	-	49,200	7,200
Total Meeting Expenses	\$ 1,101,550	\$ 1,101,550	\$ -	\$ 1,058,640	\$ (42,910)
Operating Expenses					
Consultants & Contracts	\$ 540,110	\$ 540,110	\$ -	\$ 431,312	\$ (108,798)
Office Rent	534,619	534,619	-	520,176	(14,443)
Office Costs	717,183	717,183	-	759,162	41,979
Professional Services	488,989	488,989	-	471,105	(17,884)
Miscellaneous	34,640	34,640	-	42,422	7,782
Depreciation	352,668	352,668	-	356,502	3,834
Total Operating Expenses	\$ 2,668,209	\$ 2,668,209	\$ -	\$ 2,580,679	\$ (87,530)
Total Direct Expenses	\$ 19,543,895	\$ 19,117,191	\$ (426,704)	\$ 19,995,941	\$ 452,046
Indirect Expenses	\$ -	\$ -	\$ 0	\$ -	\$ -
Other Non-Operating Expenses	\$ 2,482	\$ 2,482	\$ -	\$ -	\$ (2,482)
Total Expenses	\$ 19,546,377	\$ 19,119,673	\$ (426,704)	\$ 19,995,941	\$ 449,564
Change in Assets	\$ 569,082	\$ 995,786	\$ 426,704	\$ 223,940	\$ (345,142)
Fixed Assets					
Depreciation	(352,668)	(352,668)	-	(356,502)	(3,834)
Computer & Software CapEx	133,500	133,500	-	219,500	86,000
Furniture & Fixtures CapEx	40,000	40,000	-	-	(40,000)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	50,000	50,000
	\$ (179,168)	\$ (179,168)	\$ -	\$ (87,002)	\$ 92,166
Allocation of Fixed Assets	-	-	0	-	-
Inc/(Dec) in Fixed Assets	\$ (179,168)	\$ (179,168)	\$ 0	\$ (87,002)	\$ 92,166
Total Budget	\$ 19,367,209	\$ 18,940,505	\$ (426,704)	\$ 19,908,939	\$ 541,730
Change in Working Capital	\$ 748,251	\$ 1,174,954	\$ 426,704	\$ 310,942	\$ (437,308)

ReliabilityFirst 2017 Business Plan and Budget

Approved by Board of Directors for Stakeholder Comment, April 25, 2016

Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

ReliabilityFirst may develop Regional Reliability Standards as deemed necessary. ReliabilityFirst Standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional difference or a regional difference necessitated by a physical difference in the BES.

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

2017 Key Assumptions

The Reliability Standards Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document.

Consistent with its approach in 2015 and 2016, ReliabilityFirst has reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program, due to decreased activity in the Standards Program. In the unanticipated instance that ReliabilityFirst needs to develop a new Regional Reliability Standard or regional criteria in 2017, ReliabilityFirst will temporarily redeploy the necessary resources from the existing Reliability Assurance and Compliance Monitoring Program and Reliability Assessment and Performance Analysis Program.

2017 Key Deliverables

- Although none are anticipated, submit to NERC, and subsequently file with FERC any new Regional Reliability Standards that:
 - May be needed to support revised NERC Reliability Standards.
 - May address reliability gaps not currently covered by NERC Reliability Standards.

- Although none are anticipated, submit to ReliabilityFirst Board any new regional criteria that:
 - Addresses issues not within the scope of NERC Reliability Standards.
 - Promotes more consistent implementation of a NERC Reliability Standard within the Region.
- Initiate and coordinate revisions to Regional Reliability Standards or regional criteria in any stage of development to align with NERC and FERC requirements.
 - Support for enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards using the Enhanced Periodic Review template.
 - Support for ERO activities necessary to incorporate Regional Reliability Standards into continent-wide standards as appropriate as the continent-wide Reliability Standards are reviewed through the Enhanced Periodic Review process.
 - Retire Regional Reliability Standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.
- Review and provide feedback on potential Regional concerns associated with NERC Reliability Standards and RSAWs under development.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year. As explained in the 2017 Key Assumptions, in the unanticipated instance that ReliabilityFirst needs to develop a Regional Reliability Standard or regional criteria, ReliabilityFirst will temporarily allocate the necessary resources from the Reliability Assurance and Compliance Monitoring and Reliability Assessment and Performance Analysis Programs.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Compliance Monitoring and Enforcement, and Organization Registration and Certification Program

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	45.75	44.75	(1.00)
Direct Expenses	\$ 11,009,462	\$ 10,987,785	\$ (21,677)
Indirect Expenses	\$ 4,517,711	\$ 4,518,559	\$ 848
Inc(Dec) in Fixed Assets	\$ (146,108)	\$ (84,548)	\$ 61,560
Total Funding Requirement	\$ 15,381,065	\$ 15,421,797	\$ 40,732

Program Scope and Functional Description

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

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

The Reliability Assurance group performs various activities to drive continuous improvement; to assess risk; and scope compliance monitoring and enforcement activities in accordance with risk. These activities, discussed in further detail in the Reliability Assurance section, include: (1) conducting Inherent Risk Assessments to determine the scope and frequency of compliance monitoring activities for an entity; (2) conducting Internal Controls Evaluations to drive continuous improvement and to further refine the scope and frequency of compliance monitoring, based upon the maturity of an entity's internal controls; (3) developing lessons learned and identifying key trends to share with the industry; (4) performing registration and certification activities; and (5) conducting risk assessments and supporting mitigation plan activities associated with noncompliances (e.g., reviewing proposed mitigation plans, accepting those that contain effective corrective and preventative actions, and verifying their completion to ensure the entity has returned to compliance).

The Compliance Monitoring group monitors compliance to the NERC Reliability Standards (Reliability Standards) across 227 registered owners, operators, and users of the BES through a variety of risk-based activities. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, investigations, and the assessment of complaints.

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

Major activities for the Reliability Assurance, Compliance Monitoring, and Enforcement groups during 2017 include the continued implementation of the Risk-Based Compliance Monitoring and Enforcement Program and Risk-Based Registration, and the transition to the CIP Version 5 Standards (CIP V5). These are all joint ERO Enterprise level initiatives that benefit NERC, the Regional Entities, and the entities. ReliabilityFirst will continue to assess resource conditions and will redeploy existing staff, utilize contract resources, or provide a manpower evaluation for additional staffing to provide the resource support which is determined to be necessary to support the implementation of these major activities.

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

Reliability Assurance and Compliance Monitoring (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	37.50	36.50	(1.00)
Direct Expenses	\$ 9,619,253	\$ 9,626,528	\$ 7,275
Indirect Expenses	\$ 3,703,042	\$ 3,685,529	\$ (17,513)
Inc(Dec) in Fixed Assets	\$ (123,790)	\$ (73,412)	\$ 50,378
Total Funding Requirement	\$ 13,198,505	\$ 13,238,645	\$ 40,140

Reliability Assurance

Program Scope and Functional Description

The activities performed by the Reliability Assurance group include: Regional Risk Assessments, Inherent Risk Assessments, Internal Controls Evaluations, assist visits, organization registration and certification activities, mitigation plan acceptance, approval, and verification, reviews of self-logged minimal risk issues, processing and assessment of guided self-certifications and periodic data submittals, the review, analysis and reporting of system disturbances and events, winter preparedness evaluations, risk-harm analysis of noncompliances, risk analytics, the creation of compliance oversight plans and schedules to align monitoring activities with potential risks, the provision of industry training, BES Definition Exception Process and Self-Determined Notification activities, and serving as a technical resource for the Corporation.

2017 Key Assumptions

The Reliability Assurance group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. Inherent Risk Assessment and Internal Controls Evaluation activities are expected to increase with the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program. This implementation includes completing Inherent Risk Assessments for all Registered Entities, implementing refinements to the Internal Controls Evaluation process, and ensuring that compliance oversight plans address emerging risks to reliability and are tailored to the inherent risks posed by specific entities.
2. Monitoring and management of compliance monitoring and enforcement metrics in support of NERC's Strategic Plan and Oversight Program is expected to continue.
3. The BES Definition and Exception Process and Self-Determined Notification processing was mostly implemented in 2015 and 2016, but there may continue to be new submittals in 2017. Resources in the registration area will continue to process BES Exception

Requests, Self-Determined Notifications and answer entity questions related to the revised BES Definition.

4. Entities have expressed a desire to consolidate and where applicable, increase the number of Joint Registration Organizations and Coordinated Functional Registrations. Requests are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance management by registering as a corporate entity. This increase will have a direct impact on the workload associated with registration and certification.
5. The Multi-Regional Registered Entity (MRRE) process expanded in 2016 and is expected to continue maturing in 2017. To date, ReliabilityFirst has been designated Lead Region for ten MRRE Groups encompassing 60 entities, and Affected Region for 13 MRRE Groups encompassing 49 entities. It is anticipated, taking into account ReliabilityFirst's location and impact on the eastern interconnection, that ReliabilityFirst may be designated as the Lead Region for additional MRREs. The expansion of the MRRE program has increased the workload associated with coordinating compliance monitoring and enforcement processes under the MRRE process.
6. Revisions to the registration process in accordance with FERC's Order approving NERC's Risk-Based Registration Initiative may result in registration staff's participation in the NERC-led review panels described in the NERC Rules of Procedure, Appendix 5A, Section III.D.
7. Assist Visits and Internal Controls Evaluations will continue to take place to collaboratively assist an entity's drive for continuous improvement and reliability excellence and its capability in key management practice areas. There was a marked increase in demand for Assist Visits in 2016, most of which focused on the transition to the CIP V5 Standards. This increased demand for Assist Visits, including requests for onsite Assist Visits at the entity's offices, is expected to continue and potentially expand in 2017.
8. There will be an effort to ensure that a specific risk targeted by a particular Reliability Standard is being adequately addressed (i.e., whether the Reliability Standard as written, monitored and enforced for compliance, is effectively mitigating the identified risk.)
9. Work with NERC will continue on the development of educational materials for Registered Entities regarding the Risk-Based Compliance Monitoring and Enforcement Program, Risk-Based Registration, and new and revised Reliability Standards.
10. There will be continued ERO Enterprise-wide collaboration and implementation of consistent risk-based compliance monitoring and enforcement practices.

