



TEXAS RE
Ensuring electric reliability for Texans

2022 Business Plan and Budget

Draft 1

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2022 Statutory Budget & Assessment Overview

- **Total 2022 budget \$17,160,613**
 - 20.8% increase from 2021
- **Total 2022 Assessment \$15,003,364**
 - 12.4% increase from 2021
 - Approximately \$915,500 applied from assessment stabilization to reduce assessment
 - \$228,750 Penalties applied to reduce assessment
 - \$1 million borrowed from the Operating Reserve to reduce assessment
- **66 Total FTEs**
 - Increase of 3 FTEs from 2021

2022 Budget Development Process

- **April 21** **Board of Directors Conference Call to Review Budget**
- **April 28** **MRC Conference Call to Review Budget**
 - » The MRC voted to recommend that the Texas RE Board approve the proposed 2022 Business Plan and Budget.
- **May 12 – May 18** **2022 Business Plan and Budget posted for member comments**
 - » There were no comments submitted from the members
- **May 19** **Texas RE Board of Directors vote to approve the 2022 Business Plan and Budget**
- **All statutory activity in the 2022 Business Plan and Budget aligns with the ERO Enterprise Long-Term Strategy.**

2022 Budget Drivers and Assumptions

- Increasing the FTE count from 63 to 66 (CIP auditors).
- The average available salary adjustment is 3.0%.
- Health plan expense is projected to increase 9%.
- Texas RE is relocating office space effective April 1, 2022, causing an escalation in rent and utilities as well as physical move and other cost related to real estate transaction that cannot be capitalized.
- Fixed Assets purchases required for the office relocation.
- Increase in certain costs as result of the Texas Reliability Monitor termination. Applicable costs were based on Texas Reliability Monitor FTE count.
- Assessments are being reduced with releasing penalties, Assessment Stabilization funds and borrowing from the Operating Reserve.

2022 Budget by Category

Personnel \$12,767,319 -- 16.7% increase over 2021

- Includes 3 additional FTEs and full benefits.
- The average available salary adjustment is 3.0%.
- Total Benefits expense is increasing 16.2%. Health plan expense did not increase as projected in 2021; however, health plan expense is projected to increase 9% for 2022 over actual 2021 cost, which is lower than the 2020 budgeted cost. Benefits includes employee training and education, relocation if needed for new employees.

Meeting and Travel Expense \$36,500 -- 9% increase over 2021

- An annual meeting with Board of Directors and stakeholders, an outside workshop and possible reliability summit has been added to the 2022 budget.
- Travel is remaining consistent with 2021.

Operating Expenses \$3,117,614 – 11% increase over 2021

- Contract and Consultants expense is decreasing. 2021 Budget included search fees for two board members and CEO which is not in 2022 budget.
- Rent cost is increasing 36.4%.

