



2020 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: _____

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Introduction

	TOTAL RESOURCES (in whole dollars)			
	2020 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.0			
Non-statutory FTEs	4.0			
Total FTEs	64.0			
Statutory Expenses	\$ 13,781,126			
Non-Statutory Expenses	\$ 1,191,965			
Total Expenses	\$ 14,973,091			
Statutory Inc(Dec) in Fixed Assets	\$ 50,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 50,000			
Statutory Working Capital Requirement	\$ 263,002			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ 263,002			
Total Statutory Funding Requirement	\$ 14,094,128			
Total Non-Statutory Funding Requirement	\$ 1,191,965			
Total Funding Requirement	\$ 15,286,093			
Statutory Funding Assessments	\$ 13,344,128			
Non-Statutory Fees	\$ 1,191,965			
NEL	378,081,531	378,081,531		
NEL%	100.00%	100.00%		

*Refer to Table B-1 Reserve Analysis on page 37 in Section B.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric

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Reliability Corporation (NERC) effective January 1, 2016. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region on behalf of the Public Utility Commission of Texas (PUCT). As the Reliability Monitor, Texas RE monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols, Operating Guides, and Texas rules (ERCOT Regional Rules).

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

Membership and Governance

Members

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

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

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE as a member and complies with the Texas RE Bylaws requirements. There is no charge for membership with Texas RE. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has one stakeholder committee, the Member Representatives Committee (MRC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC facilitates the Regional Standards Development Process, and coordinates the development of Regional Standards and variances with the development of continent-wide standards. A subcommittee of the MRC, the NERC Standards Review Forum (NSRF), monitors, reviews, and discusses NERC (continent-wide) Reliability Standards under development and Reliability Standards interpretation requests.

Board of Directors

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

- The Texas RE President and Chief Executive Officer (CEO)

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

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

Statutory Functional Scope

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

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

Financial Policies

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

2020 Overview of Cost Impacts

In developing the Texas RE 2020 Business Plan and Budget, Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-term Strategy and the

ERO Enterprise Operating Plan.¹ Texas RE also seeks input from its MRC, and posts the budget for comment. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the Texas RE 2020 budgeted statutory expenses (\$13,831,126) increased by 5.8% from the 2019 budgeted statutory expenses (\$13,069,599).

The 2020 statutory assessment (\$13,344,128) represents an increase of 0.7% from the 2019 assessment (\$13,248,000).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 4.3%. Salaries expense is increasing 3.3%, which includes an allowance for salary increases and promotions. Payroll taxes are increasing 4.2%, which includes an increase in State Unemployment Insurance Tax. Total Benefits expense is increasing 8.5%. Health-plan expense is projected to increase 14% in 2020. Employee Benefits include education reimbursement, relocation expenses, and training and professional development. The budget for these costs is remaining consistent with 2019. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are increasing 5.3%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost, keeping the expense lower.
- Total Meeting and Travel expenses are increasing 1.2% to include Workshop Expense for a proposed Reliability Summit in the Training and Education Program.
- Total Operating expenses are increasing by 12.6%. The Consultants and Contracts expense includes IT Managed Services and is increasing 22.3%, primarily due to adding a unified communication system including phone, instant messaging, and online meeting system. The Consultants and Contracts expense also includes a search fee to replace an Independent Director who will be term-limited at the end of 2020. Rent cost is increasing 27.8%. The current lease for Texas RE office space ends September 30, 2020. The lease has been extended, causing an escalation in rent and utilities. Office cost is decreasing 3.6%. Increased costs for the external auditor firm and potential increases to the Independent Director's fees are increasing Professional Services 6.3%.

All statutory activity in the 2020 Business Plan and Budget aligns with the ERO Enterprise Long-term Strategy and the ERO Enterprise Operating Plan.

Beginning with the 2020 Business Plan and Budget (BP&B), 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), provide enhanced transparency of financing activity (e.g., debt borrowing, lease-financed asset purchases, and principal payments), and streamline sections of the report related to non-cash expenses (primarily depreciation and

¹ These documents are available on the NERC website at <https://www.nerc.com/AboutNERC/Pages/Strategic-Documents.aspx>.

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 Statements of Activities 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).

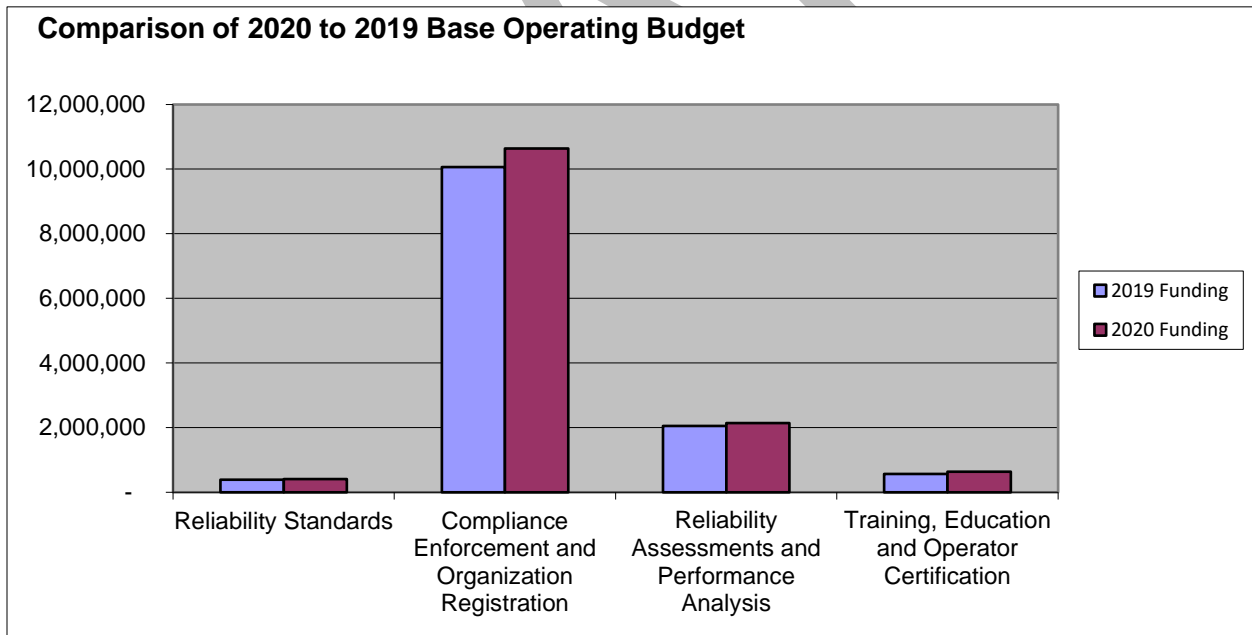
In the 2020 BP&B document, the 2019 budget has been restated to reflect the new statement of activities reporting format when comparing 2020 to 2019 to show the year-over-year budget changes on a comparable basis. As such, in the total entity and departmental Statements of Activities, depreciation expense 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.

DRAFT

Summary by Program

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

Base Operating Budget	Budget	Projection	Budget	Variance	
	2019	2019	2020	2020 Budget v 2019 Budget	Variance %
Reliability Standards	\$ 386,410	\$ 386,410	\$ 407,002	\$ 20,592	5.3%
Compliance Enforcement and Organization Registration	10,068,946	10,068,946	10,637,638	568,692	5.6%
Reliability Assessments and Performance Analysis	2,051,498	2,051,498	2,145,050	93,552	4.6%
Training, Education and Operator Certification	562,745	562,745	641,437	78,691	14.0%
Total Situation Awareness and Infrastructure Security	-	-	-	-	-
Total by Program	\$ 13,069,599	\$13,069,599	\$ 13,831,126	\$ 761,528	5.8%



FTEs by Program Area

Personnel Analysis

The following table displays total full-time equivalents (FTEs) by program area.

Total FTEs by Program Area	Budget 2019	Projection 2019	Direct FTEs 2020 Budget	Shared FTEs 2020 Budget	Total FTEs 2020 Budget	Change from 2019 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.25	1.25	1.25	-	1.25	-
Compliance and Organization Registration and Certificat	35.75	35.75	35.75	-	35.75	-
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.00	6.00	6.00	-	6.00	-
Total FTEs Operational Programs	45.25	45.25	45.25	-	45.25	-
Administrative Programs						
General & Administrative	4.00	4.00	4.00	-	4.00	-
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	5.00	-	5.00	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
Total FTEs Administrative Programs	14.75	14.75	14.75	-	14.75	-
Total FTEs	60.00	60.00	60.00	-	60.00	-

