



**RELIABILITY FIRST**

**RELIABILITYFIRST CORPORATION  
2020 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS  
APRIL 24, 2019**

**VERSION 1**

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## Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2020.

	2020 Budget			
	(in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	79.35			
Non-statutory FTEs	-			
<b>Total FTEs</b>	79.35			
Statutory Expenses	\$ 23,260,862			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 23,260,862			
Statutory Inc(Dec) in Fixed Assets	\$ 390,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 390,000			
Statutory Working Capital Requirement	\$ (1,054,613)			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ (1,054,613)			
Total Statutory Funding Requirement	\$ 22,596,250			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 22,596,250			
<b>Statutory Funding Assessments</b>	\$ 22,318,623	\$ 22,318,623	\$ -	\$ -
<b>Non-Statutory Fees</b>	\$ -	\$ -	\$ -	\$ -
NEL (MWH)	-	-	-	-
NEL%	0%	0%	0%	0%

## 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 include:

- Active participation in the development of North American Reliability Standards for the Bulk Electric System (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, resiliency, security, and risks 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 2020.

## **Membership and Governance**

### **Members**

ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. 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 (an Associate Member is an affiliate or related party of a Regular Member, and an Adjunct Member is an entity that does not qualify to join an Industry Sector but has been approved for membership).

There are currently 58 Members of ReliabilityFirst; 42 are Regular Members with voting rights, 6 are Associate Members, and 10 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, security, and resiliency of the BES. ReliabilityFirst believes that partnering with industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a cost effective approach 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.

## 2020 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of strategic and operating objectives developed jointly by NERC and the Regional Entities. These strategic and operating objectives are set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.<sup>1</sup>

## 2020 Key Deliverables

- Promote a culture that addresses reliability risks across the ReliabilityFirst Region and the ERO Enterprise.
  - 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 risks to reliability in the ReliabilityFirst Region.
  - Identify, understand, and prioritize risks based on reliability impacts, projected resources, and emerging issues.
  - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to define reliability, resiliency, and security related 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 identified risks and addresses them promptly and effectively.
  - Facilitate information sharing among the industry, Regions, ERO, and government.
  - Work with the ERO to track industry accountability for critical reliability recommendations.
- Communicate reliability risks.
  - Communicate identified and prioritized risks and mitigation strategies to the ERO Enterprise, across the ReliabilityFirst footprint, and/or to targeted entities, as appropriate.

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<sup>1</sup> See, [ERO Enterprise Long-Term Strategy](#) and [ERO Enterprise Operating Plan](#).

- Share staff expertise and leverage the expertise of ReliabilityFirst entities to advance industry practices surrounding risk identification, mitigation, and prevention.
- Promote a culture of reliability excellence, and facilitate and encourage continuous improvement through training and education.
- Ensure useful and reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among entities.
- Serve as a leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair compliance monitoring and 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.
  - 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.

## **2020 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 2020. Overall, the ReliabilityFirst 2020 budget of \$23,650,862 increased 4.4% over the 2019 budget of \$22,648,458. The 2020 assessment of \$22,318,623 represents a 5% increase over the 2019 assessment of \$21,255,831.

Personnel costs increased by \$800,531, an increase of 4.2% over the 2019 budget. Incorporated into the personnel costs are 1.15 additional Full Time Equivalents (FTE's), a 3% general wage increase, and an increased focus on training and education. For 2020, ReliabilityFirst did not include a personnel vacancy rate because the corporation has operated with a turnover rate well below 5% for the last several years. Any remaining personnel dollars resulting from vacancies could be used to fund the company's recruitment activities to attract necessary employee candidates.

The meetings, operating and fixed asset costs of \$3,782,109 increased by 5.6% over the 2019 budget of \$3,580,236. The increase was primarily the result of office modifications, which are necessary as the growth and needs of the organization continue to grow. After five years in our present facility we have identified the need to more efficiently utilize the office footprint to facilitate

the increased number of in office staff versus telecommuters, while maximizing utilization of the entire office space for the necessary support activities

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2020, which is the same level that existed in 2019. 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 ReliabilityFirst Board also approved a decrease in the working capital reserve. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In concert with the ERO Enterprise wide effort to better manage and stabilize assessments, the working capital reserve is used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. 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.

The executive management group for NERC and the Regional Entities (known as the ERO EMG) concentrates on various initiatives to improve efficiency and consistency across NERC and the Regional Entities, including the development of enterprise-wide applications. 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 operating and strategic objectives 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 2020 yielded a requirement of 85.35 FTEs in order to fully address the expected workload.

Although ReliabilityFirst's manpower analysis justifies a need for 85.35 FTEs, its philosophy is to seek and achieve greater efficiencies in its tasks and workload each year. On this basis, ReliabilityFirst believes a staffing level of 79.35, which includes 1.15 additional FTE's, will be sufficient to perform its work. The need for these additional FTE's is described in the Compliance Monitoring, and Finance and Accounting sections below.

ReliabilityFirst will continue to ensure enhancements are being made in many process areas and that the maturation of the organization will continue to result in expected efficiency improvements.

Beginning with the 2020 Business Plan & Budget, NERC and the Regions are implementing format revisions to the Statement of Activities report. These revisions are intended to ensure that NERC and the Regions report information consistently from new accounting standards (e.g., leasing standards and right-of-use assets), and streamline sections of the report related to non-cash expenses (primarily depreciation and amortization). The goal of the new format is to improve the effectiveness of the report to the reader and to provide a total budget amount that more closely reflects the amount of annual revenues required from assessments and other funding sources.



One of the format revisions is that the report will no longer show an expense item for depreciation and an equal and offsetting credit for depreciation in fixed asset activity (which resulted in depreciation having no impact on funding requirements or actual results).

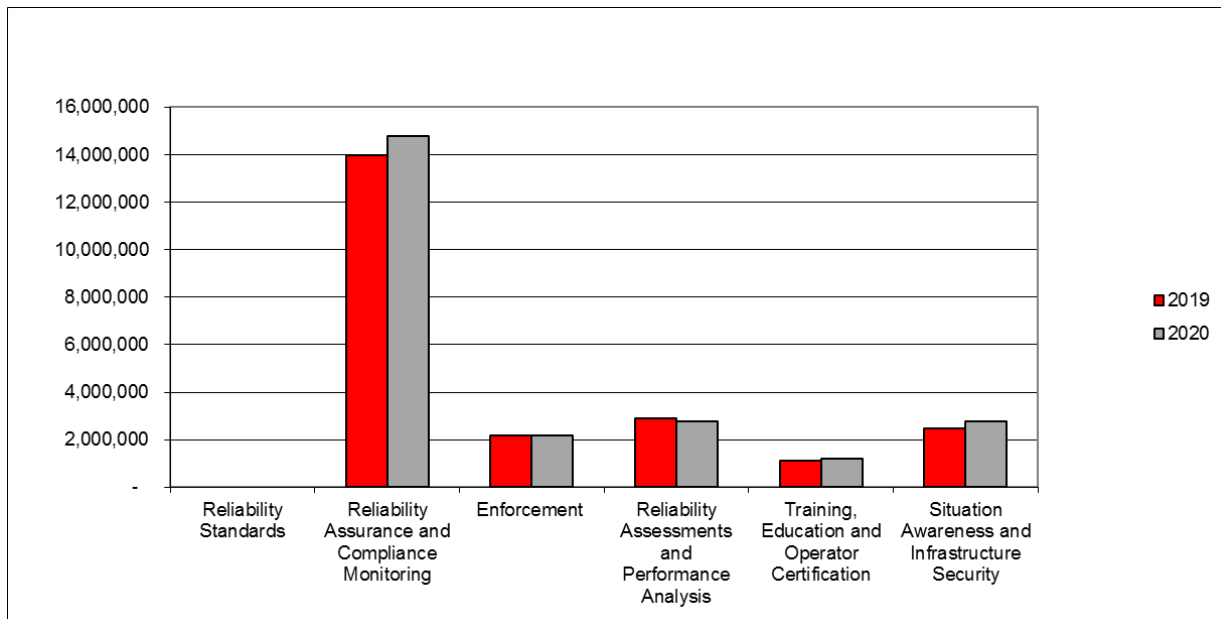
In the 2020 Business Plan & Budget document, the 2019 budget has been restated to reflect the new statement of activities reporting format when comparing 2020 to 2019 to show the year-over-year budget changes on a comparable basis. As such, in the total entity and departmental Statements of Activities, depreciation expense has been removed from the 2019 operating expense budgets and projections, and an equal credit of depreciation expense has been removed from the 2019 fixed asset activity budgets and projections.

## Summary of Budget by Program Area

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

Program	Budget 2019	Projection 2019	Budget 2020	Variance	
				2019 Budget v 2020 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability Assurance and Compliance Monitoring	13,973,637	13,973,637	14,782,833	809,196	5.8%
Enforcement	2,189,755	2,189,755	2,163,084	(26,671)	-1.2%
Reliability Assessments and Performance Analysis	2,909,104	2,909,104	2,759,295	(149,809)	-5.1%
Training, Education and Operator Certification	1,110,836	1,110,836	1,182,027	71,191	6.4%
Situation Awareness and Infrastructure Security	2,465,125	2,465,125	2,763,623	298,498	12.1%
<b>Total</b>	<b>22,648,458</b>	<b>22,648,458</b>	<b>23,650,862</b>	<b>1,002,404</b>	<b>4.4%</b>

## 2019 Versus 2020 Cost Allocation by Program Summary of Expenses



## FTEs by Program Area

	2019 Budget	2020 Budget	Change from 2019 Budget
<b>Total FTEs by Program Area</b>			
<b>STATUTORY</b>			
<b>Operational Programs</b>			
Reliability Standards	0.00	0.00	0.00
Reliability Assurance and Compliance Monitoring Enforcement	37.00	38.00	1.00
Reliability Assessment and Performance Analysis	7.00	7.00	0.00
Training and Education	7.60	6.60	-1.00
Situation Awareness and Infrastructure Security	3.00	3.00	0.00
	7.00	8.00	1.00
<b>Total FTEs Operational Programs</b>	<b>61.60</b>	<b>62.60</b>	<b>1.00</b>
<b>Administrative Programs</b>			
General & Administrative	3.00	3.00	0.00
Legal and Regulatory Affairs	3.00	3.00	0.00
Information Technology	6.00	6.00	0.00
Human Resources	2.00	2.00	0.00
Finance and Accounting	2.60	2.75	0.15
<b>Total FTEs Administrative Programs</b>	<b>16.60</b>	<b>16.75</b>	<b>0.15</b>
<b>Total FTEs</b>	<b>78.20</b>	<b>79.35</b>	<b>1.15</b>

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

## 2019 Budget and Projection and 2020 Budget Comparisons

The following table lists the 2019 budget and projection compared to the 2020 budget.

<b>2019 Budget and Projection, and 2020 Budget</b>					
<b>STATUTORY</b>					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2019 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ReliabilityFirst Assessments	\$ 21,255,831	\$ 21,255,831	\$ -	\$ 22,318,623	\$ 1,062,792
Penalty Sanctions	327,215	327,215	-	227,627	(99,588)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 21,583,046</b>	<b>\$ 21,583,046</b>	<b>\$ -</b>	<b>\$ 22,546,250</b>	<b>\$ 963,204</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	50,000	50,000	-	50,000	-
Miscellaneous Income	-	-	-	-	-
<b>Total Funding</b>	<b>21,633,046</b>	<b>21,633,046</b>	<b>-</b>	<b>22,596,250</b>	<b>963,204</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 13,701,387	\$ 13,701,387	\$ -	\$ 14,189,608	\$ 488,221
Payroll Taxes	807,085	807,085	-	846,791	39,705
Benefits	2,307,002	2,307,002	-	2,493,602	186,601
Retirement Costs	2,252,748	2,252,748	-	2,338,753	86,005
<b>Total Personnel Expenses</b>	<b>\$ 19,068,222</b>	<b>\$ 19,068,222</b>	<b>\$ -</b>	<b>\$ 19,868,754</b>	<b>\$ 800,531</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 366,400	\$ 366,400	\$ -	\$ 377,140	\$ 10,740
Travel	678,600	678,600	-	697,919	19,319
<b>Total Meeting Expenses</b>	<b>\$ 1,045,000</b>	<b>\$ 1,045,000</b>	<b>\$ -</b>	<b>\$ 1,075,059</b>	<b>\$ 30,059</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 528,612	\$ 528,612	\$ -	\$ 481,115	\$ (47,497)
Office Rent	521,086	521,086	-	539,292	18,206
Office Costs	815,130	815,130	-	810,400	(4,730)
Professional Services	423,522	423,522	-	442,483	18,961
Miscellaneous	43,886	43,886	-	43,759	(127)
<b>Total Operating Expenses</b>	<b>\$ 2,332,236</b>	<b>\$ 2,332,236</b>	<b>\$ -</b>	<b>\$ 2,317,049</b>	<b>\$ (15,186)</b>
<b>Total Direct Expenses</b>	<b>\$ 22,445,458</b>	<b>\$ 22,445,458</b>	<b>\$ -</b>	<b>\$ 23,260,862</b>	<b>\$ 815,404</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 22,445,458</b>	<b>\$ 22,445,458</b>	<b>\$ -</b>	<b>\$ 23,260,862</b>	<b>\$ 815,404</b>
<b>Change in Assets</b>	<b>\$ (812,412)</b>	<b>\$ (812,412)</b>	<b>\$ -</b>	<b>\$ (664,613)</b>	<b>\$ 147,799</b>
<b>Fixed Asset Additions</b>	<b>203,000</b>	<b>203,000</b>	<b>-</b>	<b>390,000</b>	<b>187,000</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 203,000</b>	<b>\$ 203,000</b>	<b>\$ -</b>	<b>\$ 390,000</b>	<b>\$ 187,000</b>
<b>Total Budget</b>	<b>\$ 22,648,458</b>	<b>\$ 22,648,458</b>	<b>\$ -</b>	<b>\$ 23,650,862</b>	<b>\$ 1,002,404</b>
<b>Change in Working Capital</b>	<b>\$ (1,015,412)</b>	<b>\$ (1,015,412)</b>	<b>\$ -</b>	<b>\$ (1,054,613)</b>	<b>\$ (39,201)</b>
FTEs	78.20	78.20	-	79.35	1.15

## **Section A: Statutory Programs**

## Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>Increase (Decrease)</b>
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 provides input to the NERC Reliability Standards development process to help ensure the Standards adequately mitigate the risks they are intended to address, particularly those risks facing the ReliabilityFirst footprint, as well as help identify, evaluate and promote the amendment of Reliability Standards to ensure their efficiency, efficacy and appropriateness. ReliabilityFirst may develop Regional Reliability Standards as necessary. Regional Reliability Standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional matter that the NERC Reliability Standard does not, or a regional difference necessitated by a physical difference in the BES.