2017 Key Deliverables

- Process all registration requests and implement the Risk-Based Registration Initiative.
- Process BES Exception Requests and Self-Determined Notification submittals.

- Provide technical assessment of guided self-certifications and periodic data submittals.
- Provide technical subject matter expertise and support for compliance monitoring activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Support the development and integration of advanced analytical capabilities for identifying and determining reliability risks, and conducting various risk assessments (i.e. Regional Risk Assessments, Inherent Risk Assessments, and Risk-Harm Assessments).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Collect and validate data for, review, and analyze system events and disturbances as described in the NERC ERO Event Analysis Process.
- For system events and disturbances, cooperate with NERC and FERC staff and other Regional staff to ensure root causes, corrective actions, lessons learned, and recommendations are identified and shared across the ERO Enterprise and the industry.
- For system events and disturbances, review and make a timely decision regarding whether compliance monitoring, enforcement, or outreach actions need to be undertaken (considering the significance of the event or disturbance and its risk to the BES).
- Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Participate in the recently developed annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold weather, and Summer Preparedness program designed to help ensure the readiness of the transmission system during extreme hot weather.
- Support the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program, with a focus on the ongoing assessment of ReliabilityFirst Regional Risk Elements, and maturation of the Inherent Risk Assessment and Internal Controls Evaluation processes.
- Perform Inherent Risk Assessments of entities in alignment with the ERO Inherent Risk Assessment guide to define the scope, recommended tool (audit, spot check, self-certification, etc.), and frequency of compliance monitoring activities for a given entity.
- Conduct risk harm assessments and develop associated risk statements for all possible non-compliances, to assess the potential risk posed by each noncompliance and inform the proper enforcement action(s).
- Perform mitigation plan activities in an effort to return entities to compliance and prevent reoccurrence by:
 - Reviewing proposed mitigation plans and accepting those that contain effective corrective and preventative actions.

- Communicating with Enforcement and the entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the violation.
- Verifying mitigation plan completion through the evaluation of evidence provided by the entity to demonstrate that agreed to actions have been implemented according to established milestones.
- Conducting outreach activities to help entities move beyond baseline compliance.
- Perform reviews of self-logged noncompliances, submitted quarterly by entities granted logging privileges, to assess the non-compliances and their associated risk determinations and mitigating activities.
- Support the development, training, and outreach for entities to successfully transition to the CIP V5 Standards.
- Perform assist visits, support two regional compliance workshops, and monthly “open” compliance calls.
- Support the NERC Security Review Program, as requested.
- Support the integration and use of the ERO Enterprise Learning Management System.
- Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
- Participate in the ERO Enterprise staff learning development process through the ERO working groups and functional area program leaders.

Resource Requirements

- **Personnel**

A decrease of one FTE is budgeted for this year. This FTE is being reallocated to the Situation Awareness and Infrastructure Security Program in order to support advanced analytic capabilities.

In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff. There is a possible need for additional resources to address an increase in the demand for Assist Visits and Internal Controls Evaluations from Registered Entities as these programs become more fully realized.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to assist in Risk Harm Assessments, Mitigation Plan reviews, and System Event review activities where needed.

Compliance Monitoring

Program Scope and Functional Description

The activities performed by the Compliance Monitoring group to help ensure the reliability, security, and resiliency of the BES include: Operations/Planning and Critical Infrastructure Protection (CIP) audits, guided self-certifications, complaints, investigations, spot checks, and management of Technical Feasibility Exceptions (TFEs). The Compliance Monitoring group also reviews and finalizes compliance oversight plans and serves as a subject matter expert and technical resource for the Corporation.

2017 Key Assumptions

The Compliance Monitoring group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. Assure reliability by monitoring compliance to the Reliability Standards for applicable entities through audits and/or spot checks, using a risk-based approach, ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
2. Pursuant to the Risk-Based Compliance Monitoring and Enforcement Program, all entities will have an Inherent Risk Assessment completed to determine the scope of their engagement. Audits will continue under the on-going schedule to complete the Balancing Authority, Transmission Operator, and Reliability Coordinator audits on a three year cycle. All entities that are registered for other functions will be assessed based upon their Inherent Risk Assessment to determine if their engagement will continue or be delayed. Audit scopes will be determined through an assessment of an entity's risk profile (i.e. the Inherent Risk Assessment and an optional Internal Controls Evaluation). This change is not expected to result in a reduction in resource needs during the 2017 through 2019 timeframe.
3. Perform a Compliance Assessment Review of each system event with special focus and analysis of Category 2 events and above. This analysis is not expected to affect existing resources in either the Operations/Planning or Critical Infrastructure Protection (CIP) areas.
4. The use of spot checks and guided self-certifications, when determined to be the most effective and efficient means to assure significant reliability risks do not exist, are expected to increase as risk-based monitoring is implemented. This should have a minor effect on overall resource requirements, but may require more frequent engagements with entities.
5. ReliabilityFirst will continue to implement the guidance and process steps contained in the ERO Auditor Handbook and Checklist, and other ERO Enterprise tools. ReliabilityFirst will support the training requirements necessary to meet the criteria set forth by the ERO

Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide.

6. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. Through NERC training and other available training courses, ReliabilityFirst will provide the necessary training to continue to provide a credible, skilled, competent, and respected compliance monitoring staff.
7. ReliabilityFirst will continue to seek and implement initiatives to increase efficiencies and productivity. Staff will continue to collaborate with NERC to build an ERO Enterprise-wide audit management tool. This will improve the efficiency of monitoring processes and NERC oversight for all the Regions.
8. The Final FERC Rules approving the CIP V5 Standards have established an effective date of July 1, 2016. There will be an additional workload to provide outreach and training to entities owning Low Impact BES Cyber Systems who are new to the monitoring process; and to all entities on the effective implementation of CIP V5. This additional workload materialized in 2016 and is expected to continue throughout 2017. Existing CIP staff will continue to manage and monitor the impact, which will guide the development of any future resource recommendations.
9. The time required to complete the onsite CIP audit reviews for the CIP V5 Standards includes site and field visits based on the scope of the audit and whether initial evidence is sufficient to substantiate that an entity is compliant. This may add workload to the CIP Monitoring Program in 2017.
10. With FERC approval of CIP V5, the ERO Enterprise continues to evaluate:
 - a. Whether the approved changes in CIP V5 will materially change the amount of time Regional Entities will need to spend on compliance monitoring activities for entities with High, Medium, and Low BES Assets, and BES Cyber Systems, including whether field visits will be required; and
 - b. Whether material changes or additions are going to be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.Results of this evaluation may impact the audit scope, regional resource requirements, and expectations that will need to be factored into future resource recommendations for the budget.
11. The NERC Rules of Procedure Appendix 4D was revised and approved by FERC due to a change in the applicable TFE requirements in the CIP V5 Standards. This will require webCDMS tool updates and internal process modifications. The immediate impact of these required changes is currently being analyzed. ReliabilityFirst will continue to support the TFE program with existing CIP staff and will monitor the impact, which will guide the development of any future resource recommendations.

12. CIP Staff will support ERO and Regional outreach and training efforts including the NERC Security Reliability Program, CIP V5 Small Group Advisory Sessions, ReliabilityFirst CIP V5 Workshops, ReliabilityFirst CIP V5 Focus Group Sessions, and CIP-related Assist Visits.

2017 Key Deliverables

- Manage all compliance activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.
- Conduct thorough and professional compliance audits consistently with all Regions through the incorporation of the Auditor Handbook and Checklist. Audit teams will consist of staff supplemented, when necessary, by independent contractors.
- Prepare and distribute compliance monitoring process reports to NERC and Registered Entities.
- Ensure all auditors receive training and meet all NERC auditor training requirements.
- Provide efficiencies in compliance monitoring processes through continued auditor training and process improvements.
- Support two reliability workshops, monthly "open" compliance calls, CIP V5 Outreach Workshops and training sessions, assist visits (as needed), and provide Registered Entity assistance as required.
- CIP audits will be performed as separate audits from the Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP audits targeted for 2017 is defined below:
 - 9 CIP audits of entities on the three year cycle (onsite).
 - These audits will be conducted on larger entities with High, Medium, and Low impact BES Cyber Systems.
 - 14 CIP audits of entities historically on the six year cycle (on-site or offsite).
 - These audits will be conducted on smaller entities with Medium and Low impact BES Cyber Systems and may require on-site visits as new assets will be in scope.
- The number of Operations/Planning engagements planned for 2017 is defined below and will be based on the entity's Inherent Risk Assessment and risk the entity poses to the BES.
 - 6 audits of entities on the three year cycle (onsite).
 - 42 audits of entities based upon the Inherent Risk Assessment (old six year entities).
 - Participating as Affected Regional Entity on MRRE Spot Checks, Guided Self-Certifications and Audits – to be determined, based upon risk and the entity's compliance oversight program.

- Spot Checks and Guided Self-Certifications will be used to assess performance to selected Reliability Standards when an audit is delayed and on an as-needed basis. Guidance on when a Spot Check or Guided Self-Certification may be appropriate is outlined in the annual CMEP Implementation Plan and will be augmented by ReliabilityFirst's Regional Risk Assessment, Inherent Risk Assessments, and results from compliance monitoring activities that identify emerging risks. Spot Checks and Guided Self-Certifications may also be used to confirm prior self-certifications, self-reports, the status of mitigation plans or agreed-to mitigation activities associated with settlement agreements.
- Manage TFE processing in accordance with the revised NERC Rules of Procedure Appendix 4D modified as a result of the change of applicable requirements under CIP V5.
- Compliance audits of CIP Standards will continue to include the review of Approved and Terminated TFEs. ReliabilityFirst plans to continue incorporating the review of these TFEs into the existing audit review schedule for 2017 and beyond.
- Participate in the 2017 NERC Security Review Program CIP Outreach sessions. The expectation is that NERC will conduct two to three security reviews of entities registered in the ReliabilityFirst region in 2017.
- Support NERC in continuing the training and outreach for Registered Entities to successfully implement the CIP Version 5 standards and Operations/Planning Standards.
- Complete Compliance Assessment Reviews according to the ReliabilityFirst Compliance Assessment process, to determine if there is a need for the initiation of a compliance monitoring process.