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

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

2019 Budget and Projection and 2020 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
STATUTORY					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2019 Budget v 2020 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,248,000	\$ 13,248,000	\$ -	\$ 13,344,128	\$ 96,128
Penalty Sanctions	114,449	114,449	-	710,000	595,551
Total NERC Funding	\$ 13,362,449	\$ 13,362,449	\$ -	\$ 14,054,128	\$ 691,679
Interest	15,000	15,000	-	40,000	25,000
Total Funding (A)	\$ 13,377,449	\$ 13,377,449	\$ -	\$ 14,094,128	\$ 716,679
Expenses					
Personnel Expenses					
Salaries	\$ 7,394,175	\$ 7,394,175	\$ -	7,641,280	\$ 247,105
Payroll Taxes	506,088	506,088	-	527,534	21,445
Benefits	1,383,053	1,383,053	-	1,501,005	117,953
Retirement Costs	1,019,478	1,019,478	-	1,073,802	54,324
Total Personnel Expenses	\$ 10,302,794	\$ 10,302,794	\$ -	\$ 10,743,621	\$ 440,827
Meeting & Travel Expenses					
Meetings	\$ 19,800	\$ 19,800	\$ -	58,500	\$ 38,700
Travel	349,770	349,770	-	318,205	(31,565)
Conference Calls	20,000	20,000	-	17,640	(2,360)
Total Meeting & Travel Expenses	\$ 389,570	\$ 389,570	\$ -	\$ 394,345	\$ 4,775
Operating Expenses, Excluding Depreciation					
Consultants & Contracts	\$ 400,250	\$ 400,250	\$ -	489,704	\$ 89,454
Office Rent	707,214	707,214	-	903,786	196,572
Office Costs	686,070	686,070	-	661,070	(25,000)
Professional Services	553,700	553,700	-	588,600	34,900
Total Operating Expenses	\$ 2,347,234	\$ 2,347,234	\$ -	\$ 2,643,160	\$ 295,926
Total Direct Expenses	\$ 13,039,598	\$ 13,039,598	\$ -	\$ 13,781,126	\$ 741,528
Indirect Expenses	\$ (0)	\$ (0)	\$ -	\$ -	\$ 0
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 13,039,598	\$ 13,039,598	\$ -	\$ 13,781,126	\$ 741,528
Change in Net Assets (A - B)	\$ 337,851	\$ 337,851	\$ -	\$ 313,002	\$ (24,849)
Fixed Assets, excluding Right of Use Assets (C)	30,000	30,000	-	50,000	20,000
TOTAL BUDGET (B + C)	13,069,599	\$ 13,069,599	\$ -	\$ 13,831,126	\$ 761,528
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 307,851	\$ 307,851	\$ -	\$ 263,002	\$ (44,849)
FTEs	60.00	60.00		60.00	

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Section A – Statutory Programs
2020 Business Plan and Budget



Section A — 2020 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	1.25	1.25	-
Direct Expenses	\$ 245,671	\$ 250,580	\$ 4,909
Indirect Expenses	\$ 142,791	\$ 155,040	\$ 12,249
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (2,052)	\$ 1,381	\$ 3,433
Total Funding Requirement	\$ 386,410	\$ 407,002	\$ 20,592

Program Scope and Functional Description

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

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. The Standards Development Process includes an appeals process and an interpretation process.

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

In addition, Texas RE reviews proposed NERC Reliability Standards. This Program area supports and facilitates standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standards Development Process. The NSRF provides a regional stakeholder forum for education and discussion of NERC Reliability Standards activities, both regional and continent-wide.

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

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

2020 Key Assumptions

- Continent-wide NERC Reliability Standards projects will consist primarily of conducting enhanced periodic reviews on existing standards to improve the content and respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and addressing FERC directives that may arise. In addition, the Standards Efficiency Review will evaluate NERC Reliability Standards using a risk-based approach to identify potential efficiencies through retirement or modification of Reliability Standard Requirements. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- During the enhanced periodic review of NERC Reliability Standards, any associated Regional Standards will be reviewed for potential incorporation as variances or as improvements to the continent-wide requirements. Regional and NERC Reliability Standards development processes may require modification to efficiently accomplish this task. Each Regional Entity will work with NERC and possibly other Regional Entities on projects where there is a regional standard/variance. Regional Standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Regional Standards development activity is expected to remain low.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations is expected to remain low. However, guidance requests associated with the implementation of standards may increase.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

2020 Goals and Key Deliverables

- Provide input on and facilitate industry review of new and existing NERC Reliability Standards, including cost effectiveness/impact analysis.
- Provide input and feedback for new and existing NERC Reliability Standards using compliance monitoring experience as a basis.
- Provide guidance and outreach on approved NERC Reliability Standards and Regional Standards.
- Develop, as needed, regional variances or Regional Standards to address specific reliability risks and evaluate the need for existing Regional Standards.
- Review existing Regional Standards to determine if any could be incorporated as a regional variance to a continent-wide NERC Reliability Standard.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2019.

Consultants and Contracts

No consulting support and contracts are budgeted for 2020, which is consistent with the 2019 budget.

Section A — 2020 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2020. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
RELIABILITY STANDARDS					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2019 Budget v 2020 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 365,967	\$ 365,967	\$ -	368,622	\$ 2,655
Penalty Sanctions	3,162	3,162	-	19,613	16,452
Total NERC Funding	\$ 369,128	\$ 369,128	\$ -	\$ 388,236	\$ 19,107
Interest	414	414	-	1,105	691
Total Funding	\$ 369,543	\$ 369,543	\$ -	\$ 389,341	\$ 19,798
Expenses					
Personnel Expenses					
Salaries	\$ 156,651	\$ 156,651	\$ -	\$ 163,534	\$ 6,883
Payroll Taxes	11,343	11,343	-	11,883	540
Benefits	37,794	37,794	-	40,608	2,814
Retirement Costs	20,583	20,583	-	21,480	897
Total Personnel Expenses	\$ 226,371	\$ 226,371	\$ -	\$ 237,505	\$ 11,134
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	12,200	12,200	-	9,575	(2,625)
Conference Calls	7,000	7,000	-	3,500	(3,500)
Total Meeting & Travel Expenses	\$ 19,200	\$ 19,200	\$ -	\$ 13,075	\$ (6,125)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	100	100	-	-	(100)
Professional Services	-	-	-	-	-
Total Operating Expenses	\$ 100	\$ 100	\$ -	\$ -	\$ (100)
Total Direct Expenses	\$ 245,671	\$ 245,671	\$ -	\$ 250,580	\$ 4,909
Indirect Expenses	\$ 142,791	\$ 142,791	\$ -	\$ 155,040	\$ 12,249
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 388,462	\$ 388,462	\$ -	\$ 405,621	\$ 17,159
Change in Assets	\$ (18,919)	\$ (18,919)	\$ -	\$ (16,280)	\$ 2,639
Fixed Assets, excluding Right of Use Assets (C)	\$ (2,052)	\$ (2,052)	-	\$ 1,381	3,433
TOTAL BUDGET	\$ 386,410	\$ 386,410	\$ -	\$ 407,002	\$ 20,592
TOTAL CHANGE IN WORKING CAPITAL	\$ (16,868)	\$ (16,868)	\$ -	\$ (17,661)	\$ (794)
FTEs	1.25	1.25	-	1.25	-

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Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	35.75	35.75	-
Direct Expenses	\$ 6,043,802	\$ 6,163,982	\$ 120,181
Indirect Expenses	\$ 4,083,823	\$ 4,434,153	\$ 350,330
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (58,680)	\$ 39,503	\$ 98,183
Total Funding Requirement	\$ 10,068,946	\$ 10,637,638	\$ 568,694

Program Scope and Functional Description

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

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Monitoring Program (CMEP) is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. To support this effort, a new tool referred to as Align is being developed collaboratively with NERC, the Regional Entities, and registered entities. Risk-based CMEP is designed to improve BES reliability by refocusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. Align will support those improvements across the ERO.

Continued development and implementation of Align is expected to be a major activity for Texas RE and the registered entities in 2020. The effort will require Texas RE to appropriately allocate resources to provide continuous improvement in the processes necessary to implement Align for both compliance and enforcement. Based on the high level of coordination between NERC, Regional Entities, and registered entities that is necessary for an efficient and effective implementation, Align will shift workload levels. Additionally, reallocation of resources may be required to meet the training requirements for the compliance and enforcement staff associated with Align. Because resource demands are not fully known, consideration will be given to reallocating existing staff or using available reserves to provide the resource support, if Texas RE determines this to be necessary to support the successful execution of this major activity while

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maintaining an adequate level of compliance monitoring and enforcement necessary to ensure reliable operations.

2020 Key Assumptions

- The implementation of risk-based CMEP will continue to require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement. Regional Entities will require resources to update previously completed IRAs, new IRAs based on identified triggers, and focus on creating compliance oversight plans that include compliance monitoring tools, the frequency of compliance monitoring, and the standards that are to be monitored as well as the depth of testing of those standards.
- The Align project will unify many processes and systems across the ERO, promoting greater efficiencies in work and use of resources. Additional resources will be needed to incorporate the system being developed. Regional Entities will be asked to participate in teams to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of Align will be dependent on Regional Entity participation. NERC has requested that when planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.
- NERC and the Regional Entities will continue to evaluate business practices, implementation, and consistency within the risk-based CMEP.
- CIP compliance personnel will need to support implementation and evaluation of CIP Requirements for “low impact” entities and any updated CIP Reliability Standards.
- NERC will continue to lead the Reliability Standards training development, coordination, and facilitation for the CMEP staff and industry outreach. Texas RE will support these activities in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood, and administered.
- NERC and the Regional Entities are continuing to support the training and education requirements and guidelines necessary to meet the criteria set forth by the ERO Enterprise Compliance Monitoring and Enforcement Manual and the Competency Guide.
- A potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Reliability Standards in 2020.
- Additional resource considerations should be given to managing the increased number of registered entities subject to the CIP Reliability Standards due to the addition of “low impact” requirements.
- Additional resource allocation may be necessary for increased Physical Security compliance monitoring activities for CIP-014 and the compliance monitoring activities related to the Supply Chain Risk Management Reliability Standard (CIP-013).