2021 Budget by Category

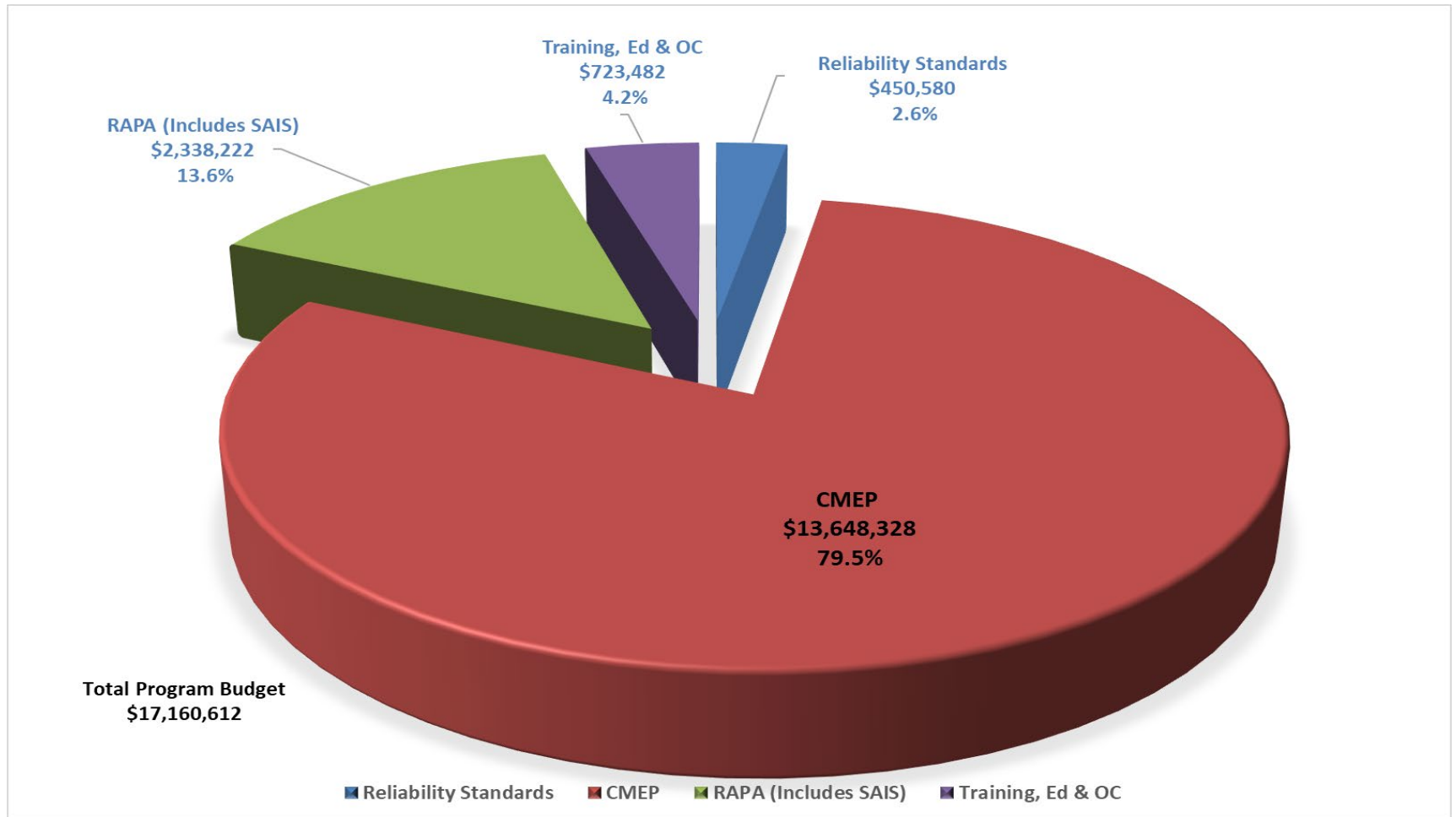
Relocation for office space - \$320,000

- Costs associated with real estate transaction that cannot be capitalized

Fixed Assets \$512,000

- Furniture, fixtures, equipment, software needed in new office

2022 Budget by Program Area



Texas RE 2022 Assessments

- **Total 2022 Assessments \$15,003,364**
 - 12.4% change from 2021
- **Factors impacting assessment change:**
 - Increase in 2022 expense budget 20.8%
 - \$228,750 penalty revenue to reduce 2022 assessments
 - \$913,500 used from Assessment Stabilization & Contingency funds
 - \$1 million borrowed from Operating Reserve

Operating Reserve and Working Capital

- The purpose of the Board-approved Working Capital and Operating Reserve policy for Texas RE is to ensure the stability of the ongoing operations of the organization.
- The \$2,000,000 Working Capital and Operating Reserve is a contingency reserve intended to provide funds for contested Enforcement matters or sudden unanticipated expenses.
- **\$2,000,000 Working Capital and Operating Reserve balance at year end 2021**
- **\$1,000,000 Working Capital and Operating Reserve balance at year end 2022**
 - \$1 million of the operating reserve is reducing the 2022 Assessments. The Operating Reserve will be reimbursed as funds are available (any budget under-runs).
- The balance of the Assessment Stabilization & Contingency funds is being used to reduce assessments for 2022. A portion of these funds will be used in 2021 for office relocation cost.
- Zero balance projected going forward.

Assessment Stabilization & Contingency funds are NOT part of the Operating Reserve

Projected Reserve Balances

- **Total Working Capital Reserve at end of 2021**
 - \$2,000,000 Operating Reserve Balance
- **Total Working Capital Reserve at the of 2022**
 - \$1,000,000 Operating Reserve Balance
 - \$1,000,000 is being used to reduce 2022 assessments
 - The Operating Reserve will be reimbursed as funds become available.
- **Total Assessment Stabilization and Contingency Funds at end of 2022**
 - 913,500 Fund Balance
- **Total Assessment Stabilization and Contingency Funds at end of 2022**
 - All funds will be used to reduce 2022 assessments
 - Zero balance going forward

Any budget under-runs will be used to reimburse the Operating Reserve and then added to Assessment Stabilization.

Texas RE does not hold Penalty monies in the reserve accounts. To date, all penalty money received is released to appropriate budget year based on the FERC requirements.

Preliminary 2022 and 2323 Projections

- **2023 Projections**

- Budget -0.2% decrease from 2022
 - Includes 7% increase for Rent and Utilities
 - All other categories 4.0% increase
 - Other Non-Operating (Office Relocation) will decrease 100%
 - Fixed Assets will decrease 80.5% from 2022
- Assessments 4.0% increase over 2022

- **2024 Projections**

- Budget 4.2% increase over 2023
 - Includes 6% increase in Rent and Utilities
 - All other categories 4.0% increase
- Assessments 4.0% increase over 2023

Any budget under-runs will be used to reimburse the Operating Reserve and then added to Assessment Stabilization.

Questions?