Resource Requirements

- **Personnel**

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

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2017 to temporarily supplement staff in the event workload exceeds available resources.

Reliability Assurance and Compliance Monitoring Budget Detail

The following table shows funding sources and related expenses for the Reliability Assurance and Compliance Monitoring section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2016 Budget and Projection, and 2017 Budget					
Reliability Assurance and Compliance Monitoring					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 12,711,363	\$ 12,711,363	\$ -	\$ 12,821,050	\$ 109,687
Penalty Sanctions	487,142	487,142	-	417,595	(69,546)
Total ReliabilityFirst Funding	\$ 13,198,505	\$ 13,198,505	\$ -	\$ 13,238,645	\$ 40,140
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	13,198,505	13,198,505	-	13,238,645	40,140
Expenses					
Personnel Expenses					
Salaries	\$ 6,157,443	\$ 6,000,209	\$ (157,235)	\$ 6,303,496	\$ 146,053
Payroll Taxes	383,693	361,870	(21,823)	374,528	(9,165)
Benefits	924,660	861,407	(63,253)	950,873	26,213
Retirement Costs	963,975	925,560	(38,415)	987,840	23,865
Total Personnel Expenses	\$ 8,429,771	\$ 8,149,046	\$ (280,726)	\$ 8,616,737	\$ 186,966
Meeting Expenses					
Meetings	\$ 21,850	\$ 21,850	\$ -	\$ 18,250	\$ (3,600)
Travel	564,000	564,000	-	513,000	(51,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 585,850	\$ 585,850	\$ -	\$ 531,250	\$ (54,600)
Operating Expenses					
Consultants & Contracts	\$ 243,600	\$ 243,600	\$ -	\$ 152,400	\$ (91,200)
Office Rent	-	-	-	-	-
Office Costs	336,287	336,287	-	297,897	(38,390)
Professional Services	-	-	-	-	-
Miscellaneous	1,400	1,400	-	4,100	2,700
Depreciation	22,345	22,345	-	24,144	1,799
Total Operating Expenses	\$ 603,632	\$ 603,632	\$ -	\$ 478,541	\$ (125,091)
Total Direct Expenses	\$ 9,619,253	\$ 9,338,528	\$ (280,726)	\$ 9,626,528	\$ 7,275
Indirect Expenses	\$ 3,703,042	\$ 3,622,464	\$ (80,578)	\$ 3,685,529	\$ (17,513)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 13,322,295	\$ 12,960,991	\$ (361,304)	\$ 13,312,057	\$ (10,238)
Change in Assets	\$ (123,790)	\$ 237,514	\$ 361,304	\$ (73,412)	\$ 50,378
Fixed Assets					
Depreciation	(22,345)	(22,345)	-	(24,144)	(1,799)
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (22,345)	\$ (22,345)	\$ -	\$ (24,144)	\$ (1,799)
Allocation of Fixed Assets	\$ (101,445)	\$ (99,678)	1,767	\$ (49,268)	\$ 52,177
Inc/(Dec) in Fixed Assets	\$ (123,790)	\$ (122,023)	\$ 1,767	\$ (73,412)	\$ 50,378
Total Budget	\$ 13,198,505	\$ 12,838,969	\$ (359,536)	\$ 13,238,645	\$ 40,140
Total Change in Working Capital	\$ (0)	\$ 359,536	\$ 359,536	\$ -	\$ 0

ReliabilityFirst 2017 Business Plan and Budget

Approved by Board of Directors for Stakeholder Comment, April 25, 2016

Enforcement

	Enforcement (in whole dollars)		
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	8.25	8.25	0.00
Direct Expenses	\$ 1,390,209	\$ 1,361,257	\$ (28,952)
Indirect Expenses	\$ 814,669	\$ 833,031	\$ 18,362
Inc(Dec) in Fixed Assets	\$ (22,318)	\$ (11,136)	\$ 11,182
Total Funding Requirement	\$ 2,182,560	\$ 2,183,152	\$ 592

Program Scope and Functional Description

The Enforcement group performs ReliabilityFirst's delegated function to enforce, where necessary, compliance with the Reliability Standards. This effort involves ensuring that the selected disposition method for any noncompliance is appropriately supported by the record in light of the risk posed by the noncompliance and promotes the desired entity behaviors to enhance reliability.

In the event that a noncompliance is enforced, Enforcement staff is responsible for (1) drafting and negotiating with entities all necessary disposition documents; (2) performing hearings where necessary; (3) ensuring all requisite notices are timely issued; (4) post-filing support and advocacy with NERC and FERC; and (5) ensuring that the record and related disposition documents comply with all applicable (a) FERC orders, rules, and regulations, (b) NERC Rules of Procedures and Appendices, guidance, and ERO-wide program documents, and (c) ReliabilityFirst policies and procedures (collectively, "applicable orders, rules, and procedures"). In the event that a noncompliance is not enforced (e.g., compliance exception or dismissal), Enforcement staff is responsible for (1) drafting all necessary internal disposition reports and external disposition documents and notices; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; and (4) ensuring that the record and related disposition documents comply with all applicable orders, rules, and procedures.

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

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

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

monitoring and managing enforcement metrics in support of NERC's strategic Plan and Oversight Program. Enforcement staff also works with NERC and the other Regions to promote and otherwise ensure collaboration and implementation of consistent enforcement practices focused on higher reliability risks.

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

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

2017 Key Assumptions

The Enforcement group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

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

6. ReliabilityFirst will frequently serve as the lead Region for multi-regional Registered Entities and devote substantial resources to coordinate enforcement work and negotiate acceptable solutions among the Regions.
7. Enforcement staff will continue to work with FERC, NERC, the other Regions, and the industry to shape effective enforcement policies that drive desired behavior and ensure consistency.
8. The number of hearings to be conducted in 2017 is unknown, and therefore no internal or external resources have been budgeted for hearings.

2017 Key Deliverables

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

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Enforcement Budget Detail

The following table shows funding sources and related expenses for the Enforcement section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2016 Budget and Projection, and 2017 Budget					
Enforcement					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,075,389	\$ 2,075,389	\$ -	\$ 2,088,764	\$ 13,375
Penalty Sanctions	107,171	107,171	-	94,388	(12,783)
Total ReliabilityFirst Funding	\$ 2,182,560	\$ 2,182,560	\$ -	\$ 2,183,152	\$ 592
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	2,182,560	2,182,560	-	2,183,152	592
Expenses					
Personnel Expenses					
Salaries	\$ 944,027	\$ 922,770	\$ (21,257)	\$ 962,026	\$ 17,999
Payroll Taxes	67,401	64,639	(2,762)	69,066	1,665
Benefits	173,031	142,729	(30,302)	147,725	(25,306)
Retirement Costs	150,897	145,927	(4,970)	153,346	2,449
Total Personnel Expenses	\$ 1,335,356	\$ 1,276,065	\$ (59,291)	\$ 1,332,163	\$ (3,193)
Meeting Expenses					
Meetings	\$ 5,500	\$ 5,500	\$ -	\$ 1,500	\$ (4,000)
Travel	40,000	40,000	-	17,000	(23,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 45,500	\$ 45,500	\$ -	\$ 18,500	\$ (27,000)
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	8,853	8,853	-	9,694	841
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	900	400
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 9,353	\$ 9,353	\$ -	\$ 10,594	\$ 1,241
Total Direct Expenses	\$ 1,390,209	\$ 1,330,918	\$ (59,291)	\$ 1,361,257	\$ (28,952)
Indirect Expenses	\$ 814,669	\$ 857,453	\$ 42,784	\$ 833,031	\$ 18,362
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,204,878	\$ 2,188,371	\$ (16,507)	\$ 2,194,288	\$ (10,590)
Change in Assets	\$ (22,318)	\$ (5,811)	\$ 16,507	\$ (11,136)	\$ 11,182
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (22,318)	\$ (23,594)	(1,276)	\$ (11,136)	\$ 11,182
Inc/(Dec) in Fixed Assets	\$ (22,318)	\$ (23,594)	\$ (1,276)	\$ (11,136)	\$ 11,182
Total Budget	\$ 2,182,560	\$ 2,164,777	\$ (17,783)	\$ 2,183,152	\$ 592
Total Change in Working Capital	\$ -	\$ 17,783	\$ 17,783	\$ -	\$ 0

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	8.35	8.35	0.00
Direct Expenses	\$ 1,895,704	\$ 2,095,713	\$ 200,009
Indirect Expenses	\$ 824,544	\$ 843,128	\$ 18,584
Inc(Dec) in Fixed Assets	\$ (22,588)	\$ (13,648)	\$ 8,940
Total Funding Requirement	\$ 2,697,660	\$ 2,925,193	\$ 227,533

Program Scope and Functional Description

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

2017 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document for the 2017 budget cycle. There are no additional assumptions unique to the Reliability Assessment and Performance Program.

2017 Key Deliverables

- Assessments of Reliability Performance
 - Perform seasonal (summer and winter) and long term resource adequacy assessments and produce reports.
 - Perform seasonal (summer and winter) transmission assessment studies, near-term (1 through 5 years into the future) and long-term (5 through 10 years into the future) transmission assessments, and produce reports.
 - Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's short-term, long-term, and post-seasonal operational reports.
 - Provide technical support for the ERO's expanded and enhanced system studies and help perform analyses as needed.
 - Work with neighboring Regional Entities within the Eastern Interconnection Reliability Assessment Group (ERAG) to perform Eastern Interconnection assessment studies and produce reports.