- ERO Enterprise CMEP staff, particularly staff with visibility into risks existing in the field, will provide feedback to the ERO Enterprise. This feedback may include information on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad. ERO Enterprise CMEP staff will participate in the development of a solution, regardless of whether the risk is addressed through a new or modified Reliability Standard, or other means.
- ERO Enterprise CMEP staff will provide input for standards development teams on the risks seen in the field relating to a standard under development, as well as for how a Reliability Standard would be monitored.
- As the depth of focused analysis of reliability performance and events across NERC improves, any identification of possible gaps in standards and compliance monitoring could potentially influence this program area.
- The certification program will be assessed in 2019, which may result in modifications to the program in 2020.
- Planned oversight activities for 2020 will be aligned with the ERO Enterprise Operating Model and may affect 2020 resource allocation, but they should have little effect on overall NERC resource requirements. NERC understands that each Regional Entity will need to evaluate its individual resource needs and allocations.
- Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects.

2020 Goals and Key Deliverables

COMPLIANCE MONITORING

- Develop and implement compliance oversight plans for registered entities focusing on relevant risks, including consideration of inherent risk assessments, entity performance history, and effectiveness of internal controls.
- Work collaboratively with NERC and other Regional Entities to provide clear and consistent guidance on the CMEP process, including coordinated oversight of Multi-Region Registered Entities.
- Undertake compliance monitoring activities in accordance with established risk-based approaches.
- Take action to address any findings, recommendations, enhancements, guidance, and inconsistencies identified in NERC's registration, compliance monitoring, and enforcement oversight reports.
- Participate in the development and implementation of Align. Participate in training related to enhancements to the risk-based monitoring approach.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion, to enhance visibility of violations and penalties.

- Undertake enforcement activities in accordance with established risk-based approaches.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Conduct technical assessments of registered entities' plans and activities to mitigate noncompliance.
- Support streamlined mechanisms implemented to expedite possible violations that pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Enhanced feedback loops to the Reliability Standard development process.

REGISTRATION AND CERTIFICATION

- Identify and register BES owners, operators, and users. Maintain accurate, up-to-date registration information, identifying entities responsible for compliance.
- Ensure entities performing the functions of Reliability Coordinator, Balancing Authority, and Transmission Operator have the tools, processes, and training to meet applicable Reliability Standards requirements.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2019.

Consultants and Contracts

There is a decrease of 6.7% in contracts and consulting services for this department due to lower costs associated with webCDMS.

Section A — 2020 Business Plan and Budget – Statutory Programs

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2020. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2019 Budget v 2020 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,466,652	\$ 10,466,652	\$ -	\$ 10,542,599	\$ 75,947
Penalty Sanctions	90,421	90,421		560,939	470,518
Total NERC Funding	\$ 10,557,073	\$ 10,557,073	\$ -	\$ 11,103,538	\$ 546,465
Interest	11,851	11,851	-	31,602	19,751
Total Funding	\$ 10,568,924	\$ 10,568,924	\$ -	\$ 11,135,140	\$ 566,216
Expenses					
Personnel Expenses					
Salaries	\$ 4,062,640	\$ 4,062,640	\$ -	\$ 4,084,786	\$ 22,146
Payroll Taxes	305,272	305,272	-	313,103	7,831
Benefits	777,434	777,434	-	896,703	119,269
Retirement Costs	568,677	568,677	-	578,151	9,474
Total Personnel Expenses	\$ 5,714,022	\$ 5,714,022	\$ -	\$ 5,872,743	\$ 158,721
Meeting & Travel Expenses					
Meetings	\$ 300	\$ 300	\$ -	\$ -	\$ (300)
Travel	141,450	141,450	-	114,625	(26,825)
Conference Calls	7,000	7,000	-	7,000	-
Total Meeting & Travel Expenses	\$ 148,750	\$ 148,750	\$ -	\$ 121,625	\$ (27,125)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 162,000	\$ 162,000	\$ -	\$ 151,204	\$ (10,796)
Office Rent	-	-	-	-	-
Office Costs	19,030	19,030	-	18,410	(620)
Professional Services	-	-	-	-	-
Total Operating Expenses	\$ 181,030	\$ 181,030	\$ -	\$ 169,614	\$ (11,416)
Total Direct Expenses	\$ 6,043,802	\$ 6,043,802	\$ -	\$ 6,163,982	\$ 120,180
Indirect Expenses	\$ 4,083,823	\$ 4,083,823	\$ -	\$ 4,434,153	\$ 350,330
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 10,127,626	\$ 10,127,626	\$ -	\$ 10,598,135	\$ 470,510
Change in Net Assets	\$ 441,298	\$ 441,298	\$ -	\$ 537,005	\$ 95,706
Fixed Assets, excluding Right of Use Assets	\$ (58,680)	\$ (58,680)	\$ -	\$ 39,503	\$ 98,183
TOTAL BUDGET	\$ 10,068,946	\$ 10,068,946	\$ -	\$ 10,637,638	\$ 568,693
TOTAL CHANGE IN WORKING CAPITAL	\$ 499,978	\$ 499,978	\$ -	\$ 497,502	\$ (2,476)
FTEs	35.75	35.75	-	35.75	-

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Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	6.00	6.00	-
Direct Expenses	\$ 1,375,949	\$ 1,394,226	\$ 18,277
Indirect Expenses	\$ 685,397	\$ 744,193	\$ 58,797
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (9,848)	\$ 6,630	\$ 16,478
Total Funding Requirement	\$ 2,051,498	\$ 2,145,050	\$ 93,552

Program Scope and Functional Description

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

RAPA also includes Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP Reliability Standards, improving regional coordination and cooperation for the CIP program, and aid the NERC-led efforts to develop industry alerts and guidance in support of the Electricity – Information Sharing and Analysis Center (E-ISAC). Most of the Texas RE Infrastructure Security effort is handled by CIP resources within the Compliance, Monitoring, Enforcement and Organizational Registration and Certification Program, while Situation Awareness is closely tied to initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

2020 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs. Evolution of ERO RAPA programs, particularly those involving data analytics and probabilistic analysis, have not established a need for additional Regional program resources at this time.

- Continued ERCOT ISO and Regional stakeholder support is expected in Regional planning activities that meet ERO schedules for the various proposed reliability assessments and Interconnection study case model building activities.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

2020 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the annual long-term reliability assessment, along with continuing support for winter and summer seasonal assessments and with enhanced use of probabilistic analysis.
- Contribute to an anticipated NERC short-term special reliability assessment in 2020 that focuses on specific risk concerns in a six-to-twenty-four month horizon, including scope development, data collection, analysis and review. The assessment may involve topics such as fuel supply risk, new technologies, energy storage, changes in resource mix, or delays in transmission development.
- Support NERC-wide modelling improvement efforts, particularly those related to dynamic loads, inverter-based resources, and generator model validation. As the Interconnection model designee associated with MOD-032 and MOD-033 Reliability Standards, Texas RE will continue to work with stakeholders to integrate fidelity and quality tests into Interconnection study-case development processes. Support NERC staff analysis of system frequency response and other characteristics using Interconnection study-cases.
- Contribute to Reliability Guidelines and Technical Reference documents developed through technical working groups under the NERC Planning and Operating Committees, including special reports on emerging issues as may be assigned to these groups to address high-priority risks.
- Provide regional data collection and analysis to meet NERC System Analysis initiatives or FERC Order directives. These may include continuing review of risks associated with geomagnetic disturbances, system strength, and reactive issues, protection system mis-operations, system frequency response, human performance, drought, environmental regulations, oscillation analysis, phasor measurement unit (PMU) application, distributed energy resources, and new technology integration.
- Oversee NERC Rules of Procedure Section 1600 collection and validation of reliability data for the ERCOT region, provide analysis and validation, respond to FERC inquiries and support stakeholders' data entry. In 2020, Texas RE will assist in development of application requirements and testing to support development of NERC's Enterprise Reporting data warehouse along with ERO-wide analytical programs. Systems include:
 - Transmission Availability Data System (TADS)
 - Generation Availability Data System (GADS)
 - GADSwind, a similar but separate system from GADS for wind generation, becoming mandatory for all wind facilities over 100 MVA in 2019

- Demand Response Availability Data System (DADS)
 - Protection System Mis-operations (MIDAS)
 - GADSSolar, currently in development
-
- Participate in ERO development of an outcome-based approach to achieve measurable improvements in reliability, using the data above and NERC's grid performance metrics. Collect data and perform analysis as needed to evaluate the NERC metrics and contribute to NERC's annual State of Reliability report along with Region-specific annual reports and quarterly reviews. While content may change, the number of metrics and level of analysis is expected to remain essentially consistent in 2020 with 2019.
 - Review NERC Reliability Standards and process developments. Evaluate against existing and proposed Regional criteria and processes for reliability concerns.
 - Continue to implement the NERC event analysis and cause-coding process within the ERCOT region, expecting a similar volume of events as 2019, estimated at 12 Category 1 (minor), and three Category 2 or 3 (moderate impact) events. No Category 4 or 5 events (significant impact) are anticipated but processes and procedures to address this possibility will be maintained. Conduct follow-up on recommendations and trends from past major events within ERCOT and other power systems.
 - Review approximately 80 lesser system events, such as remedial action scheme mis-operations, communications issues, and frequency disturbances, which do not meet the threshold for NERC events analysis, in order to monitor trends and system impacts in these areas.
 - Support the BES Definition exception process and other Registration activities, as needed by providing technical review of exception requests, evaluation of retail generator exports and distribution provider loads. Coordinate internally and with other Regions and NERC for consistent application. At this time, the number of such requests is uncertain but is expected to be limited to three or four issues handled by existing staff.
 - Promote the work of the NERC Reliability Issues Steering Committee (RISC) to identify the most significant system risks and incorporate into RAPA activities and projects. Tailor RISC observations and Regional information to identify impacts within the Region and means to mitigate them.
 - Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.
 - Texas RE staff will continue ongoing day-to-day monitoring for Situation Awareness, including system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long-term horizon.
 - Use software applications and data from ERCOT ISO, NERC, and other sources for Regional Situation Awareness, and support use by other departments in Texas RE. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time

visualization tools. Texas RE uses these tools to provide regular reporting to NERC along with information on current events in the ERCOT region.