ReliabilityFirst may also develop regional criteria, which 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. Regional criteria are developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

### 2020 Key Assumptions

The Reliability Standards Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

ReliabilityFirst previously 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 Reliability Standards Program. If any Reliability Standard or regional criteria needs to be developed, resources will be temporarily redeployed from the existing Reliability Assurance and Compliance Monitoring and Reliability Assessment and Performance Analysis Programs.

### 2020 Key Deliverables

- Review and provide feedback on potential reliability, security, resiliency, or efficiency concerns associated with existing NERC Reliability Standards and Reliability Standard Audit Worksheets and those under development.

- 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 the ReliabilityFirst Board any new regional criteria that:
  - Address issues not within the scope of NERC Reliability Standards.
  - Promote 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 enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards.
  - Support ERO activities necessary to incorporate Regional Reliability Standards into continent-wide Standards.
  - Retire Regional Reliability Standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.

### **Resource Requirements**

- **Personnel**

No personnel are budgeted in this year.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

## Compliance Monitoring and Enforcement, and Organization Registration and Certification Program

<b>Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	44.00	45.00	1.00
Direct Expenses	\$ 11,264,889	\$ 11,792,051	\$ 527,162
Indirect Expenses	\$ 4,752,075	\$ 4,870,703	\$ 118,629
Inc(Dec) in Fixed Assets	\$ 146,429	\$ 283,163	\$ 136,734
Total Funding Requirement	\$ 16,163,392	\$ 16,945,917	\$ 782,525

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Program performs a variety of risk-based and dynamic activities to identify, communicate, and mitigate reliability, security and resiliency risks facing the ReliabilityFirst footprint. To achieve maximum effectiveness and consistency, ReliabilityFirst has delineated the responsibility to execute the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program among three coordinated groups: Reliability Assurance, Compliance Monitoring, and Enforcement.

The Reliability Assurance group performs activities to drive continuous improvement, 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 assess the risk posed by each entity and help determine the initial scope of compliance monitoring activities; (2) conducting Internal Controls Evaluations and Management Practice Appraisals to drive continuous improvement and refine the scope of compliance monitoring activities based upon the maturity of the entity's internal controls; (3) conducting industry training and education; (4) developing lessons learned and identifying key trends to share with the industry; (5) performing registration and certification activities; and (6) conducting risk assessments and supporting mitigation plan activities associated with noncompliances.

The Compliance Monitoring group monitors compliance to the NERC Reliability Standards (Reliability Standards) across ReliabilityFirst's registered owners, operators, and users of the BES through a variety of risk-based activities. These monitoring activities are key to reliability, as they ensure that entities have effective controls in place and are following the requirements of the Reliability Standards. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, guided self-certifications, investigations,



assessing complaints, and assessing system events from a reliability and compliance perspective to identify and ensure the mitigation of potential risks.

The Enforcement group is responsible for performing the 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: (1) clearly communicated; (2) appropriately supported by the record in light of the risk posed by the noncompliance; and (3) promotes the desired entity behavior. The Enforcement group focuses on understanding the risks behind each noncompliance and how to effectively mitigate those risks, as well as sending the appropriate message to the noncompliant entity and the broader regulated community (whether deterrent-driven for undesired behavior or incentive-driven for desired behavior).

Major activities for the Reliability Assurance, Compliance Monitoring, and Enforcement groups include the continued implementation of the Risk-Based Compliance Monitoring and Enforcement Program, and efforts connected to the transition to the CIP Version 5 Standards (CIP V5) and future revisions. These are joint ERO Enterprise level initiatives that benefit NERC, the Regional Entities, and the Registered Entities.

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.

<b>Reliability Assurance and Compliance Monitoring</b> (in whole dollars)			
	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	37.00	38.00	1.00
Direct Expenses	\$ 9,849,668	\$ 10,429,124	\$ 579,456
Indirect Expenses	\$ 3,996,063	\$ 4,113,038	\$ 116,976
Inc(Dec) in Fixed Assets	\$ 127,906	\$ 240,671	\$ 112,765
Total Funding Requirement	\$ 13,973,637	\$ 14,782,833	\$ 809,196

## Reliability Assurance

### Program Scope and Functional Description

The activities performed by the Reliability Assurance group include: Inherent Risk Assessments (identifying risks impacting an entity); Internal Controls Evaluations (evaluating the effectiveness of entity internal controls around specific Standards and Requirements); Management Practice Appraisals (evaluating an entity's capability and maturity level in key management practice areas); and Assist Visits (tailored training centered on the needs of the entity). The group's activities also include organization registration and certification activities; mitigation plan acceptance, approval, and verification; processing and assessment of periodic data submittals; winter preparedness evaluations; risk-harm analysis of non-compliances and participating in the review of self-logged minimal risk issues; assisting in the creation of compliance oversight plans to align monitoring activities with potential risks; providing industry training; BES Definition Exception Process activities; and serving as a technical resource for the Corporation.

### 2020 Key Assumptions

The Reliability Assurance group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. The Reliability Assurance group also includes the following regional assumptions:

1. Inherent Risk Assessment and Internal Controls Evaluation activities are expected to become steady-state activities with the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program. These activities include completing Inherent Risk Assessments and Compliance Oversight Plans for all Registered Entities, implementing refinements to the Internal Controls Evaluation process and conducting Internal Controls Evaluations upon request by an entity, and ensuring that Compliance Oversight Plans address emerging risks to reliability and are tailored to the inherent risks posed by specific entities.
2. The Multi-Regional Registered Entity (MRRE) process expanded in 2019 and is expected to continue maturing in 2020. Presently, ReliabilityFirst serves as Lead Region for 10 MRREs encompassing 46 entities, and Affected Region for 16 MRREs encompassing 20

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 inherent risk assessments, compliance monitoring, and enforcement processes under the MRRE process.

3. In accordance with FERC's Order approving NERC's Risk-Based Registration Initiative, registration staff continues to participate in the NERC-led review panels described in the NERC Rules Of Procedures, Appendix 5A, Section III.D.
4. Assist Visits, Management Practice Appraisals, 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 continued demand for Assist Visits in 2019, most of which continued a focus on the transition to and implementation of the CIP V5 Standards. The demand for Assist Visits, including requests for onsite Assist Visits at entity offices, is expected to continue and potentially expand in 2020.
5. ReliabilityFirst has provided "Extended Assist Visits" in 2018 and 2019, to support entities who have experienced major challenges related to Reliability Standards compliance or program implementation. These Extended Assist Visits require resource commitments beyond a normal Assist Visit, and can consist of multiple meetings and visits to the entity spread over the course of six to twelve months. These Extended Assist Visits are expected to continue in 2020.
6. 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.)
7. 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.
8. There will be continued ERO Enterprise-wide collaboration and implementation of consistent risk-based compliance monitoring and enforcement practices and new tools. In particular, ReliabilityFirst staff resources will be allocated to continue the development, design, testing, training, and implementation of the new ERO Enterprise CMEP Tool, Align.

### **2020 Key Deliverables**

- Process all registration requests and implement the Risk-Based Registration Initiative.
- Process BES Exception Requests submittals.
- Provide technical assessment of periodic data submittals.

- Provide technical subject matter expertise and support for compliance monitoring and enforcement 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, Risk-Harm Assessments, and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Participate in the annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold 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.
- Support development of the annual CMEP implementation Plan with a focus on ERO and Regional Risk Elements and alignment of Areas of Focus.
- Perform Inherent Risk Assessments of entities in alignment with the ERO Guide for Compliance Monitoring to define an initial scope, recommended process (e.g., audit, spot check, guided self-certification), and interval of compliance monitoring activities for a given entity.
- Conduct risk-harm assessments and develop associated risk statements for all possible noncompliances 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 appropriate 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 noncompliance.
  - 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 non-compliances, 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 continue successful transition to the CIP V5 Standards.
- Perform Assist Visits, facilitate and support regional workshops, and support monthly “open” reliability and compliance calls to educate entities on reliability and compliance topics.
- Perform Management Practice Appraisals as requested by entities.
- Using inherent risk assessment and Regional Risk Assessment results, analyze and perform outreach for identified risks related to specific entities or groups of entities.
- Assist entities in the performance of internal controls via new self-assessment tools and processes developed in 2019.
- Support the integration and use of the ERO Enterprise Learning Management System (LMS), and the development and implementation of a new LMS.
- 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.
- Continue the development and implementation of resiliency, risk, and interdependency projects and initiatives started in 2019.

## Resource Requirements

- **Personnel**

As noted above in the 2020 Key Assumptions, the demand for Assist Visits and Extended Assist Visits is expected to continue and potentially expand in 2020. Additionally, the MRRE process expanded again in 2019 and is expected to continue maturing in 2020. Coordination and workload associated with administering the program has increased in the Inherent Risk Assessments area under the MRRE process.

ReliabilityFirst is not adding FTE’s in this area in 2020, but will monitor this area and will reassess whether to add FTE’s to this area in early 2021. ReliabilityFirst has identified potential imminent retirements in this area and plans are in place to temporarily overlap key personnel who have indicated they are near retirement, to allow for adequate knowledge transfer and training of their successors.

- **Contractors and Consultants**

Contractor and/or consultant support is budgeted for 2020 to support risk assessment and mitigation activities in the event workload exceeds available resources. Contractor and consultant support is also budgeted to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

## Compliance Monitoring

### Program Scope and Functional Description

The activities performed by the Compliance Monitoring group to monitor and help ensure the reliability, security, and resiliency of the BES include: Operations and Planning (O&P) and Critical Infrastructure Protection (CIP) audits; guided self-certifications; investigations; spot checks; assessing complaints; assessing entity internal controls as part of each engagement; evaluating system events from a reliability and compliance perspective to identify and ensure mitigation of potential risks; assisting in the review, approval, and verification of mitigation plans for noncompliances identified during compliance monitoring activities; and managing Technical Feasibility Exceptions (TFEs). The group also serves as industry subject matter experts and technical resources for the Corporation.

### 2020 Key Assumptions

The Compliance Monitoring group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. The Compliance Monitoring group also includes the following regional assumptions:

1. Assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., audits, spot checks), using a risk-based approach, ensuring that all 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 their Compliance Oversight Plans and the scope of their engagements. As required by the NERC Rules of Procedure, Balancing Authority, Transmission Operator, and Reliability Coordinator audits will continue to occur on a three year cycle. For all other entities, ReliabilityFirst will evaluate the entity's Inherent Risk Assessment results to determine if its engagement will continue, be delayed, or be replaced by an alternate compliance monitoring method.
3. NERC has instructed all the Regional Entities to perform Internal Controls Evaluations as part of the compliance monitoring engagement process. This will add time to the monitoring process and increase workload.
4. The implementation of the entity Compliance Oversight Plans has resulted in (and is expected to continue to result in) more frequent touch points across each calendar year, especially in the O&P area, and increased workload.
5. ReliabilityFirst will continue to implement the guidance and process steps contained in the ERO Auditor Handbook and Checklist, and support the continued use and development of ERO auditor 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 as it develops an ERO Enterprise-wide audit management tool, which will improve the efficiency of monitoring processes and NERC oversight for all the Regions.
8. With the CIP Standards being revised, the ERO Enterprise continues to evaluate:
  - a. Whether the approved and ongoing changes in the CIP area will materially change the amount of rigor and 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 will 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.

9. The increased complexity of the CIP Standards, and the substantial increase of assets within scope for the CIP Standards has increased the workload for CIP auditors. Moreover, the time required to complete onsite CIP audit reviews often includes site and field visits, based on the scope of the audit and whether initial evidence provided is sufficient to substantiate that an entity is compliant. This has increased the time required for CIP audits, and has added workload in the CIP Monitoring area that is expected to continue. The supply chain management Reliability Standard that is currently being developed is also expected to add workload in the CIP Monitoring area.