- Update power flow base case models as needed for regional study efforts.
- Reporting Requirements
 - Submit ReliabilityFirst load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
 - Assist NERC in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), and the Misoperation Information Data Analysis System (MIDAS) of protection system misoperations.
 - Assist NERC in the verification and validation of data for the Reliability Assessment Data System (RADS). This project has been created to help automate the data collection, verification, validation, submission, and analysis process for the reliability assessment reports.
- Other Requirements and Activities
 - Publish any lessons learned that are developed from misoperation reporting and other sources.
 - Continue to actively participate in ERAG, which includes the Management Committee, MMWG, and the study groups.
 - Analyze protective relay misoperation information and track corrective action plans, as reported in the NERC MIDAS system. Facilitate a peer review process of this data via the RP Protection Subcommittee.
 - Conduct initial and periodic Special Protection System reviews and maintain a database of regional Special Protection Systems.
 - Conduct under-frequency load shed (UFLS) reviews.
 - Conduct under-voltage load shed (UVLS) reviews.
 - Develop and maintain a linear contingency database for transmission assessment studies.
 - In support of the ERO, actively participate in NERC committees, subcommittees, task forces, and other technical groups, such as the Planning Committee, Operating Committee, and associated subgroups, as well as the ERO-RAPA group.
 - Continue to support stakeholder participation through various regional technical groups. The Reliability Committee is the primary technical advisory body to the ReliabilityFirst Board of Directors. Other technical subcommittees analyze and discuss technical issues related to reliability assessments, disturbance reporting, event analysis, and other technical and assessment related activities. These groups provide a focused technical forum that facilitates: (1) sharing lessons learned; (2) discussing success stories; and (3) addressing relevant technical issues that are pertinent to that group's expertise and work related to the BES.

- Provide the various organizational groups with information and presentations to improve human performance.
- Provide Registered Entities with tailored training through annual workshops.
- Provide knowledge, techniques, and data input in support of the risk-based Regional activities, including the Inherent Risk Assessments and Regional Risk Assessments) efforts.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consulting support is budgeted to produce:

- ERAG steady state and dynamic base case models through the MMWG processes,
- ERAG event analysis process(es) and tools to develop steady state and dynamic models for analyzing system disturbances, and
- ERAG annual assessment studies.

Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2016 Budget and Projection, and 2017 Budget					
Reliability Assessment and Performance Analysis					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,589,189	\$ 2,589,189	\$ -	\$ 2,829,661	\$ 240,472
Penalty Sanctions	108,471	108,471	-	95,532	(12,939)
Total ReliabilityFirst Funding	\$ 2,697,660	\$ 2,697,660	\$ -	\$ 2,925,193	\$ 227,533
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	2,697,660	2,697,660	-	2,925,193	227,533
Expenses					
Personnel Expenses					
Salaries	\$ 1,251,776	\$ 1,277,239	\$ 25,463	\$ 1,358,695	\$ 106,919
Payroll Taxes	80,732	78,443	(2,289)	83,237	2,505
Benefits	133,015	142,473	9,458	153,895	20,880
Retirement Costs	199,898	192,376	(7,522)	216,409	16,511
Total Personnel Expenses	\$ 1,665,421	\$ 1,690,531	\$ 25,110	\$ 1,812,237	\$ 146,816
Meeting Expenses					
Meetings	\$ 11,500	\$ 11,500	\$ -	\$ 18,500	\$ 7,000
Travel	92,500	92,500	-	110,000	17,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 104,000	\$ 104,000	\$ -	\$ 128,500	\$ 24,500
Operating Expenses					
Consultants & Contracts	\$ 91,280	\$ 91,280	\$ -	\$ 110,012	\$ 18,732
Office Rent	-	-	-	-	-
Office Costs	34,883	34,883	-	42,487	7,604
Professional Services	-	-	-	-	-
Miscellaneous	120	120	-	100	(20)
Depreciation	-	-	-	2,377	2,377
Total Operating Expenses	\$ 126,283	\$ 126,283	\$ -	\$ 154,976	\$ 28,693
Total Direct Expenses	\$ 1,895,704	\$ 1,920,814	\$ 25,110	\$ 2,095,713	\$ 200,009
Indirect Expenses	\$ 824,544	\$ 833,496	\$ 8,952	\$ 843,128	\$ 18,584
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,720,248	\$ 2,754,310	\$ 34,062	\$ 2,938,841	\$ 218,593
Change in Assets	\$ (22,588)	\$ (56,650)	\$ (34,062)	\$ (13,648)	\$ 8,940
Fixed Assets					
Depreciation	-	-	-	(2,377)	(2,377)
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ -	\$ -	\$ -	\$ (2,377)	\$ (2,377)
Allocation of Fixed Assets	\$ (22,588)	\$ (22,935)	(347)	\$ (11,271)	\$ 11,317
Inc/(Dec) in Fixed Assets	\$ (22,588)	\$ (22,935)	\$ (347)	\$ (13,648)	\$ 8,940
Total Budget	\$ 2,697,660	\$ 2,731,375	\$ 33,715	\$ 2,925,193	\$ 227,533
Total Change in Working Capital	\$ -	\$ (33,715)	\$ (33,715)	\$ -	\$ 0

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 717,970	\$ 676,138	\$ (41,832)
Indirect Expenses	\$ 296,243	\$ 302,920	\$ 6,677
Inc(Dec) in Fixed Assets	\$ (8,116)	\$ (4,049)	\$ 4,067
Total Funding Requirement	\$ 1,006,097	\$ 975,009	\$ (31,088)

Program Scope and Functional Description

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

2017 Key Assumptions

The Training and Education Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the ReliabilityFirst Training and Education Program.

2017 Key Deliverables

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

- Guidance on the implementation of the Risk-Based Compliance Monitoring and Enforcement Program, including on Inherent Risk Assessments and Internal Controls Evaluations
 - Identification of common root causes of Reliability Standards violations.
 - Efforts to better prepare entities for compliance audits and enforcement activities.
 - Open compliance and enforcement calls that cover a span of compliance, CIP V5 transition and enforcement related topics.
 - Increased focus on any lessons learned or trends identified from reliability assessments.
- Industry Workshops
 - Continue workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders. Workshops to be conducted in 2017 include:
 - Two Reliability workshops (spring and fall) to promote a culture of reliability focusing on security, resiliency, risk management, and targeted discussion on methods to demonstrate compliance.
 - Open forums to provide insight into new Reliability Standards developed and approved by the industry, changes in the Compliance Monitoring and Enforcement Program, Critical Infrastructure Protection issues, or other topics requested by entities.
 - CIP V5 Standards Seminar to provide insight into the evolution of these Standards and to provide a forum for entities to share thoughts, problems, and solutions.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Training, Education, and Operator Certification Program Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2016 Budget and Projection, and 2017 Budget					
Training, Education, and Operator Certification Program					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 967,126	\$ 967,126	\$ -	\$ 940,686	\$ (26,440)
Penalty Sanctions	38,971	38,971	-	34,323	(4,648)
Total ReliabilityFirst Funding	\$ 1,006,097	\$ 1,006,097	\$ -	\$ 975,009	\$ (31,088)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	1,006,097	1,006,097	-	975,009	(31,088)
Expenses					
Personnel Expenses					
Salaries	\$ 444,686	\$ 379,321	\$ (65,365)	\$ 390,401	\$ (54,285)
Payroll Taxes	31,103	27,130	(3,973)	27,842	(3,261)
Benefits	58,287	52,486	(5,801)	58,311	24
Retirement Costs	70,894	58,117	(12,777)	62,184	(8,710)
Total Personnel Expenses	\$ 604,970	\$ 517,054	\$ (87,916)	\$ 538,738	\$ (66,232)
Meeting Expenses					
Meetings	\$ 105,000	\$ 105,000	\$ -	\$ 135,000	\$ 30,000
Travel	8,000	8,000	-	-	(8,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 113,000	\$ 113,000	\$ -	\$ 135,000	\$ 22,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	2,400	2,400
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 2,400	\$ 2,400
Total Direct Expenses	\$ 717,970	\$ 630,054	\$ (87,916)	\$ 676,138	\$ (41,832)
Indirect Expenses	\$ 296,243	\$ 299,460	\$ 3,217	\$ 302,920	\$ 6,677
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,014,213	\$ 929,514	\$ (84,699)	\$ 979,058	\$ (35,155)
Change in Assets	\$ (8,116)	\$ 76,583	\$ 84,699	\$ (4,049)	\$ 4,067
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (8,116)	\$ (8,240)	(124)	\$ (4,049)	\$ 4,067
Inc/(Dec) in Fixed Assets	\$ (8,116)	\$ (8,240)	\$ (124)	\$ (4,049)	\$ 4,067
Total Budget	\$ 1,006,097	\$ 921,274	\$ (84,823)	\$ 975,009	\$ (31,088)
Total Change in Working Capital	\$ -	\$ 84,823	\$ 84,823	\$ -	\$ (0)

ReliabilityFirst 2017 Business Plan and Budget

Approved by Board of Directors for Stakeholder Comment, April 25, 2016

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	0.50	1.50	1.00
Direct Expenses	\$ 235,369	\$ 420,237	\$ 184,868
Indirect Expenses	\$ 49,374	\$ 151,460	\$ 102,086
Inc(Dec) in Fixed Assets	\$ (2,356)	\$ 15,243	\$ 17,599
Total Funding Requirement	\$ 282,387	\$ 586,940	\$ 304,553

Program Scope and Functional Description

In support of the ERO, Situation Awareness and Infrastructure Security staff, in coordination with members of the Reliability Assessment and Performance Analysis and Reliability Assurance groups, monitors present conditions on, and emerging threats to, the BES.