- Continue joint activities with ERCOT ISO to host winter preparation workshops for generators and conduct site visits to promote best practices. There may be 30-40 generator sites included, with the number depending on results from 2019.
- Texas RE will continue to monitor and follow up on NERC Alerts and anticipates that the volume will be similar to 2019, or approximately four, with one alert expected to require response coordination and analysis.
- Texas RE staff will continue to support training initiatives in the Situation Awareness area that concern system resiliency and recovery. Planning with NERC and E-ISAC staff will continue for the fifth NERC GridEx Security exercise to be conducted in late 2020. Texas RE will participate in Regional exercises for blackstart and severe weather operations.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2019.

Consultants and Contracts

No consulting support and contracts are budgeted for 2020, which is consistent with the 2019 budget. No task assignments have been identified that require consulting or contractor support.

Section A — 2020 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2020. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2019 Budget v 2020 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,756,641	\$ 1,756,641	\$ -	\$ 1,769,387	\$ 12,746
Penalty Sanctions	15,176	15,176	-	94,144	78,968
Total NERC Funding	\$ 1,771,816	\$ 1,771,816	\$ -	\$ 1,863,531	\$ 91,714
Interest	1,989	1,989	-	5,304	3,315
Total Funding	\$ 1,773,805	\$ 1,773,805	\$ -	\$ 1,868,835	\$ 95,029
Expenses					
Personnel Expenses					
Salaries	\$ 880,124	\$ 880,124	\$ -	\$ 903,185	\$ 23,061
Payroll Taxes	60,689	60,689	-	63,114	2,425
Benefits	163,033	163,033	-	154,128	(8,904)
Retirement Costs	126,663	126,663	-	130,959	4,296
Total Personnel Expenses	\$ 1,230,509	\$ 1,230,509	\$ -	\$ 1,251,386	\$ 20,877
Meeting & Travel Expenses					
Meetings	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ (1,000)
Travel	82,000	82,000	-	73,200	(8,800)
Conference Calls	-	-	-	-	-
Total Meeting & Travel Expenses	\$ 83,000	\$ 83,000	\$ -	\$ 73,200	\$ (9,800)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	62,440	62,440	-	69,640	7,200
Professional Services	-	-	-	-	-
Total Operating Expenses	\$ 62,440	\$ 62,440	\$ -	\$ 69,640	\$ 7,200
Total Direct Expenses	\$ 1,375,949	\$ 1,375,949	\$ -	\$ 1,394,226	\$ 18,277
Indirect Expenses	\$ 685,397	\$ 685,397	\$ -	\$ 744,193	\$ 58,797
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,061,346	\$ 2,061,346	\$ -	\$ 2,138,420	\$ 77,074
Change in Net Assets	\$ (287,541)	\$ (287,541)	\$ -	\$ (269,585)	\$ 17,955
Fixed Assets					
Fixed Assets, excluding Right of Use Assets	\$ (9,848)	\$ (9,848)	\$ -	\$ 6,630	\$ 16,478
TOTAL BUDGET	\$ 2,051,498	\$ 2,051,498	\$ -	\$ 2,145,050	\$ 93,552
TOTAL CHANGE IN WORKING CAPITAL	\$ (277,692)	\$ (277,692)	\$ -	\$ (276,215)	\$ 1,477
FTEs	6.00	6.00	-	6.00	-

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Training, Education, and Continuing Education Program

Training, Education and Operator Certification (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 309,413	\$ 359,878	\$ 50,465
Indirect Expenses	\$ 257,024	\$ 279,073	\$ 22,049
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (3,693)	\$ 2,486	\$ 6,179
Total Funding Requirement	\$ 562,744	\$ 641,437	\$ 78,693

Program Scope and Functional Description

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

Texas RE will continue to coordinate Standards and Compliance workshops and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2020. Texas RE has also budgeted for a Reliability Summit to increase visibility of reliability issues in the ERCOT Interconnection. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost-effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other industry meetings.

2020 Key Assumptions

- Additional resources may be required to support training related to ERO initiatives that are difficult to ascertain at this time.

2020 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.

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- Develop technical materials for and present Reliability Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC Reliability Standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Maintain the Texas RE website.
- Develop an Annual Report summarizing the prior year's accomplishments.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability working groups.
- Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2020.

Consultants and Contracts

Consulting support and contracts costs are reduced in 2020 from 2019.

Section A — 2020 Business Plan and Budget – Statutory Programs

Training, Education, and Continuing Education Program

The following table shows the funding sources and related expenses for the Training, Education, and Continuing Education Program for 2020. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2019	2019	Variance	2020	Variance
	Budget	Projection	2019 Projection	Budget	2019 Budget
			v 2019 Budget		v 2020 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 658,740	\$ 658,740	\$ -	\$ 663,520	\$ 4,780
Penalty Sanctions	5,691	5,691	-	35,304	29,613
Total NERC Funding	\$ 664,431	\$ 664,431	\$ -	\$ 698,824	\$ 34,393
Interest	746	746	-	1,989	1,243
Total Funding	\$ 665,177	\$ 665,177	\$ -	\$ 700,813	\$ 35,636
Expenses					
Personnel Expenses					
Salaries	\$ 197,995	\$ 197,995	\$ -	\$ 210,025	\$ 12,030
Payroll Taxes	14,114	14,114	-	15,109	995
Benefits	48,701	48,701	-	51,955	3,254
Retirement Costs	26,424	26,424	-	30,459	4,035
Total Personnel Expenses	\$ 287,234	\$ 287,234	\$ -	\$ 307,548	\$ 20,313
Meeting & Travel Expenses					
Meetings	\$ 4,500	\$ 4,500	\$ -	\$ 34,500	\$ 30,000
Travel	2,480	2,480	-	3,030	550
Conference Calls	6,000	6,000	-	3,300	(2,700)
Total Meeting & Travel Expenses	\$ 12,980	\$ 12,980	\$ -	\$ 40,830	\$ 27,850
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 3,000	\$ 3,000	\$ -	\$ 1,500	\$ (1,500)
Office Rent	-	-	-	-	-
Office Costs	6,200	6,200	-	7,000	800
Professional Services	-	-	-	3,000	3,000
Total Operating Expenses	\$ 9,200	\$ 9,200	\$ -	\$ 11,500	\$ 2,300
Total Direct Expenses	\$ 309,414	\$ 309,414	\$ -	\$ 359,878	\$ 50,463
Indirect Expenses	\$ 257,024	\$ 257,024	\$ -	\$ 279,073	\$ 22,049
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 566,438	\$ 566,438	\$ -	\$ 638,950	\$ 72,512
Change in Net Assets	\$ 98,739	\$ 98,739	\$ -	\$ 61,862	\$ (36,876)
Fixed Assets, excluding Right of Use Assets	\$ (3,693)	\$ (3,693)	\$ -	\$ 2,486	\$ 6,179
TOTAL BUDGET	\$ 562,745	\$ 562,745	\$ -	\$ 641,437	\$ 78,691
TOTAL CHANGE IN WORKING CAPITAL	\$ 102,432	\$ 102,432	\$ -	\$ 59,376	\$ (43,055)
FTEs	2.25	2.25	-	2.25	-

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Administrative Services

Administrative Services						
	Direct Expenses & Fixed Assets			FTEs		
	2019 Budget	2020 Budget	Inc (Dec)	2019 Budget	2020 Budget	Inc (Dec)
General and Administrative	2,564,699	3,088,993	524,294	4.00	4.00	-
Legal and Regulatory	552,887	561,822	8,935	2.75	2.75	-
Information Technology	1,374,599	1,419,323	44,724	5.00	5.00	-
Human Resources	109,410	64,415	(44,995)	-	-	-
Finance and Accounting	493,166	527,908	34,742	3.00	3.00	-
Total Administrative Services	5,094,761	5,662,460	567,699	14.75	14.75	-

Program Scope and Functional Description

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

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

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

General and Administrative

This Program includes the President and CEO, the Vice President and Chief Operating Officer (VP), the personnel costs for the HR Department, and the compensation and expenses of the Texas RE Board. The President and CEO carries out the general affairs of Texas RE including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The VP performs a leadership role in coordinating and facilitating the activities of all Texas RE programs. The VP reports to the CEO and acts on behalf of the CEO in his absence.

Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

The number of FTEs assigned to this Program is consistent with 2019. Administrative Services costs are allocated among Programs based on Program FTE count during the year.

Consulting support and contracts costs are increasing 150.0% in 2020. This increase is for a search firm to assist finding a replacement for an Independent Director who will be term-limited at the end of 2020.

Legal and Regulatory

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

2020 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

2020 Key Deliverables and Goals

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

The budgeted number of FTEs for Legal and Regulatory is remaining constant in 2020.

Consulting support and contracts are decreasing 11.1% to reflect actual cost experience.

Legal Fees are decreasing by 25.0% to reflect actual cost experience.

Information Technology

Texas RE's Information Technology (IT) and physical and cyber security program provides IT and security support to Texas RE, including the following: hardware, systems, software, and applications support; physical and electronic and security, data center operations, IT and security-

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related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training and planning for improvement and efficiency of business processes and operations.

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

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

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

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2020 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

2020 Key Assumptions

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

2020 Goals and Key Deliverables

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

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

The budgeted number of FTEs for IT are remaining constant in 2020.

IT-Managed Services, which is included in the consulting support and contracts category, is increasing 37.0% due to adding a unified communication system including phone, instant messaging, and online meeting system.

Human Resources

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

2020 Key Assumptions

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

2020 Goals and Key Deliverables

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

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Personnel expenses are reported under G&A.

Consulting services and contracts are decreasing by 56.3% in 2020. The 2019 budget planned for three studies with different consultants. The 2020 budget plans for two studies: President and CEO compensation study and Executive compensation study using one consultant for both studies.

Finance and Accounting

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

2020 Key Assumptions

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

2020 Goals and Key Deliverables

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

The budgeted number of FTEs for Finance and Accounting are remaining constant in 2020.

No consulting support and contracts are budgeted for 2020, which is consistent with the 2019 budget.

Administrative Services

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
ADMINISTRATIVE SERVICES					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2019 Budget v 2020 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 2,096,766	\$ 2,096,766	\$ -	\$ 2,279,750	\$ 182,984
Payroll Taxes	114,670	114,670	-	124,325	9,655
Benefits	356,091	356,091	-	357,610	1,519
Retirement Costs	277,131	277,131	-	312,753	35,622
Total Personnel Expenses	\$ 2,844,657	\$ 2,844,657	\$ -	\$ 3,074,438	\$ 229,780
Meeting and Travel Expenses					
Meetings	\$ 14,000	\$ 14,000	\$ -	\$ 24,000	\$ 10,000
Travel	111,640	111,640	-	117,775	6,135
Conference Calls	-	-	-	3,840	3,840
Total Meeting & Travel Expenses	\$ 125,640	\$ 125,640	\$ -	\$ 145,615	\$ 19,975
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 235,250	\$ 235,250	\$ -	\$ 337,000	\$ 101,750
Office Rent	707,214	707,214	-	903,786	196,572
Office Costs	598,300	598,300	-	566,020	(32,280)
Professional Services	553,700	553,700	-	585,600	31,900
Total Operating Expenses	\$ 2,094,464	\$ 2,094,464	\$ -	\$ 2,392,406	\$ 297,942
Total Direct Expenses	\$ 5,064,760	\$ 5,064,760	\$ -	\$ 5,612,459	\$ 547,697
Indirect Expenses	\$ (5,169,034)	\$ (5,169,034)	\$ -	\$ (5,612,459)	\$ (443,425)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ (104,274)	\$ (104,274)	\$ -	\$ (0)	\$ 104,272
Change in Assets	\$ 104,274	\$ 104,274	\$ -	\$ 0	\$ (104,272)
Fixed Assets, excluding Right of Use Assets	\$ 104,273	\$ 104,273	\$ -	\$ -	\$ (104,273)
TOTAL BUDGET	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ 0
TOTAL CHANGE IN WORKING CAPITAL	\$ 0	\$ 0	\$ -	\$ 0	\$ (0)
FTEs	4.00	4.00	-	4.00	-

Approved by the Texas RE Board of Directors _____

Section B – Supplemental Financial Information
2020 Business Plan and Budget



Section B — Supplemental Financial Information

Table B-1 – Reserve Balance
Working Capital Reserve Analysis 2019-2020

STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2018	2,223,149
Plus: 2019 Funding (from LSEs or designees)	13,362,449
Plus: 2019 Other funding sources	15,000
Less: 2019 Projected expenses & capital expenditures	(13,069,599)
Projected Working Capital Reserve (Deficit), December 31, 2019	<u><u>2,530,999</u></u>
Desired Working Capital Reserve, December 31, 2020	2,000,000
Assessment Stabilization	793,996
Minus: Projected Working Capital Reserve, December 31, 2018	(2,530,999)
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u><u>263,002</u></u>
2020 Expenses and Capital Expenditures	13,831,126
Less: Penalty Sanctions ¹	(710,000)
Less: Other Funding Sources	(40,000)
Adjustment to achieve desired Working Capital Reserve	263,002
2020 NERC Assessment	<u><u>13,344,128</u></u>

¹ Represents collections on or prior to June 30, 2019.

Explanation of Changes in Reserve Policy from Prior Years

The Board-approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators. For the 2018 budget period, the Board of Directors approved a reduction to the Operating Reserve to \$1,245,000 to reduce the amount of increase in assessments. The reserve was replenished at the end of 2018 due to budget under-runs. The projected Operating Reserve for the 2020 budget period is \$2,000,000. In addition to the Operating Reserve \$2,000,000 amount, \$793,996 has been set aside for assessment stabilization. This amount is the remainder of the 2018 budget under-run.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 10 of the 2020 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2019. The 2020 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2019 are to be used to offset assessments in the 2020 Budget, as documented in the NERC Policy – *ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2019 through June 30, 2020 will be used to offset assessments in the 2021 Budget.

All penalties received by June 30, 2019 are detailed in Exhibit B-2.

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

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2019	Date Received	Amount Received
	7/12/2018	\$ 140,000
	7/12/1028	\$ 45,000
	7/11/2018	\$ 300,000
	11/1/2018	\$ 225,000
Total Penalties Received		<u>\$ 710,000</u>

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Table B-3 – Supplemental Funding

	Budget 2019	Budget 2019	Budget 2020	Variance 2020 Budget v 2019 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 15,000	\$ 15,000	\$ 40,000	\$ 25,000
Total	\$ 15,000	\$ 15,000	\$ 40,000	\$ 25,000
Total Outside Funding	\$ 15,000	\$ 15,000	\$ 40,000	\$ 25,000

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- Texas RE anticipates its investments will earn interest of approximately \$40,000 in 2020. Texas RE’s banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. This account type allows for higher interest and dividend collections.

• **Table B-4 – Personnel Expenses**

Personnel Expenses	Budget 2019	Budget 2019	Budget 2020	Variance 2020 Budget v 2019 Budget	Variance %
Total Salaries	\$ 7,394,175	\$ 7,394,175	\$ 7,641,280	\$ 247,105	3.3%
Total Payroll Taxes	506,088	506,088	527,534	21,445	4.2%
Total Benefits	1,383,053	1,383,053	1,501,005	117,953	8.5%
Total Retirement	1,019,478	1,019,478	1,073,802	54,324	5.3%
Total Personnel Costs	\$ 10,302,794	\$ 10,302,794	\$ 10,743,621	\$ 440,827	4.3%
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 123,236	\$ 123,236	\$ 127,355	4,118	3.3%
Payroll Taxes	8,435	8,435	8,792	357	4.2%
Benefits	23,051	23,051	25,017	1,966	8.5%
Retirement	16,991	16,991	17,897	905	5.3%
Total Cost per FTE	\$ 171,713	\$ 171,713	\$ 179,060	\$ 7,347	4.3%

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- Total costs for Texas RE personnel expenses are increasing by 4.3%. Salaries expense is increasing 3.3%, which includes an allowance for salary increases and promotions.
- Payroll taxes are increasing 4.2%, which includes an increase in State Unemployment Insurance Tax.
- Total Benefits expense is increasing 8.5%. Health-plan expense is projected to increase 14% in 2020. Employee Benefits include education reimbursement, relocation expenses, and training and professional development.
- Retirement costs are increasing 5.3%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost. The overall cost for the plan has increased due to increases in fund costs.

Table B-5 – Meeting & Travel Expenses

Meeting and Travel Expenses	Budget 2019	Budget 2019	Budget 2020	Variance 2020 Budget v 2019 Budget	Variance %
Meetings	\$ 19,800	\$ 19,800	\$ 58,500	\$ 38,700	195.5%
Travel	349,770	349,770	318,205	(31,565)	-9.0%
Conference Calls	20,000	20,000	17,640	(2,360)	-11.8%
	\$ 389,570	\$ 389,570	\$ 394,345	\$ 4,775	1.2%

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- Meetings expense is increasing to include Workshop Expense for a proposed Reliability Summit in the Training and Education Program.
- The budget for all Travel and Conference Calls has been reduced to align with actual costs.