The ongoing revisions of the CIP Standards has also resulted in an additional workload to provide outreach and training to entities. Entity outreach is expected to be an ongoing need, given the increasing complexity and continually evolving nature of cybersecurity and the CIP Standards

10. A Technical Feasibility Exception (TFE) Task Force was formed to assure consistency in the administration of TFE requests and to support the preparation of the TFE annual report submitted to FERC. The immediate impact of required changes will be determined as the TFE Task Force moves forward. 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.
11. CIP Staff will support ERO and regional outreach and training efforts including the NERC Security Reliability Program, CIP Small Group Advisory Sessions, ReliabilityFirst CIP Workshops, CIP Focus Group Sessions, and CIP-related Assist Visits.

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**2020 Key Deliverables**

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.
- Develop Compliance Oversight Plans for entities.
- Perform Internal Controls Evaluations as part of the compliance monitoring engagement 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 adequate training, meet all NERC auditor training requirements, and keep abreast of new and emerging technologies.
- Provide efficiencies in compliance monitoring processes through continued auditor training, development and enhancement of auditor tools, and process improvements.
- Support outreach activities, including two reliability workshops, monthly Reliability and Compliance Open Forum calls, bimonthly newsletter articles, 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 Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP audits targeted for 2020 is defined below:
  - 17 CIP audits of entities (onsite).
    - These audits will be conducted on larger entities with High, Medium, and Low impact BES Cyber Systems.
  - CIP audits of entities with only Low impact BES Cyber Systems (approximately 20 per year) will begin in 2020. Historically these audits have been performed as off-site engagements, but it is anticipated that a number of these entities will need to be monitored on site. This will add additional workload to the CIP monitoring team.
- The number of Operations/Planning engagements planned for 2020 is defined below and will be based on the entity's Inherent Risk Assessment and risk the entity poses to the BES.
  - 5 audits of entities on the three year cycle (onsite).
  - 50 audits of entities based upon the Inherent Risk Assessment.
  - 30 other engagements of entities based upon the Compliance Oversight Plans, which include either Spot Checks and or Guided Self-Certifications.



- Spot Checks and Guided Self-Certifications will be used: (1) to assess performance to selected Reliability Standards when a full audit is not warranted; (2) as an alternate means of monitoring lower risk entities; and (3) on an as-needed basis to address identified risks. 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, and the status of mitigation plans or agreed-to mitigation activities associated with settlement agreements.
- Support NERC in continuing training and outreach for Registered Entities to successfully implement revisions to the CIP standards and Operations/Planning standards.
- Utilizing the results of the Inherent Risk Assessments and Regional Risk Assessment, lead development of the risk based annual CMEP implementation Plan in coordination with cross-functional groups.
- Complete Compliance Assessment Reviews of system events according to the ReliabilityFirst Compliance Assessment process, to determine if reliability issues associated with the system event require the initiation of a compliance monitoring process; performance of mitigation activities by involved entities; and/or industry outreach and education.

## Resource Requirements

- **Personnel**

As discussed above in the 2020 Key Assumptions, the workload in the O&P and CIP monitoring area has continually increased and is expected to continue increasing. This is driven by various factors, including the expanded CIP scope for entities with only Low Impact BES Cyber Systems, and the fact that more Compliance Oversight Plans also include Spot Checks or Guided Self-Certifications. Compliance monitoring teams now perform Internal Controls Evaluations as part of the compliance monitoring engagement process, which has added time and workload to engagements. Additionally, the MRRE program results in additional coordination and time to perform engagements.

With the increased workload described above, ReliabilityFirst is budgeting one additional FTE in the O&P monitoring area in 2020 and will continue to monitor this area closely for potential impact in the 2021 Business Plan & Budget.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2020 to temporarily supplement staff in the event workload exceeds available resources. Contractor and consultant support is also budgeted to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

**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 *2020 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2019 Budget and Projection, and 2020 Budget</b>					
<b>Reliability Assurance and Compliance Monitoring</b>					
	<b>2019 Budget</b>	<b>2019 Projection</b>	<b>Variance 2019 Projection v 2019 Budget Over(Under)</b>	<b>2020 Budget</b>	<b>Variance 2020 Budget v 2019 Budget Over(Under)</b>
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 13,747,063	\$ 13,747,063	\$ -	\$ 14,614,306	\$ 867,243
Penalty Sanctions	196,542	196,542	-	138,176	(58,365)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 13,943,605</b>	<b>\$ 13,943,605</b>	<b>\$ -</b>	<b>\$ 14,752,482</b>	<b>\$ 808,877</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	30,032	30,032	-	30,351	319
Miscellaneous Income	-	-	-	-	-
<b>Total Funding</b>	<b>13,973,637</b>	<b>13,973,637</b>	<b>-</b>	<b>14,782,833</b>	<b>809,196</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 6,588,226	\$ 6,588,226	\$ -	\$ 6,935,643	\$ 347,417
Payroll Taxes	403,367	403,367	-	427,127	23,760
Benefits	1,052,759	1,052,759	-	1,175,568	122,809
Retirement Costs	1,028,338	1,028,338	-	1,072,915	44,577
<b>Total Personnel Expenses</b>	<b>\$ 9,072,689</b>	<b>\$ 9,072,689</b>	<b>\$ -</b>	<b>\$ 9,611,252</b>	<b>\$ 538,563</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 20,900	\$ 20,900	\$ -	\$ 23,100	\$ 2,200
Travel	413,000	413,000	-	400,119	(12,881)
<b>Total Meeting Expenses</b>	<b>\$ 433,900</b>	<b>\$ 433,900</b>	<b>\$ -</b>	<b>\$ 423,219</b>	<b>\$ (10,681)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 88,950	\$ 88,950	\$ -	\$ 90,000	\$ 1,050
Office Rent	-	-	-	-	-
Office Costs	250,379	250,379	-	301,952	51,573
Professional Services	-	-	-	-	-
Miscellaneous	3,750	3,750	-	2,700	(1,050)
<b>Total Operating Expenses</b>	<b>\$ 343,079</b>	<b>\$ 343,079</b>	<b>\$ -</b>	<b>\$ 394,652</b>	<b>\$ 51,573</b>
<b>Total Direct Expenses</b>					
	<b>\$ 9,849,668</b>	<b>\$ 9,849,668</b>	<b>\$ -</b>	<b>\$ 10,429,124</b>	<b>\$ 579,456</b>
<b>Indirect Expenses</b>					
	<b>\$ 3,996,063</b>	<b>\$ 3,996,063</b>	<b>\$ -</b>	<b>\$ 4,113,038</b>	<b>\$ 116,976</b>
<b>Other Non-Operating Expenses</b>					
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 13,845,731</b>	<b>\$ 13,845,731</b>	<b>\$ -</b>	<b>\$ 14,542,162</b>	<b>\$ 696,431</b>
<b>Change in Assets</b>	<b>\$ 127,906</b>	<b>\$ 127,906</b>	<b>\$ -</b>	<b>\$ 240,671</b>	<b>\$ 112,765</b>
<b>Fixed Asset Additions</b>					
	30,000	30,000	-	10,000	(20,000)
Allocation of Fixed Assets	\$ 97,906	\$ 97,906	-	\$ 230,671	\$ 132,765
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 127,906</b>	<b>\$ 127,906</b>	<b>\$ -</b>	<b>\$ 240,671</b>	<b>\$ 112,765</b>
<b>Total Budget</b>	<b>\$ 13,973,637</b>	<b>\$ 13,973,637</b>	<b>\$ -</b>	<b>\$ 14,782,833</b>	<b>\$ 809,196</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>FTEs</b>	37.00	37.00	-	38.00	1.00

## Enforcement

<b>Enforcement</b> (in whole dollars)			
	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	7.00	7.00	0.00
Direct Expenses	\$ 1,415,220	\$ 1,362,927	\$ (52,293)
Indirect Expenses	\$ 756,012	\$ 757,665	\$ 1,653
Inc(Dec) in Fixed Assets	\$ 18,523	\$ 42,492	\$ 23,969
Total Funding Requirement	\$ 2,189,755	\$ 2,163,084	\$ (26,671)

### Program Scope and Functional Description

The Enforcement group performs ReliabilityFirst's delegated function to enforce compliance with the Reliability Standards. This effort involves ensuring that the selected disposition method for any noncompliance is consistent with the risk posed by the noncompliance; is adequately supported by the record; and promotes 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) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; (4) ensuring that the record and related disposition documents comply with all applicable (a) FERC orders, rules, and regulations, (b) NERC ROP and Appendices, guidance, and ERO-wide program documents, and (c) ReliabilityFirst policies and procedures (collectively, "applicable orders, rules, and procedures"); and (5) performing hearings where necessary. 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 serve as a single point of contact for entities for noncompliance-related communications, including answering entity questions and providing regular updates on disposition matters. The Enforcement staff is heavily involved in external outreach to help entities understand potential noncompliance trends and themes that may be early indicators of programmatic or systemic challenges. The Enforcement staff also partners with the Risk Analysis and Mitigation staff to provide targeted training to entities focusing on quality self-reporting and mitigation strategies.

ReliabilityFirst frequently serves as the lead Region in resolving multi-regional enforcement actions for designated MRREs. 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 risk-based, 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.

### **2020 Key Assumptions**

The Enforcement group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. It also includes the following regional assumptions:

1. The number of CIP noncompliances may continue to increase, or at least remain steady, due to implementation of the CIP V5 Standards, which increased the scope of assets covered. The number of Operations and Planning noncompliances may increase due to revisions of certain Reliability Standards and new Reliability Standards becoming effective.
2. ReliabilityFirst anticipates that the majority of noncompliances will continue to trend as minimal or moderate risk; however the complexity of processing these noncompliances may continue to increase as entities' compliance history grows and technology continues to evolve and advance.
3. Complex, higher-risk noncompliances disposed as Settlement Agreements will require approximately 50% of Enforcement resources. These matters often involve more complex mitigation, increased regional interaction with the entities, and additional analysis regarding penalties and sanctions.
4. The Find Fix and Track (FFT) disposition method will be used for moderate risk issues. In those cases where justified, it will continue to be used less often in favor of the Compliance Exception disposition method, which will be used for 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 the CIP V5 Standards, as well as increased participation in the self-logging program and case by case compliance exception mechanisms.
6. Recent activity relating to Freedom of Information Act requests will continue to affect the processing times for all noncompliance through permanent process changes that add additional processing time for each noncompliance (including noncompliance of all risk levels) as well as through additional work required on a case-by-case basis.

7. ReliabilityFirst will frequently serve as the lead Region for MRREs and will continue to support other Regions when ReliabilityFirst is the affected Region. The disposition of MRRE noncompliances takes additional time to coordinate dispositions, review mitigation, and negotiate acceptable solutions with Affected Regions.
8. Enforcement staff will work with FERC, NERC, the other Regions, and the industry to shape effective and risk-based enforcement policies that drive desired behavior and ensure consistency.
9. The number of hearings to be conducted is unknown, and therefore no internal or external resources have been budgeted for hearings.
10. Enforcement staff will provide outreach to industry through internal support of functional initiatives (e.g., Inherent Risk Assessments; Regional Risk Assessments; Internal Control Evaluations); workshop presentations and participation in panel discussions; webinars; targeted entity training; identification and sharing of lessons learned; and contributions to the RF newsletter.

### **2020 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 fact and circumstance reviews of noncompliances 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 improvements, in dispositioning enforcement actions and preparing related documentation.
- Continue to work with NERC and the other Regions to shape a well-reasoned Enforcement philosophy that results in risk-based, uniform, repeatable, transparent, and reliability-focused approaches.
- Use knowledge obtained in the context of Inherent Risk Assessments and Internal Controls Evaluations to assure informed decision-making.
- Draft and negotiate with entities all necessary disposition documents.
- Ensure all requisite notices are timely issued, and provide post-filing support and advocacy with NERC and FERC.
- Ensuring that the record of a noncompliance and the related disposition documents comply with all applicable orders, rules, and procedures.

## Resource Requirements

- **Personnel**

As described in the Assumptions section, the workload for Enforcement has increased since the implementation of CIP version 5, and with the revision and implementation of certain Operations and Planning Standards. Enforcement works to enforce complex noncompliances while remaining an accessible single point of contact for our Registered Entities. The complexities of our entities and the nature of our industry continue to evolve requiring more in-depth analysis to appropriately dispose of noncompliances. Additionally, the quality of risk communication, deeper understanding of our Registered Entities risk profiles, and our ability to identify trends, share lessons learned and proactively target and train entities based on risk and compliance history are necessary to the Enforcement department's effectiveness. Under the MRRE program, the Enforcement department serves as the Lead Regional Entity for many registered entities and their subsidiaries. The MRRE Program and efforts to increase transparency and consistency across the Regions has also resulted in additional workload.

Notwithstanding, ReliabilityFirst is not planning on adding FTE's in Enforcement in 2020, but will monitor this area and will reassess whether to add FTE's in the future as necessary.