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

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

2017 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document, and includes the following regional assumption:

1. National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and Data Acquisition, and information technology assets. ReliabilityFirst will participate in these exercises as appropriate.
2. ReliabilityFirst Situation Awareness and Infrastructure Security staff will monitor projects related to grid resilience and security such as the Cyber Resilient Energy Delivery Consortium. Staff will participate in these projects as appropriate, incorporate lessons learned from these projects into ReliabilityFirst's tools and processes, and share lessons learned with entities as appropriate.

2017 Key Deliverables

- Support of the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC)
 - The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the Region. Situation Awareness and Infrastructure Security staff will support the CIPC through the scheduling and facilitation of CIPC meetings and webinars and the dissemination of messages, alerts, and warnings from NERC, the Electricity Information Sharing and Analysis Center (E-ISAC), and the U.S. Department of Homeland Security (U.S. DHS) to the CIPC as permitted. Staff will also work to encourage and support sharing of information between entities and the E-ISAC.
- Support/Oversee ReliabilityFirst Staff Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-011)
 - ReliabilityFirst is committed to complying with the intent of the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security staff will provide training, guidance, and oversight to the staff, particularly the Information Technology staff, in achieving compliance to these Standards.
- Provide Information on CIP-Related Issues
 - This activity involves dissemination of information to entities from agencies such as the E-ISAC, the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.
 - Situation Awareness and Infrastructure Security staff will work with other members of the NERC CIPC and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience and will promote the use of this messaging system for exchange of security-related information.
- Monitor the Health of the BES
 - The use of situation awareness tools by staff has been evolving over the last few years. Situation Awareness and Infrastructure Security staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and uses the SAFNRv2 displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such, will use tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to SAFNR Version 2, to monitor the health of the BES within the ReliabilityFirst geographical area. In addition to the tools just mentioned, ReliabilityFirst will investigate other tools for monitoring the grid.
- Facilitate the ReliabilityFirst Threats and Vulnerabilities Team

- In early 2014, ReliabilityFirst created a cross-functional team of subject matter experts to monitor, quantify, and assess new and emerging threats to the BES. The team continues to mature the tools and techniques used to perform this activity in support of the Reliability Assurance program. In 2017, the team will enhance its ability to collect and analyze data in order to better identify and quantify emerging threats to the BES and to provide additional input to the ReliabilityFirst Regional Risk Assessment program. An Indications Analysis Tool used to quantify threats will be assessed for applicability to the work of the Threats and Vulnerabilities Team.
- Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office
 - A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets.
 - A disaster recovery plan deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout.
 - A pandemic plan focuses on business continuity in the face of a declared pandemic.
- Assist stakeholders in complying with CIP Standards
 - As the NERC Cyber Security Standards (CIP-002 - CIP-011) and the Physical Security Standard (CIP-014) evolve, entities will continue to monitor and implement revisions to the Standards. Situation Awareness and Infrastructure Security staff will be available to answer questions concerning these Standards and, in coordination with the ReliabilityFirst CIPC, will sponsor/support regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by entities.
- Support the Compliance Monitoring and Enforcement Program
 - Support the activities involving CIP-related issues and events in the Compliance Monitoring and Enforcement program, by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the CIP Standards (CIP-002 - CIP-011).

Resource Requirements

- **Personnel**

One additional FTE was reallocated from the Reliability Assurance and Compliance Monitoring Program this year to support advanced analytic capabilities.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2017 to perform a Social Engineering Assessment.

Situation Awareness and Infrastructure Security Program Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2016 Budget and Projection, and 2017 Budget					
Situation Awareness and Infrastructure Security					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 275,892	\$ 275,892	\$ -	\$ 569,779	\$ 293,887
Penalty Sanctions	6,495	6,495	-	17,161	10,666
Total ReliabilityFirst Funding	\$ 282,387	\$ 282,387	\$ -	\$ 586,940	\$ 304,553
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	282,387	282,387	-	586,940	304,553
Expenses					
Personnel Expenses					
Salaries	\$ 109,593	\$ 110,848	\$ 1,255	\$ 257,959	\$ 148,366
Payroll Taxes	5,717	5,503	(214)	15,692	9,975
Benefits	12,883	12,924	41	32,936	20,053
Retirement Costs	17,448	17,575	127	41,175	23,727
Total Personnel Expenses	\$ 145,641	\$ 146,850	\$ 1,209	\$ 347,762	\$ 202,121
Meeting Expenses					
Meetings	\$ 2,000	\$ 2,000	\$ -	\$ 1,000	\$ (1,000)
Travel	23,000	23,000	-	35,000	12,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 25,000	\$ 25,000	\$ -	\$ 36,000	\$ 11,000
Operating Expenses					
Consultants & Contracts	\$ 60,000	\$ 60,000	\$ -	\$ 25,000	\$ (35,000)
Office Rent	-	-	-	-	-
Office Costs	3,725	3,725	-	3,743	18
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	1,003	1,003	-	7,732	6,729
Total Operating Expenses	\$ 64,728	\$ 64,728	\$ -	\$ 36,475	\$ (28,253)
Total Direct Expenses	\$ 235,369	\$ 236,578	\$ 1,209	\$ 420,237	\$ 184,868
Indirect Expenses	\$ 49,374	\$ 49,910	\$ 536	\$ 151,460	\$ 102,086
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 284,743	\$ 286,487	\$ 1,744	\$ 571,697	\$ 286,954
Change in Assets	\$ (2,356)	\$ (4,100)	\$ (1,744)	\$ 15,243	\$ 17,599
Fixed Assets					
Depreciation	(1,003)	(1,003)	-	(7,732)	(6,729)
Computer Hardware & Software CapEx	-	-	-	25,000	25,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (1,003)	\$ (1,003)	\$ -	\$ 17,268	\$ 18,271
Allocation of Fixed Assets	\$ (1,353)	\$ (1,373)	(20)	(2,025)	(672)
Inc/(Dec) in Fixed Assets	\$ (2,356)	\$ (2,376)	\$ (20)	\$ 15,243	\$ 17,599
Total Budget	\$ 282,387	\$ 284,111	\$ 1,724	\$ 586,940	\$ 304,553
Total Change in Working Capital	\$ -	\$ (1,724)	\$ (1,724)	\$ -	\$ -

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Approved by Board of Directors for Stakeholder Comment, April 25, 2016

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2016 Budget	2017 Budget	Increase (Decrease)	2016 Budget	2017 Budget	Increase (Decrease)
General and Administrative	\$ 2,435,418	\$ 2,452,289	\$ 16,871	3.00	3.00	0.00
Legal and Regulatory	\$ 724,146	\$ 699,004	\$ (25,142)	2.00	2.00	0.00
Information Technology	\$ 1,297,466	\$ 1,418,143	\$ 120,677	5.00	5.00	0.00
Human Resources	\$ 812,803	\$ 865,834	\$ 53,031	3.00	3.00	0.00
Finance and Accounting	\$ 262,219	\$ 303,048	\$ 40,829	1.60	1.70	0.10
Total Administrative Services	\$ 5,532,052	\$ 5,738,319	\$ 206,267	14.60	14.70	0.10

Program Scope and Functional Description

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

Methodology for Allocation of Administrative Services Expenses to Programs

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

Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2016 Budget and Projection, and 2017 Budget					
Administrative Services					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 748,250	\$ 748,250	\$ -	\$ 310,942	\$ (437,308)
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ 748,250	\$ 748,250	\$ -	\$ 310,942	\$ (437,308)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	748,250	748,250	-	310,942	(437,308)
Expenses					
Personnel Expenses					
Salaries	\$ 2,519,781	\$ 2,532,053	\$ 12,272	\$ 2,623,203	\$ 103,422
Payroll Taxes	131,242	122,952	(8,290)	135,504	4,262
Benefits	484,822	459,304	(25,518)	461,992	(22,830)
Retirement Costs	457,132	453,578	(3,554)	488,286	31,154
Total Personnel Expenses	\$ 3,592,977	\$ 3,567,887	\$ (25,090)	\$ 3,708,984	\$ 116,007
Meeting Expenses					
Meetings	\$ 76,900	\$ 76,900	\$ -	\$ 69,240	\$ (7,660)
Travel	109,300	109,300	-	90,950	(18,350)
Conference Calls	42,000	42,000	-	49,200	7,200
Total Meeting Expenses	\$ 228,200	\$ 228,200	\$ -	\$ 209,390	\$ (18,810)
Operating Expenses					
Consultants & Contracts	\$ 145,230	\$ 145,230	\$ -	\$ 143,900	\$ (1,330)
Office Rent	534,619	534,619	-	520,176	(14,443)
Office Costs	333,435	333,435	-	402,941	69,506
Professional Services	488,989	488,989	-	471,105	(17,884)
Miscellaneous	32,620	32,620	-	37,322	4,702
Depreciation	329,320	329,320	-	322,249	(7,071)
Total Operating Expenses	\$ 1,864,213	\$ 1,864,213	\$ -	\$ 1,897,694	\$ 33,481
Total Direct Expenses	\$ 5,685,390	\$ 5,660,300	\$ (25,090)	\$ 5,816,068	\$ 130,678
Indirect Expenses	\$ (5,687,872)	\$ (5,662,782)	\$ 25,090	\$ (5,816,068)	\$ (128,196)
Other Non-Operating Expenses	\$ 2,482	\$ 2,482	\$ -	\$ -	\$ (2,482)
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ (0)
Change in Assets	\$ 748,250	\$ 748,250	\$ -	\$ 310,942	\$ (437,308)
Fixed Assets					
Depreciation	(329,320)	(329,320)	-	(322,249)	7,071
Computer Hardware & Software CapEx	133,500	133,500	-	194,500	61,000
Furniture & Fixtures CapEx	40,000	40,000	-	-	(40,000)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	50,000	50,000
	\$ (155,820)	\$ (155,820)	\$ -	\$ (77,749)	\$ 78,071
Allocation of Fixed Assets	\$ 155,820	\$ 155,820	-	\$ 77,749	\$ (78,071)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ (0)
Total Change in Working Capital	\$ 748,250	\$ 748,250	\$ -	\$ 310,942	\$ (437,308)

General and Administrative

Program Scope and Functional Description

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

2017 Key Assumptions & Deliverables

The General and Administrative Program incorporates the regional specific common business planning assumptions as described in *the ERO Enterprise 2016 – 2019 Shared Business Plan and Budget Assumptions document*. There are no additional assumptions or deliverables unique to the General and Administrative Program.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2017 for leadership training and project management support of the Regional Entity Management Group.