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Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2019	Budget 2019	Budget 2020	Variance 2020 Budget v 2019 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	162,000	162,000	151,204	(10,796)	-6.7%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	3,000	3,000	1,500	(1,500)	-50.0%
General and Administrative	80,000	80,000	200,000	120,000	150.0%
Legal and Regulatory	2,250	2,250	2,000	(250)	-11.1%
Information Technology	73,000	73,000	100,000	27,000	37.0%
Human Resources	80,000	80,000	35,000	(45,000)	-56.3%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 400,250	\$ 400,250	\$ 489,704	\$ 89,454	22.3%

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

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

Table B-7 – Office Rent

Rent	Budget 2019	Budget 2019	Budget 2020	Variance 2020 Budget v 2019 Budget	Variance %
Office Rent	\$ 442,214	\$ 442,214	\$ 544,638	\$ 102,424	23.2%
Utilities	250,000	250,000	\$ 344,148	94,148	37.7%
Maintenance	15,000	15,000	\$ 15,000	-	0.0%
Total Office Rent & Utilites	\$ 707,214	\$ 707,214	\$ 903,786	\$ 196,572	27.8%

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- The current lease for Texas RE’s office space ends on September 30, 2020. The lease has been extended, causing a 27.8% escalation in rent and utilities.

Table B-8 – Office Costs

Office Costs	Budget			Variance	
	2019	2019	2020	2020 Budget v 2019 Budget	Variance %
Telephone/Cell Phone	\$ 41,760	\$ 41,760	\$ 41,760	\$ -	0.0%
Internet Expense	128,000	128,000	\$ 125,000	(3,000)	-2.3%
Office Supplies	40,920	40,920	\$ 40,050	(870)	-2.1%
Computer Supplies & Maintenance	36,400	36,400	\$ 21,400	(15,000)	-41.2%
IT Remote Support	1,350	1,350	\$ 1,350	-	0.0%
Software & Software Maintenance	191,000	191,000	\$ 167,600	(23,400)	-12.3%
Subscriptions & Publications	23,950	23,950	\$ 23,680	(270)	-1.1%
Dues	8,305	8,305	\$ 7,320	(985)	-11.9%
Postage	685	685	\$ 410	(275)	-40.1%
Express Shipping	350	350	\$ 200	(150)	-42.9%
Stationary & Office Forms	2,200	2,200	\$ 1,950	(250)	-11.4%
Equipment Repair/Srv. Contracts	13,000	13,000	\$ 12,000	(1,000)	-7.7%
Bank Charges	1,500	1,500	\$ 1,800	300	20.0%
Property Taxes	15,400	15,400	\$ 15,400	-	0.0%
Merchant Credit Card Fee	500	500	\$ 1,400	900	180.0%
IT-Leased Equipment	177,000	177,000	\$ 196,000	19,000	10.7%
Office Furniture & Equipment Exp	2,500	2,500	\$ 2,500	-	0.0%
Employment Related Fees	1,250	1,250	\$ 1,250	-	0.0%
Total Office Costs	\$ 686,070	\$ 686,070	\$ 661,070	\$ (25,000)	-3.64%

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- All categories in the Office Costs have been adjusted in the 2020 budget to more accurately reflect actual experience.
- Computer Supplies and Maintenance are decreasing to align with actual costs.
- Software and Software Maintenance is decreasing to reflect the costs of the PI Software.
- IT-Leased equipment is increasing due to lease renewal of the laptop and server equipment. There is more equipment in the new lease, driving the costs higher.

Table B-9 – Professional Services

Professional Services	Budget			Variance	
	2019	2019	2020	2020 Budget v 2019 Budget	Variance %
Board of Director Fees	\$ 298,000	\$ 298,000	\$ 342,700	\$ 44,700	15.0%
Accounting & Auditing Fees	50,000	50,000	54,000	4,000	8.0%
Legal Fees	40,000	40,000	30,000	(10,000)	-25.0%
Insurance - Commercial	73,000	73,000	67,900	(5,100)	-7.0%
Professional Services-Other	92,700	92,700	94,000	1,300	1.4%
Total Professional Services	\$ 553,700	\$ 553,700	\$ 588,600	\$ 34,900	6.3%

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- Board of Director Fees have been adjusted to reflect the potential increases that may be recommended by a third-party compensation study and approved by the Director Compensation Committee in late 2019.
- Accounting and Auditing Fees are increasing slightly due to annual price adjustment.
- Legal Fees are decreasing to reflect actual cost based on experience.
- Commercial Insurance is projected to decrease slightly based on an estimate from the broker.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget		Budget		Budget		Variance	
	2019	2019	2019	2019	2020	2020	2020 Budget v 2019 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

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

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- N/A

Table B-12 – Fixed Assets

Fixed Assets	Budget	Budget	Budget	Variance	
	2019	2019	2020	2020 Budget v 2019 Budget	Variance %
Computer & Software CapEx	\$ 30,000	\$ 30,000	\$ 50,000	\$ 20,000	66.7%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Total Fix Assets	\$ 30,000	\$ 30,000	\$ 50,000	\$ 20,000	66.7%

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

- Computer and Software CapEx is increasing due to the possible purchase of security software.

Table B-13 – 2020 and 2021 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2020 Budget & Projected 2021 and 2022 Budgets							
	2020 Budget	2021 Projection	\$ Change 21 v 20	% Change 21 v 20	2022 Projection	\$ Change 22 v 21	% Change 22 v 21
Funding							
ERO Funding							
NERC Assessments	\$ 13,344,128	\$ 13,877,893	\$ 533,765	4.0%	\$ 14,453,009	\$ 575,116	4.0%
Penalty Sanctions	710,000	-	(710,000)	-100.00%	-	-	
Total NERC Funding	\$ 14,054,128	\$ 13,877,893	\$ (176,235)	-1.3%	\$ 14,453,009	\$ 575,116	4.0%
Membership Dues	-	\$ -	-		-	-	
Interest	40,000	41,600	1,600	4.00%	43,264	1,664	4.0%
Total Funding	\$ 14,094,128	\$ 13,919,493	\$ (174,635)	-1.2%	\$ 14,496,273	\$ 576,780	4.1%
Expenses							
Personnel Expenses							
Salaries	\$ 7,641,280	\$ 7,946,931	\$ 305,651	4.0%	\$ 8,264,808	\$ 317,877	4.0%
Payroll Taxes	527,534	548,635	21,101	4.0%	570,581	21,945	4.0%
Benefits	1,501,005	1,561,046	60,040	4.0%	1,623,488	62,442	4.0%
Retirement Costs	1,073,802	1,116,754	42,952	4.0%	1,161,424	44,670	4.0%
Total Personnel Expenses	\$ 10,743,621	\$ 11,173,366	\$ 429,745	4.0%	\$ 11,620,301	\$ 446,935	4.0%
Meeting & Travel Expenses							
Meetings	\$ 58,500	\$ 60,840	\$ 2,340	4.0%	\$ 63,273.60	2,434	4.0%
Travel	318,205	330,933	12,728	4.0%	344,171	13,237	4.0%
Conference Calls	17,640	18,346	706	4.0%	19,079	734	4.0%
Total Meeting & Travel Expenses	\$ 394,345	\$ 410,119	\$ 15,774	4.0%	\$ 426,524	\$ 16,405	4.0%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 489,704	\$ 509,292	19,588	4.0%	\$ 529,664	20,372	4.0%
Office Rent	903,786	1,098,595	194,809	21.6%	1,177,153	78,558	7.2%
Office Costs	661,070	687,513	26,443	4.0%	715,013	27,501	4.0%
Professional Services	588,600	612,144	23,544	4.0%	636,630	24,486	4.0%
Total Operating Expenses	\$ 2,643,160	\$ 2,907,545	\$ 264,384	10.0%	\$ 3,058,460	\$ 150,916	5.2%
Total Direct Expenses	\$ 13,781,126	\$ 14,491,029	\$ 709,903	5.2%	\$ 15,105,285	\$ 614,255	4.2%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 13,781,126	\$ 14,491,029	\$ 709,903	5.2%	\$ 15,105,285	\$ 614,255	4.2%
Change in Net Assets	\$ 313,002	\$ (571,536)	\$ (884,538)	-282.6%	\$ (609,012)	\$ (37,475)	6.6%
Fixed Assets, excluding Right of Use Assets	\$ 50,000	\$ 50,000	\$ (0)	0.0%	\$ 200,000	\$ (37,475)	0.0%
TOTAL BUDGET	\$ 13,831,126	\$ 14,541,029	\$ 709,903	5.1%	\$ 15,305,284	\$ 614,255	4.2%
TOTAL CHANGE IN WORKING CAPITAL	\$ 263,002	\$ (621,536)	\$ (884,538)	0.0%	\$ (809,011)	(187,475)	30.2%
FTEs	60	60	-	0.0%	60	-	0.0%

2021 and 2022 Projection Analysis

- Assumes overall workload will remain consistent; reflects no additional FTEs and an overall expense increase of approximately 4% per year for all categories except Rent and Utilities. The current lease for Texas RE's office space ends on September 30, 2020. The lease has been extended, causing a 21.6% escalation in rent and utilities for the 2021 projection.