- **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 *2020 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2019 Budget and Projection, and 2020 Budget</b>					
<b>Enforcement</b>					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,146,889	\$ 2,146,889	\$ -	\$ 2,132,039	\$ (14,850)
Penalty Sanctions	37,184	37,184	-	25,453	(11,730)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,184,073</b>	<b>\$ 2,184,073</b>	<b>\$ -</b>	<b>\$ 2,157,493</b>	<b>\$ (26,580)</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	5,682	5,682	-	5,591	(91)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding</b>	<b>2,189,755</b>	<b>2,189,755</b>	<b>-</b>	<b>2,163,084</b>	<b>(26,671)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 987,123	\$ 987,123	\$ -	\$ 981,241	\$ (5,882)
Payroll Taxes	64,657	64,657	-	66,278	1,621
Benefits	178,498	178,498	-	129,608	(48,891)
Retirement Costs	152,760	152,760	-	150,020	(2,739)
<b>Total Personnel Expenses</b>	<b>\$ 1,383,038</b>	<b>\$ 1,383,038</b>	<b>\$ -</b>	<b>\$ 1,327,147</b>	<b>\$ (55,891)</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 1,600	\$ 1,600	\$ -	\$ 1,600	\$ -
Travel	23,000	23,000	-	28,000	5,000
<b>Total Meeting Expenses</b>	<b>\$ 24,600</b>	<b>\$ 24,600</b>	<b>\$ -</b>	<b>\$ 29,600</b>	<b>\$ 5,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	7,582	7,582	-	6,180	(1,402)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 7,582</b>	<b>\$ 7,582</b>	<b>\$ -</b>	<b>\$ 6,180</b>	<b>\$ (1,402)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,415,220</b>	<b>\$ 1,415,220</b>	<b>\$ -</b>	<b>\$ 1,362,927</b>	<b>\$ (52,293)</b>
<b>Indirect Expenses</b>	<b>\$ 756,012</b>	<b>\$ 756,012</b>	<b>\$ -</b>	<b>\$ 757,665</b>	<b>\$ 1,653</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 2,171,232</b>	<b>\$ 2,171,232</b>	<b>\$ -</b>	<b>\$ 2,120,592</b>	<b>\$ (50,640)</b>
<b>Change in Assets</b>	<b>\$ 18,523</b>	<b>\$ 18,523</b>	<b>\$ -</b>	<b>\$ 42,492</b>	<b>\$ 23,969</b>
<b>Fixed Asset Additions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	\$ 18,523	\$ 18,523	-	\$ 42,492	\$ 23,969
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 18,523</b>	<b>\$ 18,523</b>	<b>\$ -</b>	<b>\$ 42,492</b>	<b>\$ 23,969</b>
<b>Total Budget</b>	<b>\$ 2,189,755</b>	<b>\$ 2,189,755</b>	<b>\$ -</b>	<b>\$ 2,163,084</b>	<b>\$ (26,671)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
FTEs	7.00	7.00	-	7.00	-

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	7.60	6.60	(1.00)
Direct Expenses	\$ 2,068,181	\$ 2,004,861	\$ (63,320)
Indirect Expenses	\$ 820,813	\$ 714,370	\$ (106,443)
Inc(Dec) in Fixed Assets	\$ 20,110	\$ 40,064	\$ 19,954
Total Funding Requirement	\$ 2,909,104	\$ 2,759,295	\$ (149,809)

### 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. RAPA staff helps identify and assess risks across the region, and its deliverables are a major contributor to the risk-based efforts of the entire organization. This work includes the performance of resource and transmission assessment studies; special analyses and investigations as warranted; and the 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.

### 2020 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the Reliability Assessment and Performance Program.

### 2020 Key Deliverables

- Assessments of Reliability Performance
  - Perform seasonal (summer and winter) risk analyses of the projected resource adequacy for PJM Interconnection, LLC (PJM) and Midcontinent Independent System Operator (MISO), the two Regional Transmission Organizations (RTO) that operate within ReliabilityFirst. As part of these risk analyses, produce seasonal RTO "waterfall" risk charts depicting the range of available capacity reserves for the forecasted normal (50/50) and extreme (90/10) seasonal peak demand levels, and historical long-term forecast and demand charts.
  - Perform seasonal (summer and winter), near-term (typically five years into the future), and extreme transmission assessment studies, and produce reports on these transmission assessment studies.



- Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, special assessment, and long-term reports.
- Provide technical support for the ERO Enterprise'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
  - Annually submit Eastern Interconnection Reliability Assessment Group Multiregional Modeling Working Group power flow base cases and in-service dates for new transmission projects that are scheduled within the next two years for the US Department of Energy's 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). All these systems can be used for data analytics across the ERO Enterprise.
- Other Requirements and Activities
  - Publish lessons learned that are developed from misoperation reporting and other sources.
  - Continue to participate in the Eastern Interconnection Reliability Assessment Group (ERAG) and the Multiregional Modeling Working Group (MMWG).
  - 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 ReliabilityFirst Protection Subcommittee.
  - Conduct initial and periodic Special Protection System reviews and maintain a database of regional Special Protection Systems.
  - Review under-frequency load shed (UFLS) information.
  - Review under-voltage load shed (UVLS) information.
  - Develop and maintain a linear contingency database for transmission assessment studies.
  - In support of the ERO Enterprise, actively participate (and in some cases serve in leadership roles) 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 Steering Group.
  - Continue to support stakeholder participation and interaction through various regional technical groups, including the Reliability Committee (a technical advisory

body to the ReliabilityFirst Board of Directors) and its subcommittees and task forces. These groups provide technical advice, perform technical reviews, and provide input on emerging reliability issues. These groups also provide the opportunity for stakeholders to debate current issues, share lessons learned, and discuss success stories and near-misses in a technical forum.

- Provide the various regional technical groups with information and knowledge to help entities improve human performance. Conduct a human performance workshop.
- Provide Registered Entities with tailored training and interaction through recurring workshops (such as the Protection Workshop for Technical Personnel and training to the Protection Subcommittee by a relay vendor).
- Provide knowledge, techniques, and data input in support of ReliabilityFirst's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts.

### **Resource Requirements**

- **Personnel**

There is a net decrease of one FTE in this group. This decrease is due to the reallocation of a FTE for a data analyst position from the Reliability Assessment and Performance Analysis Program to the Situation Awareness and Infrastructure Security Program, for a database administrator position to support the ReliabilityFirst Data Warehouse.

- **Contractors and Consultants**

Contractor and consulting support is budgeted to support:

- ERAG steady state and dynamic base case model assembly through the Multiregional Modeling Working Group (MMWG) processes. This activity may transfer to the Eastern Interconnection Planning Collaborative (EIPC) in 2020. If so, ERAG would discontinue this activity and the associated contractor costs would not be needed in 2020.
- ERAG reviews of Planning Coordinator assessments.
- ERAG assessment studies.

The total cost of ERAG contractor and consulting support is shared across all four Regional Entities in the Eastern Interconnection.

Contractor and consultant support is also budgeted to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

**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 *2020 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2019 Budget and Projection, and 2020 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,862,565	\$ 2,862,565	\$ -	\$ 2,730,024	\$ (132,540)
Penalty Sanctions	40,371	40,371	-	23,999	(16,372)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,902,935</b>	<b>\$ 2,902,935</b>	<b>\$ -</b>	<b>\$ 2,754,023</b>	<b>\$ (148,912)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	6,169	6,169	-	5,272	(897)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding</b>	<b>2,909,104</b>	<b>2,909,104</b>	<b>-</b>	<b>2,759,295</b>	<b>(149,809)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,343,225	\$ 1,343,225	\$ -	\$ 1,293,434	\$ (49,791)
Payroll Taxes	82,910	82,910	-	76,570	(6,340)
Benefits	156,771	156,771	-	148,821	(7,950)
Retirement Costs	212,370	212,370	-	204,432	(7,937)
<b>Total Personnel Expenses</b>	<b>\$ 1,795,276</b>	<b>\$ 1,795,276</b>	<b>\$ -</b>	<b>\$ 1,723,257</b>	<b>\$ (72,019)</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 8,000	\$ 8,000	\$ -	\$ 8,500	\$ 500
Travel	94,650	94,650	-	105,000	10,350
<b>Total Meeting Expenses</b>	<b>\$ 102,650</b>	<b>\$ 102,650</b>	<b>\$ -</b>	<b>\$ 113,500</b>	<b>\$ 10,850</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 126,812	\$ 126,812	\$ -	\$ 126,340	\$ (472)
Office Rent	-	-	-	-	-
Office Costs	43,443	43,443	-	41,564	(1,879)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	200	200
<b>Total Operating Expenses</b>	<b>\$ 170,255</b>	<b>\$ 170,255</b>	<b>\$ -</b>	<b>\$ 168,104</b>	<b>\$ (2,151)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,068,181</b>	<b>\$ 2,068,181</b>	<b>\$ -</b>	<b>\$ 2,004,861</b>	<b>\$ (63,320)</b>
<b>Indirect Expenses</b>	<b>\$ 820,813</b>	<b>\$ 820,813</b>	<b>\$ -</b>	<b>\$ 714,370</b>	<b>\$ (106,443)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 2,888,994</b>	<b>\$ 2,888,994</b>	<b>\$ -</b>	<b>\$ 2,719,231</b>	<b>\$ (169,763)</b>
<b>Change in Assets</b>	<b>\$ 20,110</b>	<b>\$ 20,110</b>	<b>\$ -</b>	<b>\$ 40,064</b>	<b>\$ 19,954</b>
<b>Fixed Asset Additions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	\$ 20,110	\$ 20,110	-	\$ 40,064	\$ 19,954
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 20,110</b>	<b>\$ 20,110</b>	<b>\$ -</b>	<b>\$ 40,064</b>	<b>\$ 19,954</b>
<b>Total Budget</b>	<b>\$ 2,909,104</b>	<b>\$ 2,909,104</b>	<b>\$ -</b>	<b>\$ 2,759,295</b>	<b>\$ (149,809)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>FTEs</b>	<b>7.60</b>	<b>7.60</b>	<b>-</b>	<b>6.60</b>	<b>(1.00)</b>

## Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 768,893	\$ 839,103	\$ 70,210
Indirect Expenses	\$ 324,005	\$ 324,714	\$ 708
Inc(Dec) in Fixed Assets	\$ 17,938	\$ 18,211	\$ 273
Total Funding Requirement	\$ 1,110,836	\$ 1,182,027	\$ 71,191

### Program Scope and Functional Description

Effective training and outreach is critical to leverage and advance industry practices surrounding risk identification, mitigation, and prevention. The ReliabilityFirst Training and Education Program focuses on providing relevant training to entities operating in the ReliabilityFirst region. ReliabilityFirst's training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

ReliabilityFirst does not provide system operator certification training, as it is provided by the Regional Transmission Organizations within the Region.

### 2020 Key Assumptions

The Training and Education Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the ReliabilityFirst Training and Education Program.

### 2020 Key Deliverables

- Industry Education
  - ReliabilityFirst will continue its education efforts to help entities achieve excellence in reliability, risk identification, security, and resiliency. These activities include:
    - The issuance of announcements, newsletters, and reports on key reliability, security, and resiliency issues facing ReliabilityFirst and the industry.
    - Communication of key risks and risk mitigation strategies, including risk harm assessment methodologies.
    - In concert with the ERO Event Analysis team, the development and publishing of lessons learned/best practices from system events and disturbances.
    - Guidance on the CIP V5 Reliability Standards, including a focus on "Low Impact Only" entities, and on other new and revised 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 and communication of common themes and root causes of Reliability Standard 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.
  - Sharing best practices concerning generator plant winter readiness.
  - Webinars on the compliance monitoring and enforcement process.
  - Increased focus on any lessons learned or trends identified from reliability assessments.
  - Posting educational materials on the ReliabilityFirst public website on pertinent reliability, risk, security, and resiliency topics.
- Industry Workshops
    - Continue workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders. Workshops and forums will focus on understanding and mitigating risks to reliability, security, and resiliency within the ReliabilityFirst footprint. Workshops to be conducted include:
      - Two Reliability workshops (spring and fall) to promote a culture of reliability focusing on security, resiliency, risk management, internal controls, 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, communications with our registered entities around identified and emerging risks, Critical Infrastructure Protection issues, trends that could develop into a risk or other topics requested by entities.
      - CIP Standards Workshop to provide insight into the evolution of these Standards and to provide a forum for entities to share thoughts, problems, and solutions.
      - Protection Systems Workshop on key issues associated with protection systems (e.g., misoperations, maintenance and testing).
      - Human Performance Workshop on practical application of human performance techniques and concepts for front-line activities such as operations, asset management, design, protection, and maintenance.
      - Additional, targeted workshops to address emerging risks (e.g., misoperations, fuel security, changing generation mix, and cyber security technology) as the need is identified and the sessions can be scheduled.