Legal and Regulatory Affairs

Program Scope and Functional Description

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

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

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

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

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

2017 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document, and includes the following regional assumptions:

1. Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.
2. Provide legal support to all other departments to make all necessary regulatory filings with FERC, NERC, and any other applicable regulatory body or agency, as well as support NERC in its efforts to do the same.
3. Continue to lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
4. Continue work to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions, including its leadership role in the implementation of the Regional Consistency Tool and the Multi-Regional Registered Entity program.
5. Continue to lead public communications and outreach, including the ReliabilityFirst website and the issuance of the bimonthly corporate newsletter, reports on key issues facing the corporation and the industry, ReliabilityFirst's annual report, and quarterly reports to the NERC Board of Trustees.
6. Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization. This work includes creating and issuing the Board materials prior to Board meetings, providing legal advice as needed during the Board and Committee meetings, and recording minutes for the Board and Committee meetings.

2017 Key Deliverables

- Support all legal and regulatory needs of the corporation.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Information Technology

Program Scope and Functional Description

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

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

ReliabilityFirst supports the ERO's efforts to implement, operate and maintain software tools supporting common enterprise-wide IT operations. ReliabilityFirst is committed to working collaboratively with NERC and the other regions to minimize duplication of effort and investments, and improve operation 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.

NERC's business plan and budget will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise wide applications. Funding for these applications will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. If implementation of these applications are delayed or otherwise not available as planned, ReliabilityFirst could incur additional costs to conduct operations pending the availability of these applications. ReliabilityFirst assumes agreed upon ERO Enterprise applications will be available and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

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

2017 Key Assumptions

The IT Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document, specifically the support for building and implementing centralized enterprise applications for the ERO. The IT Program includes the following regional assumptions:

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

2017 Key Deliverables

- Perform necessary software upgrades including, but not limited to, the upgrade of various workstation and server applications and targeted server operating systems.
- Perform necessary hardware and software upgrades on phone system to replace aging hardware that is end-of-life.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Continue enhancements of the internal "intranet" website and related applications to further improve employee efficiency and provide better user experience. Focus will continue to be with the Document Management System, Dashboards, and Report Management System.
- Continue the advancement of data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats.
- Continue refinement of security awareness program by providing training documents, questionnaires, simulated exercises, assessment campaigns, and/or seminars on existing workplace vulnerabilities.

- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted for 2017 as needed for network maintenance projects, and document/data management system implementation activities.

Human Resources

Program Scope and Functional Description

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

ReliabilityFirst will maintain its staff of 73 individuals including two part-time positions equaling one (1.3) FTE, which brings the total to an equivalent of 72.3 FTEs. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

2017 Key Assumptions

The Human Resources Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the ReliabilityFirst Human Resources Program.

2017 Key Deliverables

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

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted in 2017 to implement a knowledge capture and management program.

Finance and Accounting

Program Scope and Functional Description

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

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

2017 Key Assumptions

The Finance and Accounting Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2016 - 2019 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the Finance and Accounting Program.

2017 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.
- Provide all ReliabilityFirst program areas, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.
- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting internal controls and standards.
- Participate with NERC on the annual Regional Entity true-up filing.

- In an effort to continuously improve the entire accounting and budgeting process, implement actions to monitor operating expenses at a more granular level with the management staff.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Resource Requirements

Personnel

There is a 0.1 increase in FTEs budgeted in this year, to properly reflect the actual hours being expended to perform the activities in this department.

Contractors and Consultants

No contractors or consultants are budgeted in this year.

Section B – Supplemental Financial Information

Table B-1: Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2016-2017			
STATUTORY			
	<u>Total</u>	<u>Working Capital Reserve</u>	<u>Operating Reserve</u>
Beginning Working Capital, December 31, 2015 Per Audited Financial Statements	4,508,577		
Less: Adjustment for Future Long-Term Liabilities	(1,078,718)		
Less: Temporarily Restricted Funds as of December 31, 2015	(1,200,250)		
Plus: Penalty Funds Released from Restriction January 1, 2016	748,250		
Plus: 2016 ReliabilityFirst Funding (from LSEs or designees)	19,367,209		
Less: 2016 Projected expenses & capital expenditures	(18,940,505)		
Other Adjustments to Reserves ¹	(158,074)		
Projected Working Capital and Operating Reserves, December 31, 2016	<u>3,246,489</u>	<u>2,246,489</u>	<u>1,000,000</u>
Working Capital and Operating Reserves, December 31, 2017	3,399,357	2,399,357	1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2016	(3,246,489)	(2,246,489)	(1,000,000)
Increase/(Decrease) in Assessments to Achieve Working Capital and Operating Reserves	<u>152,868</u>	<u>152,868</u>	<u>0</u>
2017 Expenses and Capital Expenditures	19,908,939		
Less: Penalty Sanctions ²	(659,000)		
Less: Other Funding Sources	0		
Adjustment to achieve Working Capital and Operating Reserves	152,868		
Other Adjustments to Reserve ¹	158,074		
2017 ReliabilityFirst Assessment	<u>19,560,881</u>		

¹ Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

² Represents penalty sanctions collected from July 1, 2015 to June 30, 2016.

Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In an effort to better manage and stabilize assessments, the working capital reserve of \$2,399K will be used to enhance day to day cash flow management of expenditures and provide the capability to stabilize future assessments.

Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On March 3, 2016, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

Table B-2: Penalty Sanctions Received

Penalty Sanctions Received Between July 1, 2015 and June 30, 2016	
Dates Received	Amount Received
7/7/2015	150,000
9/10/2015	30,000
11/17/2015	272,000
Collected July 1, 2015 to December 31, 2015	<u>452,000</u>
3/10/2016	57,000
3/30/2016	150,000
Collected January 1, 2016 to June 30, 2016	<u>207,000</u>
Total	<u>659,000</u>

Penalty monies received between July 1, 2015 and June 30, 2016, are totaled above and are to be used to offset assessments in the 2017 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, 2016 through June 30, 2017 will be used to offset assessments in the 2018 Budget.

Allocation Method

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

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

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget
Interest Income	\$ -	\$ -	\$ -	\$ -
Miscellaneous Income	-	-	-	-
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- No supplemental funding is being budgeted for 2017.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Salaries					
Salaries	\$ 11,381,430	\$ 11,176,563	\$ 11,846,534	\$ 465,104	4.09%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	45,876	45,876	49,247	3,371	7.35%
Total Salaries	\$ 11,427,306	\$ 11,222,439	\$ 11,895,781	\$ 468,475	4.10%
Total Payroll Taxes	\$ 699,888	\$ 660,537	\$ 705,869	\$ 5,981	0.85%
Benefits					
Workers Compensation	\$ 27,000	\$ 27,000	\$ 27,000	\$ -	0.00%
Medical Insurance	1,323,666	1,209,423	1,359,959	36,293	2.74%
Life-LTD Insurance	93,080	91,948	99,989	6,909	7.42%
Education	322,952	322,952	318,784	(4,168)	-1.29%
Relocation	20,000	20,000	-	(20,000)	-100.00%
Total Benefits	\$ 1,786,698	\$ 1,671,323	\$ 1,805,733	\$ 19,035	1.07%
Retirement					
Discretionary 401k Contribution	\$ 1,107,965	\$ 1,081,897	\$ 1,153,587	\$ 45,622	4.12%
Savings Plan	664,779	623,736	692,152	27,373	4.12%
Pension & Savings Admin	87,500	87,500	103,500	16,000	18.29%
Total Retirement	\$ 1,860,244	\$ 1,793,133	\$ 1,949,240	\$ 88,996	4.78%
Total Personnel Costs	\$ 15,774,136	\$ 15,347,432	\$ 16,356,622	\$ 582,486	3.69%
FTEs	72.20	71.43	72.30	0.10	0.14%
Cost per FTE					
Salaries	\$ 158,273	\$ 157,111	\$ 164,534	6,261	3.96%
Payroll Taxes	9,694	9,247	9,763	69	0.72%
Benefits	24,747	23,398	24,976	229	0.93%
Retirement	25,765	25,103	26,960	1,195	4.64%
Total Cost per FTE	\$ 218,478	\$ 214,860	\$ 226,233	\$ 7,754	3.55%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- The changes in **Salaries** within the programs are due to a 3% general wage increase, market adjustments, and promotions.
- The **Payroll Taxes** variance is lower due to an adjustment in the FICA wage base limit.
- The changes in **Medical Insurance** within the programs are due to changes in the medical plan options selected by employees.
- The decrease in **Relocation** is due to the decision to not budget for this expense in 2017, because ReliabilityFirst expects to be fully staffed and anticipates minimal relocation expenses to occur during this time period. If any relocation expenses are incurred, they would be funded by any personnel dollars resulting from vacant positions. This decrease of \$20,000 is reflected in the \$22,830 (4.7%) decrease in Benefits expense in the Administrative Services budget.
- The increase in **Pension & Savings Admin** is due to the administrative costs relating to the management of the company's retirement plans. This increase of \$16,000 is reflected in the \$31,154 (6.8%) increase in Retirement Costs in the Administrative Services budget.