Section C – Texas Reliability Monitor (Non-Statutory)
Activities
2020 Business Plan and Budget



Section C — Texas Reliability Monitor (Non-Statutory) Business Plan and Budget

State (Non-Statutory) Activities (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	5.0	4.0	-
Direct Expenses	\$ 1,124,495	\$ 1,191,965	\$ 67,470
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	\$ 1,124,495	\$ 1,191,965	\$ 67,470

Texas Reliability Monitor (Non-Statutory) Functional Scope

Texas RE performs non-statutory activities as the ERCOT region Reliability Monitor on behalf of the Public Utility Commission of Texas (PUCT). As the Reliability Monitor, Texas RE audits and investigates market participants' compliance with ERCOT Protocols and Operating Guides (ERCOT Regional Rules), reports possible non-compliance with reliability-related regional rules to the PUCT, and provides testimony and support to the PUCT in enforcement cases prosecuted by the PUCT. These non-statutory activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT.²

Major 2020 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for the PUCT in 2020.

2020 Texas Reliability Monitor (Non-Statutory) Goals and Objectives

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

²Texas RE's current contract to serve as the PUCT's Reliability Monitor expires at the end of 2019. Texas RE expects to submit a bid to continue serving in this role, as the 2020 budget assumes that Texas RE's bid is successful. In the event Texas RE is not the successful bidder, Texas RE will submit a budget amendment to reflect the change.

Funding Sources

- Texas Reliability Monitor (Non-Statutory) activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT. Texas RE's total 2020 non-statutory budget and funding is \$1,191,965.
- Total expenses for 2020 are increasing 6% over 2019.

Personnel Expenses

- State (Non-statutory) personnel are decreasing to 4 FTEs to accurately reflect the personnel assigned to this activity. Personnel expenses are increasing 3.9%. Payroll taxes reflect an increase in State Unemployment Insurance. Health-plan expense is projected to increase 14% in 2020. Employee Benefits include training and professional development.

Meeting and Travel Expenses

- Travel expenses are remaining consistent with 2019.

Operating Expenses

- Operating Expenses are increasing to reflect an increase in rent and utilities.

Indirect Expenses

- Costs are being charged directly to the expense line item in 2020; therefore, no indirect expenses are charged.

2020 Budget and Projection and 2019 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
TEXAS RELIABILITY MONITOR (NON-STATUTORY)					
	2019 Budget	2019 Projection	Variance 2019 Projection v 2019 Budget Over(Under)	2020 Budget	Variance 2019 Budget v 2020 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	-	-		-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
PUCT	\$ 1,124,495	\$ 1,124,495		\$ 1,191,965	\$ 67,470
Total Funding (A)	\$ 1,124,495	\$ 1,124,495	\$ -	\$ 1,191,965	\$ 67,470
Expenses					
Personnel Expenses					
Salaries	\$ 687,611	\$ 687,611		\$ 691,642	\$ 4,031
Payroll Taxes	46,449	46,449		47,318	869
Benefits	112,735	112,735		142,159	29,425
Retirement Costs	96,348	96,348		99,084	2,736
Total Personnel Expenses	\$ 943,142	\$ 943,142	\$ -	\$ 980,203	\$ 37,061
Meeting Expenses					
Meetings	\$ -	\$ -		\$ -	-
Travel	4,380	4,380		4,400	\$ 20
Conference Calls	-	-		-	-
Total Meeting Expenses	\$ 4,380	\$ 4,380	\$ -	\$ 4,400	\$ 20
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 44,132	\$ 44,132		\$ 44,132	(0)
Office Rent	70,890	70,890		103,224	32,334
Office Costs	29,810	29,810		31,898	2,088
Professional Services	32,141	32,141		28,108	(4,033)
Total Operating Expenses	\$ 176,973	\$ 176,973	\$ -	\$ 207,362	\$ 30,389
Total Direct Expenses	\$ 1,124,495	\$ 1,124,495	\$ -	\$ 1,191,965	\$ 67,470
Indirect Expenses	\$ -	\$ -		\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 1,124,495	\$ 1,124,495	\$ -	\$ 1,191,965	\$ 67,470
Change in Net Assets	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ (0)
Fixed Assets, excluding Right of Use Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 1,124,495	\$ 1,124,495	\$ -	\$ 1,191,965	67,470
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ (0)
FTEs	5.0	5.0		4.0	

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Personnel Analysis

Total FTE's by Program Area	Budget 2019	Budget 2019	Direct FTEs 2020 Budget	Shared FTEs 2020 Budget	Total FTEs 2020 Budget	Change from 2019 Budget
STATE (NON-STATUTORY)						
Operational Programs						
State (Non-Statutory)	4.00	4.00	4.00	0.00	4.00	0.00
Total FTEs Operational Programs	4.00	4.00	4.00	0.00	4.00	0.00
Administrative Programs						
G&A	1.00	1.00	0.00	0.00	0.00	-1.00
Total FTEs Administrative Programs	1.00	1.00	0.00	0.00	0.00	-1.00
Total FTEs	5.00	5.00	4.00	0.00	4.00	-1.00

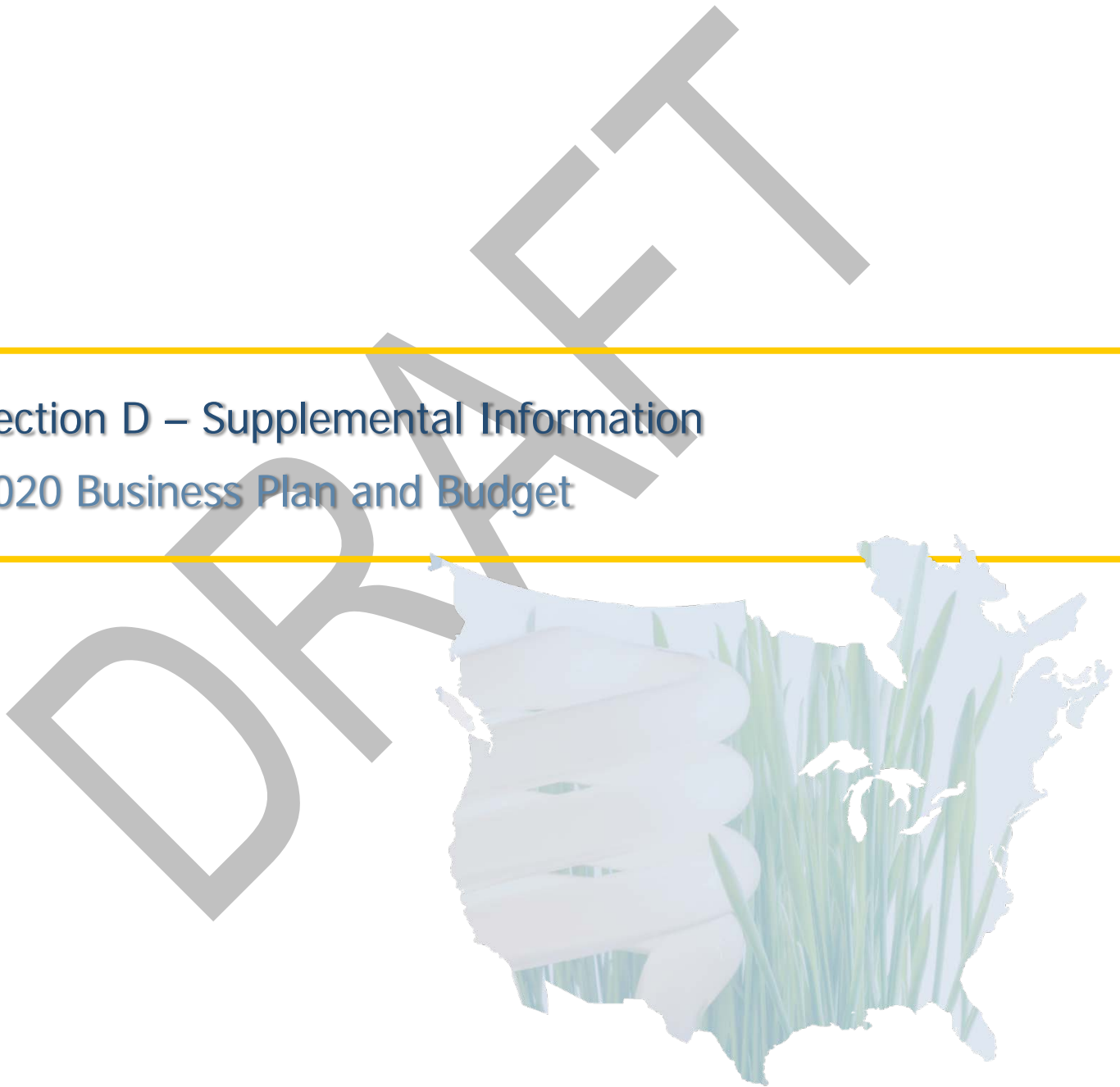
A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Reserve Analysis — 2019-2020