**Resource Requirements**

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2020 to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

**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 *2020 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2019 Budget and Projection, and 2020 Budget</b>					
<b>Training, Education, and Operator Certification Program</b>					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 1,092,466	\$ 1,092,466	\$ -	\$ 1,168,722	\$ 76,257
Penalty Sanctions	15,936	15,936	-	10,909	(5,027)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 1,108,401</b>	<b>\$ 1,108,401</b>	<b>\$ -</b>	<b>\$ 1,179,631</b>	<b>\$ 71,230</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	2,435	2,435	-	2,396	(39)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding</b>	<b>1,110,836</b>	<b>1,110,836</b>	<b>-</b>	<b>1,182,027</b>	<b>71,191</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 386,731	\$ 386,731	\$ -	\$ 403,722	\$ 16,991
Payroll Taxes	24,369	24,369	-	25,768	1,399
Benefits	80,980	80,980	-	90,751	9,771
Retirement Costs	61,091	61,091	-	62,209	1,118
<b>Total Personnel Expenses</b>	<b>\$ 553,171</b>	<b>\$ 553,171</b>	<b>\$ -</b>	<b>\$ 582,451</b>	<b>\$ 29,280</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 181,500	\$ 181,500	\$ -	\$ 211,000	\$ 29,500
Travel	6,000	6,000	-	10,000	4,000
<b>Total Meeting Expenses</b>	<b>\$ 187,500</b>	<b>\$ 187,500</b>	<b>\$ -</b>	<b>\$ 221,000</b>	<b>\$ 33,500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 20,000	\$ 20,000	\$ -	\$ 30,000	\$ 10,000
Office Rent	-	-	-	-	-
Office Costs	8,222	8,222	-	5,652	(2,570)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 28,222</b>	<b>\$ 28,222</b>	<b>\$ -</b>	<b>\$ 35,652</b>	<b>\$ 7,430</b>
<b>Total Direct Expenses</b>	<b>\$ 768,893</b>	<b>\$ 768,893</b>	<b>\$ -</b>	<b>\$ 839,103</b>	<b>\$ 70,210</b>
<b>Indirect Expenses</b>	<b>\$ 324,005</b>	<b>\$ 324,005</b>	<b>\$ -</b>	<b>\$ 324,714</b>	<b>\$ 708</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,092,898</b>	<b>\$ 1,092,898</b>	<b>\$ -</b>	<b>\$ 1,163,816</b>	<b>\$ 70,918</b>
<b>Change in Assets</b>	<b>\$ 17,938</b>	<b>\$ 17,938</b>	<b>\$ -</b>	<b>\$ 18,211</b>	<b>\$ 273</b>
<b>Fixed Asset Additions</b>	10,000	10,000	-	-	(10,000)
Allocation of Fixed Assets	\$ 7,938	\$ 7,938	-	\$ 18,211	\$ 10,273
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 17,938</b>	<b>\$ 17,938</b>	<b>\$ -</b>	<b>\$ 18,211</b>	<b>\$ 273</b>
<b>Total Budget</b>	<b>\$ 1,110,836</b>	<b>\$ 1,110,836</b>	<b>\$ -</b>	<b>\$ 1,182,027</b>	<b>\$ 71,191</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	3.00	3.00	-	3.00	-

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security Program</b> (in whole dollars)			
	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	7.00	8.00	1.00
Direct Expenses	\$ 1,690,591	\$ 1,849,158	\$ 158,567
Indirect Expenses	\$ 756,012	\$ 865,903	\$ 109,891
Inc(Dec) in Fixed Assets	\$ 18,523	\$ 48,562	\$ 30,040
Total Funding Requirement	\$ 2,465,125	\$ 2,763,623	\$ 298,498

### Program Scope and Functional Description

In support of the ERO, the 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 staff also performs event analysis for system disturbances and events. During the event analysis process, ReliabilityFirst works with entities to identify and analyze the root causes of system events, complete event analysis reports, and communicate the resulting information and lessons learned to the industry.

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, implementing Reliability Standards developed to reinforce infrastructure security, maintaining an awareness of conditions on the BES, and identifying potential and emerging threats to the BES.

In 2018, as part of a corporate reorganization, the Situation Awareness and Infrastructure Security Program expanded to include Analytics and Configuration Management functions, which support the entire ReliabilityFirst organization. This consolidation of Analytics, Configuration Management, and Situation Awareness will improve the timeliness and value of information used by ReliabilityFirst in its focus on risk-based reliability.

### 2020 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. It also includes the following regional assumptions:

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.
3. The Analytics and Configuration Management functions were recently transferred from the Reliability Assurance and Compliance Monitoring program, in order to align advanced analytical capabilities and configuration management principles with activities connected to event analysis, situational awareness, and emerging threats. Analytics continues to mature as a service across the entire organization. The intent of the Analytics program at ReliabilityFirst is to develop and evolve the corporation's statistical analysis capabilities and use of data to gain a better understanding of the risks facing the industry. ReliabilityFirst is poised to integrate Analytics as a key component of the risk based decision-making strategy adopted by ReliabilityFirst. ReliabilityFirst also continues to evolve the Configuration Management program, which organizes and manages changes to ReliabilityFirst's complete library of data, documents, software, and hardware.
4. In 2017, ReliabilityFirst initiated a project to create a Data Warehouse for information storage and retrieval. Initially, this project resided with the Risk Analysis and Mitigation group. With the reorganization that occurred at the beginning of 2018 emphasizing the risk-related activities of the Situation Awareness and Infrastructure Protection function at ReliabilityFirst, oversight responsibility for the Data Warehouse was transitioned to the Situation Awareness and Infrastructure Protection group. This Data Warehouse will consolidate information from across the organization in one central repository where it can be accessed to perform analytics and trending to assist in the identification of emerging threats to the BPS.

## **2020 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-014)
  - 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 ReliabilityFirst 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 members of the NERC CIPC, E-ISAC, 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, uses tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), Mozenda, Babel Street, 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 continues to 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 2020, the team will continue to enhance its ability to collect and analyze data, leveraging the Analytics program to better identify and quantify emerging threats to the BES and to provide additional input to the ReliabilityFirst Regional Risk Assessment program. Tools used to quantify threats will continue to 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), the Physical Security Standard (CIP-014), and the Supply Chain Standard (CIP-13) 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-014).
- Collect, validate, review, and analyze data for system events and disturbances as described in the NERC ERO Event Analysis Process and the ReliabilityFirst 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.
  - Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Lead the development and integration of advanced analytic & business intelligence capabilities for identifying and determining reliability risks and conducting various risk assessments (e.g., Regional Risk Assessments and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Support and leverage cross-functional collaboration to use Analytics within ReliabilityFirst and across the ERO Enterprise.
  - Collaborate with RAPA 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).
  - Collaborate with Reliability Assurance and Monitoring, Enforcement, and Legal, to explore and develop analytical solutions, where applicable.

- Lead the development and integration of Data Warehousing Governance, Management, and underlying databases.
- Lead further integration and use of Configuration Management within ReliabilityFirst.
- Provide technical subject matter expertise and support for regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.

### **Resource Requirements**

- **Personnel**

As discussed above in the 2020 Key Assumptions section, ReliabilityFirst moved oversight responsibility for the development and ongoing management of the Data Warehouse. To support this move and provide personnel resources for this activity, in 2019 an existing FTE position was reallocated from the Reliability Assessment and Performance Analysis Program to the Situation Awareness and Infrastructure Security group. At this time, no additional FTEs are planned. In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff.

- **Contractors and Consultants**

Minimal contractor support is budgeted in the event it is needed to augment the ReliabilityFirst Data Warehouse project. The Data Warehouse project is intended to centralize ReliabilityFirst's data sets and provide business intelligence capabilities for better integration of disparate data sets and add visualization functions to better identify areas of concern or areas needing additional analysis. Contractor and consultant support is also budgeted to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

## 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 *2020 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2019 Budget and Projection, and 2020 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,422,260	\$ 2,422,260	\$ -	\$ 2,728,143	\$ 305,883
Penalty Sanctions	37,184	37,184	-	29,090	(8,094)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,459,443</b>	<b>\$ 2,459,443</b>	<b>\$ -</b>	<b>\$ 2,757,233</b>	<b>\$ 297,790</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	5,682	5,682	-	6,390	708
Miscellaneous Income	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 2,465,125</b>	<b>\$ 2,465,125</b>	<b>\$ -</b>	<b>\$ 2,763,623</b>	<b>\$ 298,498</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,056,516	\$ 1,056,516	\$ -	\$ 1,197,457	\$ 140,941
Payroll Taxes	64,475	64,475	-	75,674	11,199
Benefits	217,786	217,786	-	259,583	41,797
Retirement Costs	166,948	166,948	-	185,074	18,126
<b>Total Personnel Expenses</b>	<b>\$ 1,505,725</b>	<b>\$ 1,505,725</b>	<b>\$ -</b>	<b>\$ 1,717,788</b>	<b>\$ 212,063</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 2,000	\$ 2,000	\$ -	\$ 3,400	\$ 1,400
Travel	49,450	49,450	-	54,800	5,350
<b>Total Meeting Expenses</b>	<b>\$ 51,450</b>	<b>\$ 51,450</b>	<b>\$ -</b>	<b>\$ 58,200</b>	<b>\$ 6,750</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 90,000	\$ 90,000	\$ -	\$ 32,500	\$ (57,500)
Office Rent	-	-	-	-	-
Office Costs	43,416	43,416	-	40,670	(2,746)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 133,416</b>	<b>\$ 133,416</b>	<b>\$ -</b>	<b>\$ 73,170</b>	<b>\$ (60,246)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,690,591</b>	<b>\$ 1,690,591</b>	<b>\$ -</b>	<b>\$ 1,849,158</b>	<b>\$ 158,567</b>
<b>Indirect Expenses</b>	<b>\$ 756,012</b>	<b>\$ 756,012</b>	<b>\$ -</b>	<b>\$ 865,903</b>	<b>\$ 109,891</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 2,446,603</b>	<b>\$ 2,446,603</b>	<b>\$ -</b>	<b>\$ 2,715,061</b>	<b>\$ 268,458</b>
<b>Change in Assets</b>	<b>\$ 18,523</b>	<b>\$ 18,523</b>	<b>\$ -</b>	<b>\$ 48,562</b>	<b>\$ 30,040</b>
<b>Fixed Asset Additions</b>					
Allocation of Fixed Assets	\$ 18,523	\$ 18,523	-	\$ 48,562	\$ 30,040
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 18,523</b>	<b>\$ 18,523</b>	<b>\$ -</b>	<b>\$ 48,562</b>	<b>\$ 30,040</b>
<b>Total Budget</b>	<b>\$ 2,465,125</b>	<b>\$ 2,465,125</b>	<b>\$ -</b>	<b>\$ 2,763,623</b>	<b>\$ 298,498</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	7.00	7.00	-	8.00	1.00

## Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2019 Budget	2020 Budget	Increase (Decrease)	2019 Budget	2020 Budget	Increase (Decrease)
General and Administrative	\$ 2,395,261	\$ 2,647,602	\$ 252,342	3.00	3.00	0.00
Legal and Regulatory	\$ 999,969	\$ 1,051,930	\$ 51,961	3.00	3.00	0.00
Information Technology	\$ 1,814,287	\$ 1,643,308	\$ (170,979)	6.00	6.00	0.00
Human Resources	\$ 917,081	\$ 1,059,382	\$ 142,300	2.00	2.00	0.00
Finance and Accounting	\$ 689,307	\$ 753,467	\$ 64,161	2.60	2.75	0.15
<b>Total Administrative Services</b>	<b>\$ 6,815,905</b>	<b>\$ 7,155,690</b>	<b>\$ 339,785</b>	<b>16.60</b>	<b>16.75</b>	<b>0.15</b>

### Program Scope and Functional Description

Administrative Services is comprised of the following programs: General and Administrative, Legal and Regulatory Affairs, Information Technology, Organizational Development and 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 *2020 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2019 Budget and Projection, and 2020 Budget</b>					
<b>Administrative Services</b>					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ (1,015,412)	\$ (1,015,412)	\$ -	\$ (1,054,613)	\$ (39,201)
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ (1,015,412)</b>	<b>\$ (1,015,412)</b>	<b>\$ -</b>	<b>\$ (1,054,613)</b>	<b>\$ (39,201)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-
<b>Total Funding</b>	<b>(1,015,412)</b>	<b>(1,015,412)</b>	<b>-</b>	<b>(1,054,613)</b>	<b>(39,201)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,339,566	\$ 3,339,566	\$ -	\$ 3,378,111	\$ 38,545
Payroll Taxes	167,306	167,306	-	175,373	8,067
Benefits	620,207	620,207	-	689,272	69,064
Retirement Costs	631,243	631,243	-	664,103	32,860
<b>Total Personnel Expenses</b>	<b>\$ 4,758,323</b>	<b>\$ 4,758,323</b>	<b>\$ -</b>	<b>\$ 4,906,859</b>	<b>\$ 148,536</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	152,400	152,400	\$ -	\$ 129,540	\$ (22,860)
Travel	92,500	92,500	-	100,000	7,500
<b>Total Meeting Expenses</b>	<b>\$ 244,900</b>	<b>\$ 244,900</b>	<b>\$ -</b>	<b>\$ 229,540</b>	<b>\$ (15,360)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	202,850	202,850	\$ -	\$ 202,275	\$ (575)
Office Rent	521,086	521,086	-	539,292	18,206
Office Costs	462,088	462,088	-	414,382	(47,706)
Professional Services	423,522	423,522	-	442,483	18,961
Miscellaneous	40,136	40,136	-	40,859	723
<b>Total Operating Expenses</b>	<b>\$ 1,649,682</b>	<b>\$ 1,649,682</b>	<b>\$ -</b>	<b>\$ 1,639,291</b>	<b>\$ (10,391)</b>
<b>Total Direct Expenses</b>	<b>\$ 6,652,905</b>	<b>\$ 6,652,905</b>	<b>\$ -</b>	<b>\$ 6,775,690</b>	<b>\$ 122,785</b>
<b>Indirect Expenses</b>	<b>\$ (6,652,905)</b>	<b>\$ (6,652,905)</b>	<b>\$ -</b>	<b>\$ (6,775,690)</b>	<b>\$ (122,785)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Change in Assets</b>	<b>\$ (1,015,412)</b>	<b>\$ (1,015,412)</b>	<b>\$ -</b>	<b>\$ (1,054,613)</b>	<b>\$ (39,201)</b>
<b>Fixed Asset Additions</b>					
Allocation of Fixed Assets	\$ 163,000	\$ 163,000	-	\$ 380,000	217,000
Allocation of Fixed Assets	\$ (163,000)	\$ (163,000)	-	\$ (380,000)	\$ (217,000)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Total Change in Working Capital</b>	<b>\$ (1,015,412)</b>	<b>\$ (1,015,412)</b>	<b>\$ -</b>	<b>\$ (1,054,613)</b>	<b>\$ (39,201)</b>
FTEs	16.60	16.60	-	16.75	0.15

## **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.

### **2020 Key Assumptions & Deliverables**

The General and Administrative Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

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**

No contractor and consultant support is budgeted in this year.