Table B-5: Meeting Expenses

Meeting Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring	585,850	585,850	531,250	(54,600)	-9.32%
Enforcement	45,500	45,500	18,500	(27,000)	-59.34%
Reliability Assessment and Performance Analysis	104,000	104,000	128,500	24,500	23.56%
Training and Education	113,000	113,000	135,000	22,000	19.47%
Situation Awareness and Infrastructure Security	25,000	25,000	36,000	11,000	44.00%
Administrative Services	228,200	228,200	209,390	(18,810)	-8.24%
Total Meeting Expenses	\$ 1,101,550	\$ 1,101,550	\$ 1,058,640	\$ (42,910)	-3.90%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- The increase in **Training and Education** is due to the costs associated with the semiannual Reliability Workshops and an additional workshop for substation personnel.
- The increase in **Situation Awareness and Infrastructure Security** is due to the additional travel expected to support the development of advanced analytic capabilities.
- The variances in the **Reliability Assurance and Compliance Monitoring, Enforcement, Reliability Assessment and Performance Analysis and Administrative Services Programs** are a result of considering historical averages along with future travel expectations and assumptions.

Table B-6: Consultants and Contracts

Contractors	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Reliability Assurance and Compliance Monitoring Enforcement	243,600	243,600	152,400	(91,200)	-37.44%
Reliability Assessment and Performance Analysis Training and Education	91,280	91,280	110,012	18,732	20.52%
Situation Awareness and Infrastructure Security Administrative Services	60,000	60,000	25,000	(35,000)	-58.33%
	145,230	145,230	143,900	(1,330)	-0.92%
Contractors Total	\$ 540,110	\$ 540,110	\$ 431,312	\$ (108,798)	-20.14%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- The decrease in **Reliability Assurance and Compliance Monitoring** is due to the process improvements and efficiency gains that are being achieved from implementing risk based compliance monitoring, resulting in less need for contractor services.
- The increase in **Reliability Assessment and Performance Analysis** is due to the additional assessments and studies projected by the ERAG Management Committee.
- The decrease in **Situational Awareness and Infrastructure Security** is due to the cost for the social engineering assessment that is planned in 2017, which is less than the cost of the vulnerability and penetration testing that was planned in 2016.

Table B-7: Office Rent

Office Rent	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Office Rent	\$ 437,530	\$ 437,530	437,530	\$ -	0.00%
Data Center Rent	63,789	63,789	63,789	-	0.00%
Utilities	33,300	33,300	18,858	(14,442)	-43.37%
	-	-	-	-	-
Total Office Rent	\$ 534,619	\$ 534,619	\$ 520,177	\$ (14,442)	-2.70%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- The decrease in **Utilities** is due to actual lower monthly operating expenses than were anticipated with the new office.

Table B-8: Office Costs

Office Costs	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Telephone	\$ 76,993	\$ 76,993	\$ 82,915	\$ 5,922	7.69%
Internet	35,369	35,369	37,061	1,692	4.78%
Office Supplies	51,797	51,797	25,530	(26,267)	-50.71%
Computer Supplies and Maintenance	502,913	502,913	552,449	49,536	9.85%
Publications & Subscriptions	14,940	14,940	15,719	779	5.21%
Dues	15,377	15,377	20,403	5,026	32.69%
Postage	2,180	2,180	1,382	(798)	-36.61%
Express Shipping	850	850	-	(850)	-100.00%
Copying	14,040	14,040	15,204	1,164	8.29%
Reports	600	600	-	(600)	-100.00%
Stationary Forms	544	544	20	(524)	-96.32%
Equipment Repair/Service Contracts	980	980	7,880	6,900	704.08%
Bank Charges	600	600	600	-	0.00%
Total Office Costs	\$ 717,183	\$ 717,183	\$ 759,162	\$ 41,979	5.85%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- The decrease in **Office Supplies** is due to the cost to replace the employees' desk chairs that was included in the 2016 budget.
- The increase in **Computer Supplies and Maintenance** is due to the following program variances.
 - The decrease in the **Reliability Assurance and Compliance Monitoring Program** is due to the anticipated reduction in change orders for the third party audit management tool.
 - The increase in the **Reliability Assessment and Performance Analysis Program** is due to an increase in the annual maintenance fee for the engineering software tool.
 - The increase in the **Training, Education, and Operator Certification Program** is due to an annual fee associated with an audience response system that would allow the audience to interact with the presenter during the semiannual Reliability Workshops.
 - The increase in the **Administrative Services Program** is due to the extended warranties on computer equipment and an annual fee for a new budgeting tool.

Table B-9: Professional Services

Professional Services	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Independent Trustee Fees	\$ 290,000	\$ 290,000	\$ 304,750	\$ 14,750	5.09%
Outside Legal	62,000	62,000	20,000	(42,000)	-67.74%
Accounting & Auditing Fees	57,989	57,989	65,430	7,441	12.83%
Insurance Commercial	79,000	79,000	80,925	1,925	2.44%
				-	
Total Services	\$ 488,989	\$ 488,989	\$ 471,105	\$ (17,884)	-3.66%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- **Outside Legal** decreased due to the reduction in usage of outside legal support.

Table B-10: Miscellaneous

Miscellaneous Expense	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Miscellaneous	\$ 34,640	\$ 34,640	\$ 42,422	\$ 7,782	22.47%
	-	-	-	-	
Total Miscellaneous Expense	\$ 34,640	\$ 34,640	\$ 42,422	\$ 7,782	22.47%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- The increase in **Miscellaneous** is due to employee wellness activities.

Table B-11: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Interest Expense	\$ 2,483	\$ -	\$ -	\$ (2,483)	-100.00%
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ 2,483	\$ -	\$ -	\$ (2,483)	-100.00%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- There is no **Interest Expense** being budgeted in 2017, due to the payoff of the note payable that was entered into to fund the purchase of laptop computers.

Table B-12: Fixed Assets

Fixed Assets	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Computer Hardware	\$ 103,500	\$ 103,500	\$ 174,500	\$ 71,000	68.60%
Computer Software	30,000	30,000	45,000	15,000	50.00%
Furniture & Fixtures	40,000	40,000	0	(40,000)	-100.00%
Leasehold Improvements	-	-	50,000	50,000	
Total Fixed Assets	\$ 173,500	\$ 173,500	\$ 269,500	\$ 96,000	55.33%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- The increase in **Computer Hardware** is due to the upgrade of the phone system to replace aging hardware that is at end of life and the replacement of the scanner/copier equipment.
- The increase in **Computer Software** is due to the purchase of an analysis tool that will be used to quantify threats.
- The decrease in **Furniture & Fixtures** is due to the completion of furnishing all of the offices with new office furniture. Therefore, new office furniture is no longer a budgeted expense for 2017.
- The increase in **Leasehold Improvements** is due to the plan to upgrade the office restrooms.

Table B-13: 2018 and 2019 Projections

Statement of Activities 2017 and 2018 Projections							
	2017 Budget	2018 Projection	\$ Change 17 v 18	% Change 17 v 18	2019 Projection	\$ Change 17 v 18	% Change 17 v 18
Funding							
ERO Funding							
ERO Assessments	\$ 19,560,881	\$ 19,952,099	\$ 391,218	2.0%	\$ 20,550,662	\$ 598,563	3.0%
Penalty Sanctions	659,000	1,700,000	1,041,000	158%	200,000	(1,500,000)	-88.2%
Total ERO Funding	\$ 20,219,881	\$ 21,652,099	\$ 1,432,218	7.1%	\$ 20,750,662	\$ (901,437)	-4.2%
Membership Dues	\$ -	\$ -	\$ -		\$ -	\$ -	
Federal Grants	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	-	-	-		-	-	
Miscellaneous	-	-	-		-	-	
Total Funding	\$ 20,219,881	\$ 21,652,099	\$ 1,432,218	7.1%	\$ 20,750,662	\$ (901,437)	-4.2%
Expenses							
Personnel Expenses							
Salaries	\$ 11,895,781	\$ 12,252,654	\$ 356,873	3.0%	\$ 12,620,234	\$ 367,580	3.0%
Payroll Taxes	705,869	712,270	6,401	0.9%	720,527	8,257	1.2%
Benefits	1,805,733	2,000,227	194,494	10.8%	2,239,338	239,111	12.0%
Retirement Costs	1,949,240	2,004,611	55,371	2.8%	2,064,750	60,138	3.0%
Total Personnel Expenses	\$ 16,356,622	\$ 16,969,762	\$ 613,141	3.7%	\$ 17,644,849	\$ 675,086	4.0%
Meeting Expenses							
Meetings	\$ 243,490	\$ 245,925	\$ 2,435	1.0%	\$ 248,384	\$ 2,459	1.0%
Travel	765,950	792,758	26,808	3.5%	820,505	27,747	3.5%
Conference Calls	49,200	50,676	1,476	3.0%	52,196	1,520	3.0%
Total Meeting Expenses	\$ 1,058,640	\$ 1,089,359	\$ 30,719	2.9%	\$ 1,121,085	\$ 31,726	2.9%
Operating Expenses							
Consultants & Contracts	\$ 431,312	\$ 444,251	\$ 12,939	3.0%	\$ 457,579	\$ 13,328	3.0%
Office Rent	520,176	525,378	5,202	1.0%	530,632	5,254	1.0%
Office Costs	759,162	774,345	15,183	2.0%	789,832	15,487	2.0%
Professional Services	471,105	475,816	4,711	1.0%	480,574	4,758	1.0%
Miscellaneous	42,422	42,846	424	1.0%	43,275	428	1.0%
Depreciation	356,502	356,502	-	0.0%	356,502	-	0.0%
Total Operating Expenses	2,580,679	2,619,139	38,460	1.5%	2,658,394	39,255	1.5%
Total Direct Expenses	\$ 19,995,941	\$ 20,678,260	\$ 682,319	3.4%	\$ 21,424,328	\$ 746,067	3.6%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 19,995,941	\$ 20,678,260	\$ 682,319	3.4%	\$ 21,424,328	\$ 746,067	3.6%
Change in Assets	\$ 223,940	\$ 973,839	\$ 749,898	334.9%	\$ (673,666)	\$ (1,647,504)	-169.2%
Fixed Assets							
Depreciation	\$ (356,502)	\$ (356,502)	\$ -	0.0%	\$ (356,502)	\$ -	0.0%
Computer & Software CapEx	219,500	219,500	-	0.0%	250,000	30,500	13.9%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	50,000	50,000	-	0.0%	-	(50,000)	-100.0%
	\$ (87,002)	\$ (87,002)	\$ -	0.0%	\$ (106,502)	\$ (19,500)	22.4%
Allocation of Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -	
Inc/(Dec) in Fixed Assets	\$ (87,002)	\$ (87,002)	\$ -	0.0%	\$ (106,502)	\$ (19,500)	22.4%
Total Budget	\$ 19,908,939	\$ 20,591,258	\$ 682,319	3.4%	\$ 21,317,826	\$ 726,567	3.5%
Change in Working Capital	\$ 310,942	\$ 1,060,841	\$ 749,898	241.2%	\$ (567,164)	\$ (1,628,004)	-153.5%

Explanation of 2018 and 2019 Projections

ReliabilityFirst projected budget increases for 2018 and 2019. The projected range for 2018 is 3.4% to 6.2%; and the projected range for 2019 is 3.5% to 4.9%. ReliabilityFirst identified a range for its 2018 and 2019 projections to reflect both its baseline projections (the lower end of the range) and its projections of significant at-risk initiatives (the higher end of the range).