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

DRAFT

Section D – Supplemental Information
2020 Business Plan and Budget



Section D – Supplemental Information

2020 Consolidated Statement of Activities by Program, Statutory and Texas Reliability Monitor (Non-Statutory)

Funding	Total	Statutory Total	Texas Reliability Monitor (Non-Statutory) Total	Statutory Total	Reliability Standards	CMEP	RAPA	Training and Education	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Texas Reliability Monitor (Non-Statutory) Total
ERO Funding														
NERC Assessments	\$ 13,344,127	\$ 13,344,127	\$ -	\$ 13,344,127	\$ 368,622	\$ 10,542,598	\$ 1,769,387	\$ 663,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	710,000	710,000	-	710,000	19,613	560,939	94,144	35,304	-	-	-	-	-	-
Total NERC Funding	\$ 14,054,127	\$ 14,054,127	\$ -	\$ 14,054,127	\$ 388,236	\$ 11,103,537	\$ 1,863,531	\$ 698,824	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PUCT Fees	1,191,965	-	1,191,965	-	-	-	-	-	-	-	-	-	-	1,191,965
Interest	40,000	40,000	-	40,000	1,105	31,602	5,304	1,989	-	-	-	-	-	-
Total Funding	\$ 15,286,092	\$ 14,094,127	\$ 1,191,965	\$ 14,094,127	\$ 389,341	\$ 11,135,139	\$ 1,868,835	\$ 700,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,191,965
Expenses														
Personnel Expenses														
Salaries	\$ 8,332,921	\$ 7,641,280	\$ 691,642	\$ 7,641,280	\$ 163,534	\$ 4,084,786	\$ 903,185	\$ 210,025	\$ 1,098,997	\$ 380,796	\$ 472,818	\$ -	\$ 327,140	\$ 691,642
Payroll Taxes	574,852	527,534	47,318	527,534	11,883	313,103	63,114	15,109	41,572	22,856	37,233	-	22,664	47,318
Benefits	1,643,165	1,501,005	142,159	1,501,005	40,608	896,703	154,128	51,955	102,890	53,118	140,323	-	61,279	142,159
Retirement Costs	1,172,886	1,073,802	99,084	1,073,802	21,480	578,151	130,959	30,459	145,263	55,221	65,124	-	47,145	99,084
Total Personnel Expenses	\$ 11,723,824	\$ 10,743,621	\$ 980,203	\$ 10,743,621	\$ 237,505	\$ 5,872,743	\$ 1,251,386	\$ 307,548	\$ 1,388,722	\$ 511,991	\$ 715,498	\$ -	\$ 458,228	\$ 980,203
Meeting Expenses														
Meetings	\$ 58,500	\$ 58,500	\$ -	\$ 58,500	\$ -	\$ -	\$ -	\$ 34,500	\$ 10,000	\$ -	\$ -	\$ 14,000	\$ -	\$ -
Travel	322,605	318,205	4,400	318,205	9,575	114,625	73,200	3,030	81,615	13,650	10,875	5,185	6,450	4,400
Conference Calls	17,640	17,640	-	17,640	3,500	7,000	-	3,300	3,240	-	600	-	-	-
Total Meeting Expenses	\$ 398,745	\$ 394,345	\$ 4,400	\$ 394,345	\$ 13,075	\$ 121,625	\$ 73,200	\$ 40,830	\$ 94,855	\$ 13,650	\$ 11,475	\$ 19,185	\$ 6,450	\$ 4,400
Operating Expenses, excluding Depreciation														
Consultants & Contracts	\$ 533,836	\$ 489,704	\$ 44,132	\$ 489,704	\$ -	\$ 151,204	\$ -	\$ 1,500	\$ 200,000	\$ 2,000	\$ 100,000	\$ 35,000	\$ -	\$ 44,132
Office Rent	1,007,010	903,786	103,224	903,786	-	-	-	-	903,786	-	-	-	-	103,224
Office Costs	692,968	661,070	31,898	661,070	-	18,410	69,640	7,000	91,030	4,180	452,350	9,230	9,230	31,898
Professional Services	616,708	588,600	28,108	588,600	-	-	-	3,000	410,600	30,000	90,000	1,000	54,000	28,108
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	0	0	0	0	-	-	-	-	0	-	-	-	-	-
Total Operating Expenses	\$ 2,850,522	\$ 2,643,160	\$ 207,362	\$ 2,643,160	\$ -	\$ 169,614	\$ 69,640	\$ 11,500	\$ 1,605,416	\$ 36,180	\$ 642,350	\$ 45,230	\$ 63,230	\$ 207,362
Total Direct Expenses	\$ 14,973,091	\$ 13,781,126	\$ 1,191,965	\$ 13,781,126	\$ 250,580	\$ 6,163,982	\$ 1,394,226	\$ 359,878	\$ 3,088,993	\$ 561,821	\$ 1,369,323	\$ 64,415	\$ 527,908	\$ 1,191,965
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ 155,040	\$ 4,434,153	\$ 744,193	\$ 279,073	\$ (3,088,993)	\$ (561,821)	\$ (1,369,323)	\$ (64,415)	\$ (527,908)	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 14,973,091	\$ 13,781,126	\$ 1,191,965	\$ 13,781,126	\$ 405,621	\$ 10,598,135	\$ 2,138,420	\$ 638,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,191,965
Change in Net Assets	\$ 313,001	\$ 313,001	\$ (0)	\$ 313,002	\$ (16,280)	\$ 537,004	\$ (269,585)	\$ 61,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0)
Fixed Assets, excluding Right of Use Asset	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ 1,381	\$ 39,503	\$ 6,630	\$ 2,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ 13,831,126	\$ 13,831,126	\$ -	\$ 13,831,126	\$ 407,002	\$ 10,637,638	\$ 2,145,050	\$ 641,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ 263,001	\$ 263,001	\$ (0)	\$ 263,001	\$ (17,661)	\$ 497,501	\$ (276,215)	\$ 59,376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0)
FTEs	64.00	60.00	4.00	60.00	1.25	35.75	6.00	2.25	4.00	2.75	5.00	-	3.00	4.00

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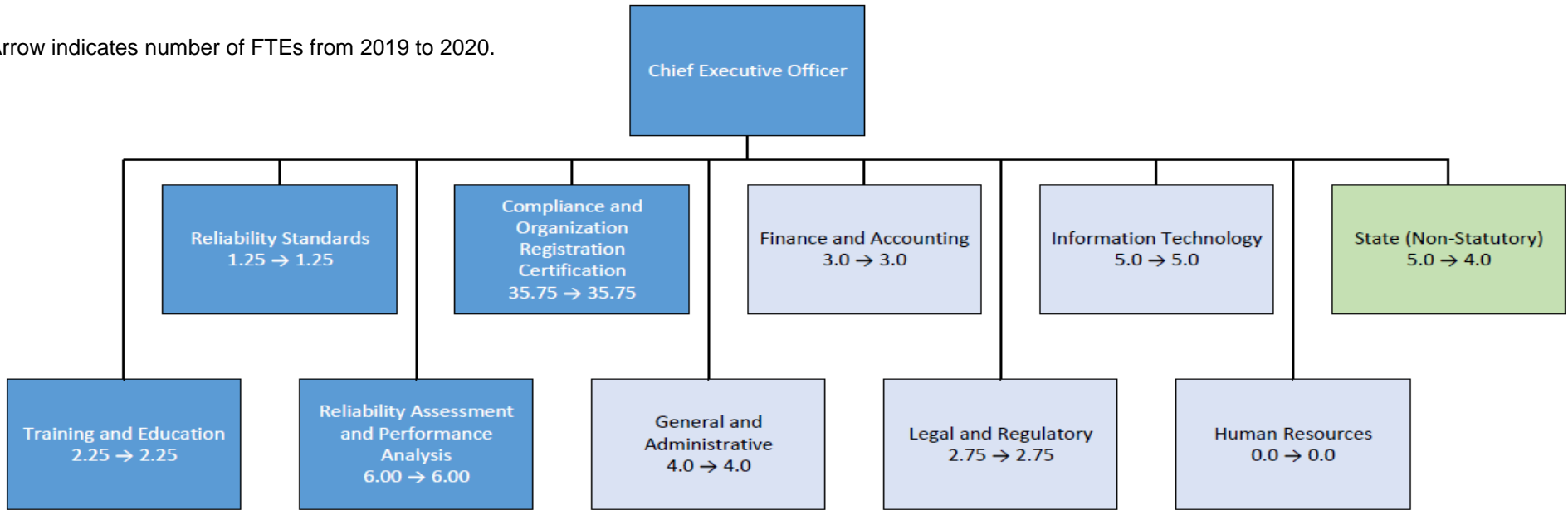
Statement of Financial Position

Statement of Financial Position			
STATUTORY and STATE (NON- STATUTORY)			
	(Per Audit) 31-Dec-18	Projected 31-Dec-19	Budget 31-Dec-20
ASSETS			
Cash	\$ 4,304,261	\$ 2,336,756	\$ 1,154,186
Accounts receivable, net of allowance for uncollectible	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	366,483	300,000	300,000
Security deposit	39,705	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	210,858	137,205	79,003
Total Assets	\$ 4,921,307	\$ 2,813,667	\$ 1,572,894
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 892,044	\$ 850,000	\$ 850,000
Deferred income/rent	250,240	109,713	-
Deferred penalty income	-	-	-
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities			
Accrued incentive compensation			
Total Liabilities	\$ 1,142,284	\$ 959,713	\$ 850,000
Unrestricted Net Assets			
Undesignated	\$ 2,949,021	\$ 1,739,505	\$ 12,894
Regulator designated	830,002	114,449	710,000
Total Net Assets	\$ 3,779,023	\$ 1,853,954	\$ 722,894
Total Liabilities and Net Assets	\$ 4,921,307	\$ 2,813,667	\$ 1,572,894

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2020 Texas RE Combined Statutory and Texas Reliability Monitor (Non-Statutory) Organization Chart

Arrow indicates number of FTEs from 2019 to 2020.



- Statutory Program Area
- Administrative Services Program Area
- Non-Statutory Program Area



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