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## 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) external affairs (communication and outreach to ReliabilityFirst stakeholders and the public); and (4) corporate governance of the ReliabilityFirst Board of Directors and its committees.

First, the department is responsible for all legal issues germane to the corporation. This 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; supporting internal and external audits of the corporation; drafting, reviewing, and maintaining the corporation's contracts, policies and procedures, and governance documents; and overseeing all regulatory filings and interactions.

Second, the department is responsible for ReliabilityFirst's regulatory affairs. This 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.

Third, the department is responsible for ReliabilityFirst's external affairs. This includes communication and outreach to ReliabilityFirst's stakeholders, the general public, and media. This work concerns media relations, and the issuance of announcements, newsletters, and reports on key issues facing the corporation and the industry. This work generally ensures that ReliabilityFirst clearly communicates and shares relevant and timely information to help enhance the reliability of the BES.

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

### 2020 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. There are no additional assumptions or deliverables unique to the Legal and Regulatory Affairs Program.

**2020 Key Deliverables**

- Support all legal and regulatory needs of the corporation.
- 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.
- Perform the external affairs function for the corporation.
- Provide legal support 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.
- Support internal and external audits of the corporation.
- Draft, review, and maintain the corporation's contracts, policies and procedures, and governance documents.
- Lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
- Work to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions, including its leadership role in the MRRE program.
- 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.

**Resource Requirements**

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2020 for executive coaching services.

## 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 robust security posture that minimizes ReliabilityFirst's risks. The department provides the necessary technical services in the following categories to ensure efficient and effective performance of all corporate functions:

- Infrastructure Maintenance (Data Center Management - Local/Remote)
- Website Hosting and Internal Portal
- Voice, Web, and Video Conferencing
- Vulnerability Management
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management
- Email Management
- Help Desk Support
- Telecommuter Support
- Application Support and Development
- Data Warehousing Management
- Database Administration
- Business Analysis
- Information Security Protection 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 operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

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 seventh year of operation. Operational experience to date has been excellent and believed to be very effective in IT resource utilization. Performance to date has provided savings in the operation of equipment, while affording the organization many benefits in security, utilities, and back-up capability.

### **2020 Key Assumptions**

The IT Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. This includes the support for building and implementing centralized enterprise applications for the ERO. The IT Program includes the following regional assumptions:

1. Maintain a high-level security posture across the company-wide data infrastructure and remediate any vulnerability to protect sensitive data.
2. Maintain lower fixed asset costs (infrastructure servers) by continuing operations of virtualization technologies, therefore minimizing replacement costs.
3. Maintain a stringent level of control of the Access Management Process that governs physical and electronic access to resources that contain sensitive corporate data.
4. Departmental processes and efficiencies must be continuously improved, including training exercises for implemented technologies in order to maintain proficiency.
5. Maintain a multi-layered security protection and monitoring environment governed by established controls, processes, and security awareness activities.

### **2020 Key Deliverables**

- Perform necessary software and hardware upgrades including, but not limited to, the upgrade of various workstation and server applications, targeted server operating systems, and infrastructure equipment that has reached its 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 and external website and related applications to further improve employee efficiency and customer experience.
- Continue supporting Data Warehousing and Analytics efforts that will support improved risk analysis and decision making for customers.
- Continue the advancement of data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats.
- Perform Security Exercises using external vendor to evaluate the corporation's Security Maturity Level for implemented controls, processes, and detectable vulnerabilities.

- Continue refinement of security awareness program by providing training documents, questionnaires, simulated exercises, assessment campaigns, and/or seminars on existing workplace vulnerabilities.
- Continue participation in E-ISAC CHIRP (Cyber Hygiene and Internet Risk Program) and CRISP (Cybersecurity Risk Information Sharing Program) initiatives to obtain additional external vulnerability assessment and threat information.
- Continue supporting ERO initiatives of developing, testing, and deploying ERO Enterprise solutions. Continue to look for opportunities to implement the common processes and/or solutions across the ERO Enterprise to achieve shared cost savings and efficiencies.

### **Resource Requirements**

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted for 2020 as needed for network maintenance projects, security simulation activities, enhancing data management systems, and development support of external-facing solutions for reliability and resiliency initiatives.

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## Organization Development & 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. The Organizational Development & Human Resources (ODHR) program centers on ReliabilityFirst's greatest resource, the staff. The ODHR department is responsible for the attraction and retention of employees, employee development through performance management and training initiatives, policy and procedure development and adherence measures, as well as compensation and benefits administration. The department is also responsible for strategic organization alignment and design, organizational analysis and succession planning, the delivery of learning and development interventions, and driving change management practices for improving organizational performance. The ODHR department oversees the organization's innovation efforts, corporate goals, corporate strategic plan and enterprise risk management program. The ODHR staff must be vigilant in understanding and complying with federal and state employment laws covering seven states and the respective reporting requirements for each.

ReliabilityFirst will increase its staff to 80 individuals including two part-time positions equaling one (1.15) FTE, which brings the total to an equivalent of 79.35 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.

### 2020 Key Assumptions

The Organizational Development & Human Resources Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the ReliabilityFirst Organizational Development & Human Resources Program.

### 2020 Key Deliverables

- Recruit highly skilled and excellent employees.
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide staff training and education:
  - Train and educate staff on relevant technical topics, including emerging issues and technologies (e.g., virtualization, smart grid technologies).
  - Train and educate staff on the existing and new competencies required to perform their roles and responsibilities (e.g., identify and assess risks, perform internal controls assessments and evaluations).
  - Participate in knowledge management process to gather and utilize expertise from staff subject matter experts.

- Explore, develop, and provide training on tools to further enhance staff efficiency and effectiveness.
- Review and manage employee benefits.
- Review succession plans.
- Apply organization development principles, methods and tools to formulate customized business solutions and frameworks which enhance organizational effectiveness.
- Provide continuous improvement in organizational design and alignment to corporate vision and strategic plan.
- Lead the development, communication and tracking of corporate goals and strategic plan.
- Operationalize strategic initiatives across the organization, including the corporate Enterprise Risk program.
- Oversee and coordinate innovation efforts across the company.

**Resource Requirements**

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted in 2020 for executive coaching, third party recruiting, and temporary administrative services.

## 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, 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, including anti-fraud initiatives, 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, 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;
- Working with the ERO to develop common accounting practices throughout NERC and the Regions;
- Managing the retirement and corporate investment activities;
- Developing and implementing the necessary internal audit function; and
- Supporting ReliabilityFirst in risk assessment activities from a financial perspective.

### 2020 Key Assumptions

The Finance and Accounting Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan.

There are no additional assumptions unique to the Finance and Accounting Program.

### 2020 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, the ERO, and stakeholders 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, payroll, tax, audit activities, and financial and accounting internal controls and standards.
- Prepare and provide NERC the annual Regional Entity true-up filing, and the quarterly statements of activity.
- 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.
- Support risk assessment activities from a financial perspective.
- Perform financial related internal control reviews and internal audit reviews.

### **Resource Requirements**

- **Personnel**

There is a 0.15 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**

Contractors and consultant support is budgeted in 2020 for continuous improvement projects.

## **Section B: Supplemental Financial Information**

**Table B-1: Working Capital and Operating Reserve Analysis**

Working Capital and Operating Reserve Analysis 2019-2020			
STATUTORY			
	Total	Working Capital and Working Capital Reserve	Operating Reserve
<b>Beginning Reserve Balances, January 1, 2019</b>	4,874,322	3,874,322	1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2019	327,215	327,215	
Plus: 2019 ReliabilityFirst Funding (from LSEs or designees)	21,255,831	21,255,831	
Plus: 2019 Other funding sources	50,000	50,000	
Less: 2019 Projected expenses & capital expenditures	(22,648,458)	(22,648,458)	
Other Adjustments to Reserves <sup>1</sup>	(158,074)	(158,074)	
<b>Projected Working Capital and Operating Reserves, December 31, 2019</b>	<b>3,700,836</b>	<b>2,700,836</b>	<b>1,000,000</b>
Targeted Working Capital and Operating Reserves, December 31, 2020 <sup>3</sup>	2,488,149	1,488,149	1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2019	(3,700,836)	(2,700,836)	(1,000,000)
<b>Total Adjustments to Reserves</b>	<b>(1,212,687)</b>	<b>(1,212,687)</b>	<b>0</b>
2020 Expenses and Capital Expenditures	23,650,862		
Less: Penalty Sanctions <sup>2</sup>	(227,627)		
Less: Other Funding Sources	(50,000)		
Adjustment to Achieve Reserve Balances	(1,212,687)		
Other Adjustments to Reserve <sup>1</sup>	158,074		
<b>2020 ReliabilityFirst Assessment</b>	<b>22,318,623</b>		

<sup>1</sup> 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.

<sup>2</sup> Represents penalty sanctions collected from July 1, 2018 to June 30, 2019.

<sup>3</sup> The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on March 14, 2019 and April 24, 2019, respectively.

### Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow needs for daily operations. In an effort to manage assessments more effectively over a three to five year period, the working capital reserve was initially increased in amount such that additional funds were available to achieve stabilization of future assessments. For 2020, \$1,213K of the working capital reserve is being utilized to offset the assessment and minimize the variance from the 2019 assessment. The Targeted Working Capital balance of \$1,488K will be used to stabilize assessments in future years.

### 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 14, 2019, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy, is the same amount budgeted in the 2019 Business Plan and Budget, 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, 2018 and June 30, 2019	
Dates Received	Amount Received
8/31/2018	118,627
Collected July 1, 2018 to December 31, 2018	<u>118,627</u>
2/14/2019	34,000
5/1/2019	75,000
Collected January 1, 2019 to June 30, 2019	<u>109,000</u>
<b>Total</b>	<b><u>227,627</u></b>

#### Allocation Method

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

- 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 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget
Interest Income	\$ 50,000	\$ 50,000	\$ 50,000	-
<b>Total Outside Funding</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>-</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- No significant variances requiring explanation.

**Table B-4: Personnel Expenses**

Personnel Expenses	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 13,639,655	\$ 13,639,655	\$ 14,124,298	\$ 484,643	3.6%
Employment Agency Fees	-	-	-	-	-
Temporary Office Services	-	-	-	-	-
Vacation Expense	61,732	61,732	65,310	3,578	5.8%
<b>Total Salaries</b>	<b>\$ 13,701,387</b>	<b>\$ 13,701,387</b>	<b>\$ 14,189,608</b>	<b>\$ 488,221</b>	<b>3.6%</b>
<b>Total Payroll Taxes</b>	<b>\$ 807,085</b>	<b>\$ 807,085</b>	<b>\$ 846,791</b>	<b>\$ 39,705</b>	<b>4.9%</b>
<b>Benefits</b>					
Workers Compensation	\$ 15,000	\$ 15,000	\$ 17,000	\$ 2,000	13.3%
Medical Insurance	1,832,775	1,832,775	1,830,418	(2,357)	-0.1%
Life-LTD Insurance	111,523	111,523	123,038	11,515	10.3%
Training & Education	332,704	332,704	508,146	175,442	52.7%
Relocation	15,000	15,000	15,000	-	0.0%
<b>Total Benefits</b>	<b>\$ 2,307,002</b>	<b>\$ 2,307,002</b>	<b>\$ 2,493,602</b>	<b>\$ 186,601</b>	<b>8.1%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 1,318,372	\$ 1,318,372	\$ 1,368,591	\$ 50,218	3.8%
Savings Plan	791,024	791,024	821,154	30,131	3.8%
Pension & Savings Admin	143,352	143,352	149,008	5,656	3.9%
<b>Total Retirement</b>	<b>\$ 2,252,748</b>	<b>\$ 2,252,748</b>	<b>\$ 2,338,753</b>	<b>\$ 86,005</b>	<b>3.8%</b>
<b>Total Personnel Costs</b>	<b>\$ 19,068,222</b>	<b>\$ 19,068,222</b>	<b>\$ 19,868,754</b>	<b>\$ 800,531</b>	<b>4.2%</b>
<b>FTEs</b>	78.20	78.20	79.35	1.15	1.5%
<b>Cost per FTE</b>					
Salaries	\$ 175,210	\$ 175,210	\$ 178,823	3,613	2.1%
Payroll Taxes	10,321	10,321	10,672	351	3.4%
Benefits	29,501	29,501	31,425	1,924	6.5%
Retirement	28,808	28,808	29,474	666	2.3%
<b>Total Cost per FTE</b>	<b>\$ 243,839</b>	<b>\$ 243,839</b>	<b>\$ 250,394</b>	<b>\$ 6,555</b>	<b>2.7%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- The increase in **Salaries** is due to the addition of 1.15 new FTEs, a 3% general wage increase, and promotions. Additionally, costs have been included to fund the plans to overlap key personnel who have indicated they are near retirement, to allow for adequate knowledge transfer, and training of their successors.
- The increase in **Life-LTD Insurance** is due to higher premium costs.
- The increase in **Training & Education** is due to the increased focus on developing and accelerating careers of current employees.