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

Additional Staffing

- To advance the Reliability Assurance Program, ReliabilityFirst projects that a resource investment may be needed to increase regional staffing to yield significant savings for stakeholders. This staffing increase is intended to effectively reduce and otherwise shift the current administrative burden from the stakeholders to ReliabilityFirst. The staffing increase is intended to position ReliabilityFirst to perform meaningful internal control evaluations, entity development, risk management and outreach activities, and ensure ReliabilityFirst's activities are focused on reliability. The need for additional staffing will be solely driven by and dependent on demand for optional voluntary outreach, assist visits, CIP V5 activities, risk and reliability activities, and internal control/management practice evaluations.

Fixed Asset Additions

- With the accumulation of significant amounts of documentation and data, the present documentation management tools need to be updated to assure improved controls, improved configuration management, and advanced data mining capabilities.
- Risk analytics and management software will enable more robust risk assessment capability in support of Reliability Assurance activities.
- Personal Computers will be required to be replaced across 2018 and 2019.

The following is a breakdown of the projected budget ranges for 2018 and 2019.

2018 Lower Range: 3.4%

- Personnel Expense: 3.7%
 - Salary Increase: 3%
 - Medical/Dental Premiums: 15%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.5%

2018 Higher Range Increase to Address At-Risk Initiatives: 6.2%

- Personnel Expense: 5.9%
 - Salary Increase: 3%
 - Medical/Dental Premiums: 15%/8%
 - Hire 2 FTEs: CIP
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.5%
- Fixed Asset Additions:
 - Document/Data Management Application: \$100,000
 - Personal Computers: \$100,000

2019 Lower Range: 3.5%

- Personnel Expense: 4%
 - Salary Increase: 3%
 - Medical/Dental/Vision Premiums: 15%/8%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.5%

2019 Higher Range Increase to Address At-Risk Initiatives: 4.9%

- Personnel Expense: 5.4%
 - Salary Increase: 3%
 - Medical/Dental/Vision Premiums: 15%/8%/8%
 - Hire 1 FTE: CIP
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.5%
- Fixed Asset Additions:
 - Risk Management Software: \$75,000

Notes:

1. 2018 projections are based on 2017 budget.
2. 2019 lower range projection is based on the 2018 lower range.
3. 2019 higher range projection includes the two FTEs proposed in 2018 higher range.

Section C – Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2016 and the organization does not intend to perform any functions outside its ERO delegated activities in 2017, therefore Section C is not applicable.

**Section D – Additional Consolidated Financial
Statements**



2017 Consolidated Statement of Activities by Program

	Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance and Compliance Monitoring	Enforcement	Reliability Assessment and Performance Analysis (Section 900)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ReliabilityFirst Funding													
ReliabilityFirst Assessments	19,560,881	19,560,881	-	12,821,050	2,088,764	2,829,661	940,686	569,779	310,942	-	-	-	-
Penalty Sanctions	659,000	659,000	-	417,595	94,388	95,532	34,323	17,161	-	-	-	-	-
Total ReliabilityFirst Funding	20,219,881	20,219,881	-	13,238,645	2,183,152	2,925,193	975,009	586,940	310,942	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	20,219,881	20,219,881	-	13,238,645	2,183,152	2,925,193	975,009	586,940	310,942	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	11,895,781	11,895,781	-	6,303,496	962,026	1,358,695	390,401	257,959	1,149,321	492,998	568,397	271,765	140,721
Payroll Taxes	705,869	705,869	-	374,528	69,066	83,237	27,842	15,692	37,531	23,075	42,433	20,463	12,002
Benefits	1,805,733	1,805,733	-	950,873	147,725	153,895	58,311	32,936	81,052	37,032	105,228	209,814	28,866
Retirement Costs	1,949,240	1,949,240	-	987,840	153,346	216,409	62,184	41,175	156,067	72,304	90,645	146,791	22,479
Total Personnel Expenses	16,356,622	16,356,622	-	8,616,737	1,332,163	1,812,237	538,738	347,762	1,423,971	625,408	806,703	648,834	204,068
Meeting Expenses													
Meetings	243,490	243,490	-	18,250	1,500	18,500	135,000	1,000	43,500	1,200	1,200	23,340	-
Travel	765,950	765,950	-	513,000	17,000	110,000	-	35,000	38,000	35,000	11,000	3,950	3,000
Conference Calls	49,200	49,200	-	-	-	-	-	-	-	-	49,200	-	-
Total Meeting Expenses	1,058,640	1,058,640	-	531,250	18,500	128,500	135,000	36,000	81,500	36,200	61,400	27,290	3,000
Operating Expenses													
Consultants & Contracts	431,312	431,312	-	152,400	-	110,012	-	25,000	55,800	-	20,000	68,100	-
Office Rent	520,176	520,176	-	-	-	-	-	-	456,387	-	63,789	-	-
Office Costs	759,162	759,162	-	297,897	9,694	42,487	2,400	3,743	68,799	17,396	267,710	3,655	45,381
Professional Services	471,105	471,105	-	-	-	100	-	-	304,750	20,000	-	95,755	50,600
Miscellaneous	42,422	42,422	-	4,100	900	-	-	-	11,082	-	-	4,040	-
Depreciation	356,502	356,502	-	24,144	-	2,377	-	7,732	171,601	-	150,848	-	-
Total Operating Expenses	2,580,679	2,580,679	-	478,541	10,594	154,976	2,400	36,475	1,068,419	37,396	506,187	189,710	95,981
Total Direct Expenses	19,995,941	19,995,941	-	9,626,528	1,361,257	2,095,713	676,138	420,237	2,573,890	699,004	1,374,291	865,834	303,048
Indirect Expenses	0	0	-	3,685,529	833,031	843,128	302,920	151,460	(2,573,890)	(699,004)	(1,374,291)	(865,834)	(303,048)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	19,995,941	19,995,941	-	13,312,057	2,194,288	2,938,841	979,058	571,697	-	-	-	-	-
Change in Assets	223,940	223,940	-	(73,412)	(11,136)	(13,648)	(4,049)	15,243	310,942	-	-	-	-
Fixed Assets													
Depreciation	(356,502)	(356,502)	-	(24,144)	-	(2,377)	-	(7,732)	(171,601)	-	(150,848)	-	-
Computer & Software CapEx	219,500	219,500	-	-	-	-	-	25,000	-	-	194,500	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	-	-	-	-	-	50,000	-	-	-	-
	(87,002)	(87,002)	-	(24,144)	-	(2,377)	-	17,268	(121,601)	-	43,852	-	-
Allocation of Fixed Assets	-	-	-	(49,268)	(11,136)	(11,271)	(4,049)	(2,025)	121,601	-	(43,852)	-	-
Inc/(Dec) Fixed Assets	(87,002)	(87,002)	-	(73,412)	(11,136)	(13,648)	(4,049)	15,243	-	-	-	-	-
Total Budget	19,908,939	19,908,939	-	13,238,645	2,183,152	2,925,193	975,009	586,940	-	-	-	-	-
Change in Working Capital	310,942	310,942	-	-	-	-	-	-	310,942	-	-	-	-
FTEs	72.30	72.30	-	36.50	8.25	8.35	3.00	1.50	3.00	2.00	5.00	3.00	1.70

Statement of Financial Position

Statement of Financial Position 2015 Audited, 2016 Projection, and 2017 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-15	Projected 31-Dec-16	Budget 31-Dec-17
ASSETS			
Cash	7,891,836	8,780,710	9,195,232
Accounts receivable, net of allowance for uncollec	38,748	-	-
Lease Incentives	-	-	-
Prepaid expenses and other current assets	139,052	139,052	139,052
Property and equipment	2,408,392	2,229,224	2,142,222
Total Assets	10,478,028	11,148,986	11,476,507
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	148,880	148,880	148,880
Accrued expenses	3,412,179	3,412,179	3,412,179
Notes Payable	-	-	-
Deferred Revenue	-	-	-
Total Current Liabilities	3,561,059	3,561,059	3,561,059
Long Term Liabilities			
Accrued expenses	473,172	749,812	417,523
Deferred Revenue	350,000	350,000	350,000
Deferred Rent	2,370,701	2,215,231	2,048,567
Total Long Term Liabilities	3,193,873	3,315,043	2,816,090
Net Assets - unrestricted	2,522,847	1,913,885	3,399,357
Net Assets - restricted	1,200,250	2,359,000	1,700,000
Total Liabilities and Net Assets	10,478,028	11,148,987	11,476,506

Appendix A – Organization Chart