**Table B-5: Meeting Expenses**

Meeting Expenses	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Reliability Assurance and Compliance Monitoring Enforcement	433,900	433,900	423,219	(10,681)	-2.5%
Reliability Assessment and Performance Analysis	24,600	24,600	29,600	5,000	20.3%
Training and Education	102,650	102,650	113,500	10,850	10.6%
Situation Awareness and Infrastructure Security	187,500	187,500	221,000	33,500	17.9%
Administrative Services	51,450	51,450	58,200	6,750	13.1%
	244,900	244,900	229,540	(15,360)	-6.3%
<b>Total Meeting Expenses</b>	<b>\$ 1,045,000</b>	<b>\$ 1,045,000</b>	<b>\$ 1,075,059</b>	<b>\$ 30,059</b>	<b>2.9%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- The increase in **Reliability Assessment and Performance Analysis** is a result of considering historical averages along with future travel expectations and assumptions.
- The increase in **Training and Education** is due to the addition of technical seminars aimed at addressing specific topics of interest and criticality to stakeholders.

**Table B-6: Consultants and Contracts**

Consultants & Contracts	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Reliability Assurance and Compliance Monitoring Enforcement	88,950	88,950	90,000	1,050	1.2%
Reliability Assessment and Performance Analysis	-	-	-	-	-
Training and Education	126,812	126,812	126,340	(472)	-0.4%
Situation Awareness and Infrastructure Security	20,000	20,000	30,000	10,000	50.0%
Administrative Services	90,000	90,000	32,500	(57,500)	-63.9%
	202,850	202,850	202,275	(575)	-0.3%
<b>Consultants &amp; Contracts Total</b>	<b>\$ 528,612</b>	<b>\$ 528,612</b>	<b>\$ 481,115</b>	<b>\$ (47,497)</b>	<b>-9.0%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- The increase in **Training and Education** is due to the activities aimed at helping entities achieve excellence in reliability, security, and resiliency.
- The decrease in **Situation Awareness and Infrastructure Security** is due to bringing Data Warehouse work previously performed by a contractor in house.

**Table B-7: Office Rent**

Office Rent	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Office Rent	\$ 437,530	\$ 437,530	437,532	\$ 2	0.0%
Data Center Rent	65,280	65,280	70,560	5,280	8.1%
Utilities	18,276	18,276	31,200	12,924	70.7%
	-	-	-	-	-
<b>Total Office Rent</b>	<b>\$ 521,086</b>	<b>\$ 521,086</b>	<b>\$ 539,292</b>	<b>\$ 18,206</b>	<b>3.5%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- The increase in **Utilities** is due to higher monthly electric and operating expense charges.

**Table B-8: Office Costs**

Office Costs	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Telephone	\$ 76,422	\$ 76,422	\$ 76,272	\$ (150)	-0.2%
Internet	38,496	38,496	42,072	3,576	9.3%
Office Supplies	25,220	25,220	23,530	(1,690)	-6.7%
Computer Supplies and Maintenance	631,739	631,739	624,005	(7,734)	-1.2%
Publications & Subscriptions	13,793	13,793	15,180	1,387	10.1%
Dues	20,114	20,114	17,561	(2,553)	-12.7%
Postage	1,150	1,150	1,400	250	21.7%
Express Shipping	100	100	300	200	200.0%
Copying	2,604	2,604	3,000	396	15.2%
Stationary Forms	900	900	400	(500)	-55.6%
Equipment Repair/Service Contracts	3,992	3,992	6,080	2,088	52.3%
Bank Charges	600	600	-	(600)	-100.0%
Merchant Card Fees	-	-	600	600	-
<b>Total Office Costs</b>	<b>\$ 815,130</b>	<b>\$ 815,130</b>	<b>\$ 810,400</b>	<b>\$ (4,730)</b>	<b>-0.6%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- No significant variances requiring explanation.



**Table B-9: Professional Services**

Professional Services	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Independent Trustee Fees	\$ 246,050	\$ 246,050	\$ 262,950	\$ 16,900	6.9%
Outside Legal	20,000	20,000	15,000	(5,000)	-25.0%
Accounting & Auditing Fees	61,520	61,520	64,210	2,690	4.4%
Insurance Commercial	95,952	95,952	100,323	4,371	4.6%
				-	
<b>Total Services</b>	<b>\$ 423,522</b>	<b>\$ 423,522</b>	<b>\$ 442,483</b>	<b>\$ 18,961</b>	<b>4.5%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- No significant variances requiring explanation.

**Table B-10: Miscellaneous**

Miscellaneous Expense	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Miscellaneous	\$ 43,886	\$ 43,886	\$ 43,759	\$ (127)	-0.3%
<b>Total Miscellaneous Expense</b>	<b>\$ 43,886</b>	<b>\$ 43,886</b>	<b>\$ 43,759</b>	<b>\$ (127)</b>	<b>-0.3%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- No significant variances requiring explanation.

**Table B-11: Non-Operating Expenses**

Other Non-Operating Expenses	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- No significant variances requiring explanation.

**Table B-12: Fixed Assets**

Fixed Assets	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	Variance %
Computer Hardware	\$ 120,000	\$ 120,000	\$ 75,000	\$ (45,000)	-37.5%
Computer Software	60,000	60,000	65,000	5,000	8.3%
Furniture & Fixtures	-	-	14,000	14,000	-
Leasehold Improvements	23,000	23,000	236,000	213,000	926.1%
<b>Total Fixed Assets</b>	<b>\$ 203,000</b>	<b>\$ 203,000</b>	<b>\$ 390,000</b>	<b>\$ 187,000</b>	<b>92.1%</b>

**Explanation of Significant Variances – 2019 Budget versus 2020 Budget**

- The decrease in **Computer Hardware** is due to the change in projects planned in 2020 compared to 2019.
- The increase in **Furniture & Fixtures** is the result of the office modifications.
- The increase in **Leasehold Improvements** is due to the office modifications needed to address the current and future growth of the organization.

Table B-13: 2021 and 2022 Projections

Statement of Activities 2021 and 2022 Projections							
	2020 Budget	2021 Projection	\$ Change 20 v 21	% Change 20 v 21	2022 Projection	\$ Change 21 v 22	% Change 21 v 22
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 22,318,623	\$ 23,434,554	\$ 1,115,931	5.0%	\$ 24,606,281	\$ 1,171,727	5.0%
Penalty Sanctions	227,627	2,300,000	2,072,373	910%	300,000	(2,000,000)	-87.0%
<b>Total ERO Funding</b>	<b>\$ 22,546,250</b>	<b>\$ 25,734,554</b>	<b>\$ 3,188,304</b>	<b>14.1%</b>	<b>\$ 24,906,281</b>	<b>\$ (828,273)</b>	<b>-3.2%</b>
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Interest and Investment Income	50,000	50,000	-	0.0%	50,000	-	0.0%
Miscellaneous Income	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 22,596,250</b>	<b>\$ 25,784,554</b>	<b>\$ 3,188,304</b>	<b>14.1%</b>	<b>\$ 24,956,281</b>	<b>\$ (828,273)</b>	<b>-3.2%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 14,189,608	\$ 14,730,825	\$ 541,218	3.8%	\$ 15,452,409	\$ 721,584	4.9%
Payroll Taxes	846,791	862,361	15,570	1.8%	893,407	31,046	3.6%
Benefits	2,493,602	2,721,222	227,620	9.1%	2,949,863	228,641	8.4%
Retirement Costs	2,338,753	2,419,020	80,267	3.4%	2,529,915	110,895	4.6%
<b>Total Personnel Expenses</b>	<b>\$ 19,868,754</b>	<b>\$ 20,733,429</b>	<b>\$ 864,675</b>	<b>4.4%</b>	<b>\$ 21,825,594</b>	<b>\$ 1,092,165</b>	<b>5.3%</b>
<b>Meeting Expenses</b>							
Meetings & Conference Calls	\$ 377,140	\$ 388,454	\$ 11,314	3.0%	\$ 400,108	\$ 11,654	3.0%
Travel	697,919	715,367	17,448	2.5%	733,251	17,884	2.5%
<b>Total Meeting Expenses</b>	<b>\$ 1,075,059</b>	<b>\$ 1,103,821</b>	<b>\$ 28,762</b>	<b>2.7%</b>	<b>\$ 1,133,359</b>	<b>\$ 29,538</b>	<b>2.7%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 481,115	\$ 515,926	\$ 34,811	7.2%	\$ 581,085	\$ 65,159	12.6%
Office Rent	539,292	544,685	5,393	1.0%	550,132	5,447	1.0%
Office Costs	810,400	893,504	83,104	10.3%	861,689	(31,815)	-3.6%
Professional Services	442,483	446,908	4,425	1.0%	451,377	4,469	1.0%
Miscellaneous	43,759	44,196	438	1.0%	44,638	442	1.0%
<b>Total Operating Expenses</b>	<b>2,317,049</b>	<b>2,445,220</b>	<b>128,170</b>	<b>5.5%</b>	<b>2,488,922</b>	<b>43,702</b>	<b>1.8%</b>
<b>Total Direct Expenses</b>	<b>\$ 23,260,862</b>	<b>\$ 24,282,470</b>	<b>\$ 1,021,608</b>	<b>4.4%</b>	<b>\$ 25,447,875</b>	<b>\$ 1,165,405</b>	<b>4.8%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 23,260,862</b>	<b>\$ 24,282,470</b>	<b>\$ 1,021,608</b>	<b>4.4%</b>	<b>\$ 25,447,875</b>	<b>\$ 1,165,405</b>	<b>4.8%</b>
<b>Change in Assets</b>	<b>\$ (664,613)</b>	<b>\$ 1,502,084</b>	<b>\$ 2,166,697</b>	<b>-326.0%</b>	<b>\$ (491,594)</b>	<b>\$ (1,993,678)</b>	<b>-132.7%</b>
<b>Fixed Asset Additions</b>	390,000	271,000	(119,000)	-30.5%	348,710	77,710	28.7%
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 390,000</b>	<b>\$ 271,000</b>	<b>\$ (119,000)</b>	<b>-30.5%</b>	<b>\$ 348,710</b>	<b>\$ 77,710</b>	<b>28.7%</b>
<b>Total Budget</b>	<b>\$ 23,650,862</b>	<b>\$ 24,553,470</b>	<b>\$ 902,608</b>	<b>3.8%</b>	<b>\$ 25,796,585</b>	<b>\$ 1,243,115</b>	<b>5.1%</b>
<b>Change in Working Capital</b>	<b>\$ (1,054,613)</b>	<b>\$ 1,231,084</b>	<b>\$ 2,285,697</b>	<b>-216.7%</b>	<b>\$ (840,304)</b>	<b>\$ (2,071,388)</b>	<b>-168.3%</b>
<b>FTEs</b>	79.35	79.35	-	0.0%	81.35	2	2.5%

## Explanation of 2021 and 2022 Budget Projections

ReliabilityFirst has projected budget increases for 2021 and 2022. The projected range for 2021 is 3.8% to 6.3%; and the projected range for 2022 is 5.1% to 7.4%. ReliabilityFirst identified a range for its 2021 and 2022 budget 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 workload to implement various programs currently under way or under consideration in support of the initiatives to help entities achieve excellence in reliability, security, and resiliency. The maturation of ERO risk-based initiatives includes a projected increase in workload related to Mitigation Plan Risk Assessment, Inherent Risk Assessments, Compliance Oversight Plans, and Regional Risk Assessments. Additionally, the RF Resiliency and Risk Program that will begin in late 2019, that covers BES operational, cyber, and physical resilience and risk initiatives, is expected to increase workload.

Furthermore, plans have been developed to overlap key personnel who have indicated they are near retirement in order to allow for adequate knowledge transfer and training of their successors. The potential impact on the budget will be managed and monitored closely as these personnel commit to specific retirement dates. The at-risk initiatives also concern the need to mature ReliabilityFirst's CIP oversight capability along with risk analytics and management applications.

The following is a breakdown of the projected budget ranges for 2021.

**2021 Lower Range: 3.8%**

- Personnel Expense: 4.4%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 12%/8%
- Meeting Expense: 3%
- Travel Expense: 2.5%
- Operating Expense: 5.5%
  - CMEP Data Migration: \$30,000
  - Capability Management Software used for building models and measuring maturity for various business processes: \$75,000

**2021 Higher Range to Address At-Risk Initiatives: 6.3%**

- Personnel Expense: 7.3%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 12%/8%
  - Aging Workforce Initiative: \$200,000
  - Hire 2 additional FTEs
- Meeting Expense: 3%
- Travel Expense: 2.5%
- Operating Expense: 5.5%
  - CMEP Data Migration: \$30,000
  - Capability Management Software used for building models and measuring maturity for various business processes: \$75,000

Notes:

1. 2021 projections are based on 2020 budget.

The following is a breakdown of the projected budget ranges for 2022.

**2022 Lower Range: 5.1%**

- Personnel Expense: 5.3%
  - Wages Increase: 3%
  - Includes the 2 FTEs from the 2021 projection
  - Medical/Dental/Vision Premiums: 12%/8%/3%
- Meeting Expense: 3%
- Travel Expense: 2.5%
- Operating Expense: 1.8%
  - Penetration Testing: \$60,000

**2022 Higher Range to Address At-Risk Initiatives: 7.4%**

- Personnel Expense: 8.1%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 12%/8%/3%
  - Aging Workforce Initiative: \$200,000
  - Hire 2 additional FTEs
- Meeting Expense: 3%
- Travel Expense: 2.5%
- Operating Expense: 1.8%
  - Penetration Testing: \$60,000

Notes:

1. 2022 projections are based on the 2021 lower range.

## **Section C: Non-Statutory Activities**

ReliabilityFirst performed only those functions delegated to it by the ERO in 2019 and the organization does not intend to perform any functions outside its ERO delegated activities in 2020, therefore Section C is not applicable.

**Section D: Additional Consolidated Financial  
Statements**



## 2020 Consolidated Statement of Activities by Program

	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											
				Statutory Total	Reliability Standards (Section 300)	Reliability Assurance and Compliance Monitoring	Enforcement	Reliability Assessment and Performance Analysis (Section 600)	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
<b>Funding</b>															
<b>ReliabilityFirst Funding</b>															
ReliabilityFirst Assessments	22,318,623	22,318,623	-	22,318,623	-	14,614,306	2,132,039	2,730,024	1,168,722	2,728,143	(1,054,613)	-	-	-	
Penalty Sanctions	227,627	227,627	-	227,627	-	138,176	25,453	23,999	10,909	29,090	-	-	-	-	
<b>Total ReliabilityFirst Funding</b>	<b>22,546,250</b>	<b>22,546,250</b>	<b>-</b>	<b>22,546,250</b>	<b>-</b>	<b>14,752,482</b>	<b>2,157,493</b>	<b>2,754,023</b>	<b>1,179,631</b>	<b>2,757,233</b>	<b>(1,054,613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and Investment Income	50,000	50,000	-	50,000	-	30,351	5,591	5,272	2,396	6,390	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Funding</b>	<b>22,596,250</b>	<b>22,596,250</b>	<b>-</b>	<b>22,596,250</b>	<b>-</b>	<b>14,782,833</b>	<b>2,163,084</b>	<b>2,759,295</b>	<b>1,182,027</b>	<b>2,763,623</b>	<b>(1,054,613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	14,189,608	14,189,608	-	14,189,608	-	6,935,643	981,241	1,293,434	403,722	1,197,457	1,192,594	718,140	729,790	400,898	336,689
Payroll Taxes	846,791	846,791	-	846,791	-	427,127	66,278	76,570	25,768	75,674	39,343	35,778	52,644	22,603	25,005
Benefits	2,493,602	2,493,602	-	2,493,602	-	1,175,568	129,608	148,821	90,751	259,583	89,851	116,744	155,943	242,788	83,945
Retirement Costs	2,338,753	2,338,753	-	2,338,753	-	1,072,915	150,020	204,432	62,209	185,074	169,975	113,472	115,115	63,388	202,153
<b>Total Personnel Expenses</b>	<b>19,868,754</b>	<b>19,868,754</b>	<b>-</b>	<b>19,868,754</b>	<b>-</b>	<b>9,611,252</b>	<b>1,327,147</b>	<b>1,723,257</b>	<b>582,451</b>	<b>1,717,788</b>	<b>1,491,762</b>	<b>984,134</b>	<b>1,053,492</b>	<b>729,678</b>	<b>647,792</b>
<b>Meeting Expenses</b>															
Meetings & Conference Calls	377,140	377,140	-	377,140	-	23,100	1,600	8,500	211,000	3,400	57,800	3,500	18,400	49,600	240
Travel	697,919	697,919	-	697,919	-	400,119	28,000	105,000	10,000	54,800	35,000	30,000	11,000	12,000	12,000
<b>Total Meeting Expenses</b>	<b>1,075,059</b>	<b>1,075,059</b>	<b>-</b>	<b>1,075,059</b>	<b>-</b>	<b>423,219</b>	<b>29,600</b>	<b>113,500</b>	<b>221,000</b>	<b>58,200</b>	<b>92,800</b>	<b>33,500</b>	<b>29,400</b>	<b>61,600</b>	<b>12,240</b>
<b>Operating Expenses</b>															
Consultants & Contracts	481,115	481,115	-	481,115	-	90,000	-	126,340	30,000	32,500	-	6,500	108,000	81,775	6,000
Office Rent	539,292	539,292	-	539,292	-	-	-	-	-	-	468,732	-	70,560	-	-
Office Costs	810,400	810,400	-	810,400	-	301,952	6,180	41,564	5,652	40,670	67,399	12,796	248,756	41,096	44,335
Professional Services	442,483	442,483	-	442,483	-	-	-	-	-	-	262,950	15,000	-	121,433	43,100
Miscellaneous	43,759	43,759	-	43,759	-	2,700	-	200	-	-	13,959	-	3,100	23,800	-
<b>Total Operating Expenses</b>	<b>2,317,049</b>	<b>2,317,049</b>	<b>-</b>	<b>2,317,049</b>	<b>-</b>	<b>394,652</b>	<b>6,180</b>	<b>168,104</b>	<b>35,652</b>	<b>73,170</b>	<b>813,040</b>	<b>34,296</b>	<b>430,416</b>	<b>268,104</b>	<b>93,435</b>
<b>Total Direct Expenses</b>	<b>23,260,862</b>	<b>23,260,862</b>	<b>-</b>	<b>23,260,862</b>	<b>-</b>	<b>10,429,124</b>	<b>1,362,927</b>	<b>2,004,861</b>	<b>839,103</b>	<b>1,849,158</b>	<b>2,397,602</b>	<b>1,051,930</b>	<b>1,513,308</b>	<b>1,059,382</b>	<b>753,467</b>
<b>Indirect Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,113,038</b>	<b>757,665</b>	<b>714,370</b>	<b>324,714</b>	<b>865,903</b>	<b>(2,397,602)</b>	<b>(1,051,930)</b>	<b>(1,513,308)</b>	<b>(1,059,382)</b>	<b>(753,467)</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>23,260,862</b>	<b>23,260,862</b>	<b>-</b>	<b>23,260,862</b>	<b>-</b>	<b>14,542,162</b>	<b>2,120,592</b>	<b>2,719,231</b>	<b>1,163,816</b>	<b>2,715,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(664,613)</b>	<b>(664,613)</b>	<b>-</b>	<b>(664,613)</b>	<b>-</b>	<b>240,671</b>	<b>42,492</b>	<b>40,064</b>	<b>18,211</b>	<b>48,562</b>	<b>(1,054,613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>															
Computer & Software CapEx	140,000	140,000	-	140,000	-	10,000	-	-	-	-	-	-	130,000	-	-
Furniture & Fixtures CapEx	14,000	14,000	-	14,000	-	-	-	-	-	-	14,000	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	236,000	236,000	-	236,000	-	-	-	-	-	-	236,000	-	-	-	-
<b>390,000</b>	<b>390,000</b>	<b>-</b>	<b>390,000</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>130,000</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	(0)	(0)	-	(0)	-	230,671	42,492	40,064	18,211	48,562	(250,000)	-	(130,000)	-	-
<b>Inc/(Dec) Fixed Assets</b>	<b>390,000</b>	<b>390,000</b>	<b>-</b>	<b>390,000</b>	<b>-</b>	<b>240,671</b>	<b>42,492</b>	<b>40,064</b>	<b>18,211</b>	<b>48,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Budget</b>	<b>23,650,862</b>	<b>23,650,862</b>	<b>-</b>	<b>23,650,862</b>	<b>-</b>	<b>14,782,833</b>	<b>2,163,084</b>	<b>2,759,295</b>	<b>1,182,027</b>	<b>2,763,623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Working Capital</b>	<b>(1,054,613)</b>	<b>(1,054,613)</b>	<b>-</b>	<b>(1,054,613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,054,613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>79.35</b>	<b>79.35</b>	<b>-</b>	<b>79.35</b>	<b>-</b>	<b>38.00</b>	<b>7.00</b>	<b>6.60</b>	<b>3.00</b>	<b>8.00</b>	<b>3.00</b>	<b>3.00</b>	<b>6.00</b>	<b>2.00</b>	<b>2.75</b>

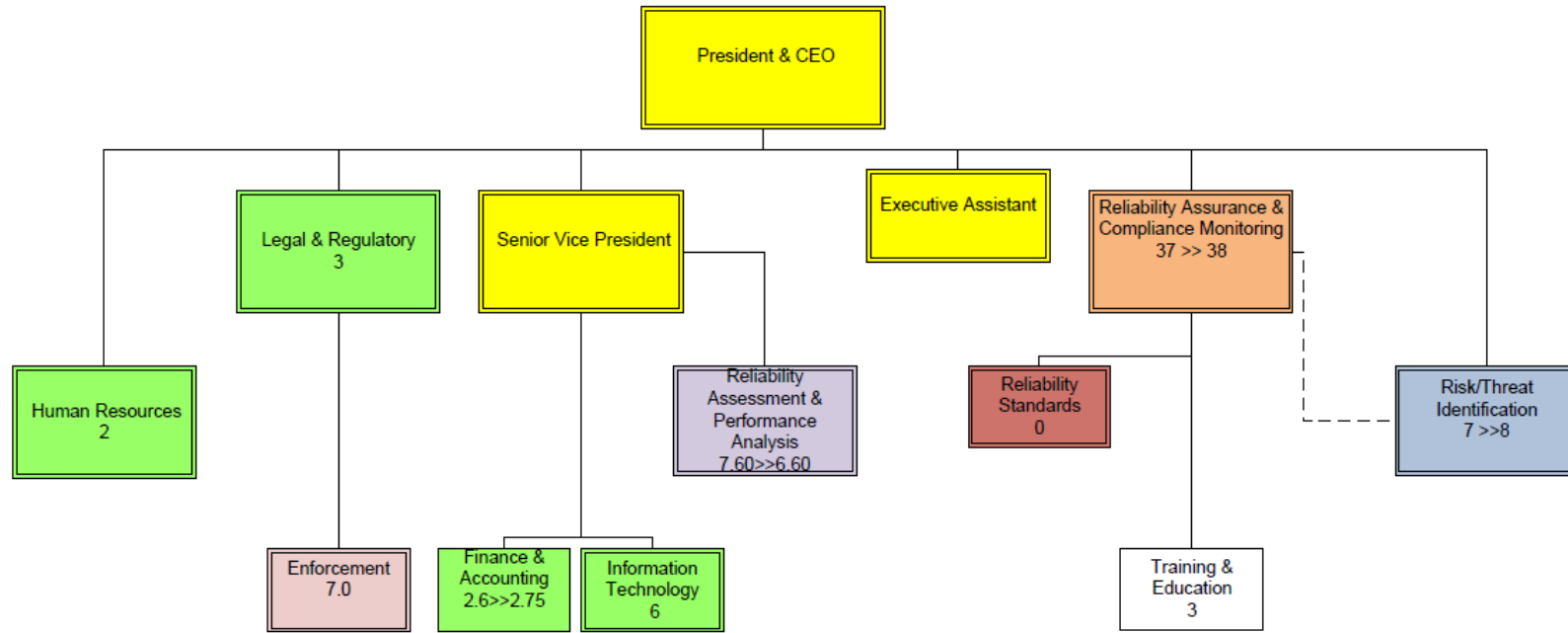
## Statement of Financial Position

### 2018 Statement of Financial Position

#### STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-18
<b>ASSETS</b>	
Current Assets	
Cash	3,341,782
Cash - Regulatory Designated	445,842
Investments	6,219,995
Accounts receivable, net of allowance for uncollectible accounts	153,301
Prepaid expenses	236,965
<b>Total Current Assets</b>	<b>10,397,885</b>
Noncurrent Assets	
Deferred Compensation Plan Assets	257,468
<b>Total Noncurrent Assets</b>	<b>257,468</b>
Fixed Assets	
Furniture and Equipment	369,919
Leasehold Improvements	1,990,826
Computer Hardware and Software	3,324,622
Less Accumulated Depreciation	(3,424,798)
<b>Total Fixed Assets</b>	<b>2,260,569</b>
<b>Total Assets</b>	<b>12,915,922</b>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	170,324
Accrued expenses	4,023,714
Deferred Rent	189,051
<b>Total Current Liabilities</b>	<b>4,383,089</b>
Long Term Liabilities	
Accrued expenses	303,908
Deferred Revenue	350,000
Deferred Rent	1,681,659
Deferred Compensation	257,468
<b>Total Long Term Liabilities</b>	<b>2,593,035</b>
<b>Total Liabilities</b>	<b>6,976,124</b>
Net Assets	
Without Donor Restrictions	
Undesignated	1,175,717
Operating Reserve Fund	1,000,000
Working Capital Reserve Fund	3,318,239
Regulatory Designated Funds	445,842
<b>Total Net Asset</b>	<b>5,939,798</b>
<b>Total Liabilities and Net Assets</b>	<b>12,915,922</b>

# Appendix A: 2019 – 2020 Organization Chart



**78.20 FTEs → 79.35 FTEs**