



2014 Business Plan and Budget Review

(Approved by Texas RE Board of Directors June 14, 2013)

Presented to NERC FAC
July 19, 2013

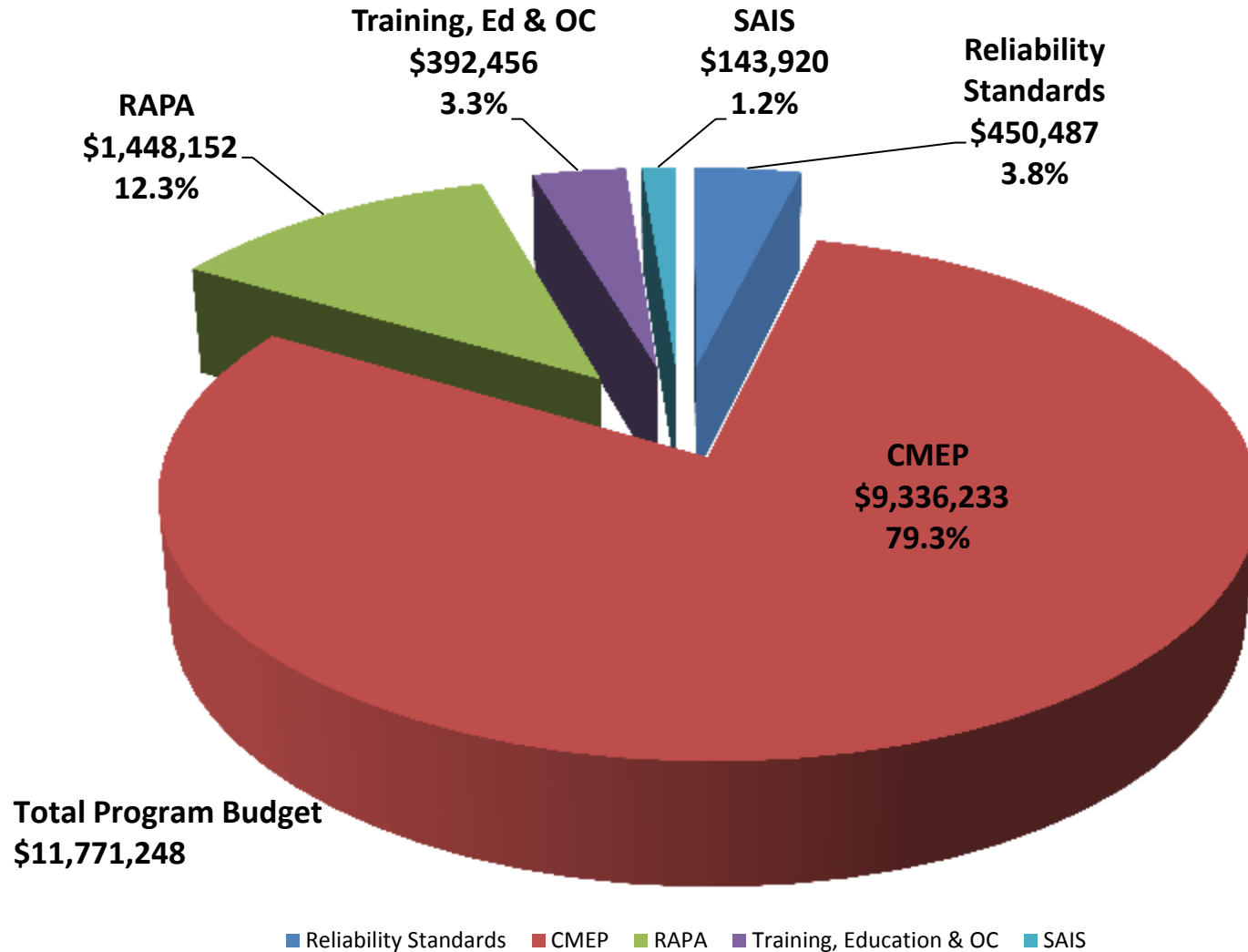
2014 Budget Overview

- Staffing remains flat with 60 Statutory & 5 Non-Statutory FTEs.
- Maintain cash reserve based on the policy.
- Overall personnel expense increase 5.5%.
 - Merit increases 4% with personnel vacancy assumption of 2%.
 - Insurance increase 9% (based on current information).
- Office costs increase for the shift to leasing IT equipment instead of purchasing new equipment, which is offset by a reduction in depreciation.
- Penalty money received between July 1, 2012 and June 30, 2013 offset assessments for 2014.
- Total statutory budget increase of 5.8% over 2013 budget.

2013 – 2014 Budget Comparison

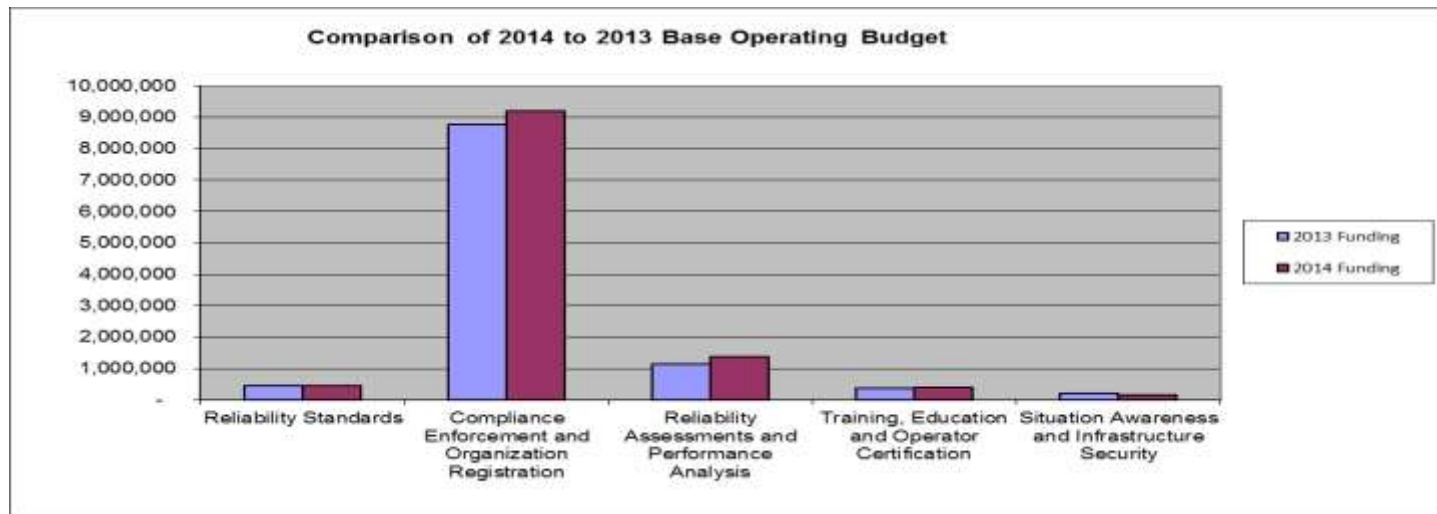
	2014	2013	Variance	% Variance	Explanation
Funding					
					2013 decrease in assessments was attributable to underspent funds for prior years. 2012 ended close to budget so in order to continue cash reserve
Assessments	10,509,308	8,152,520	2,356,788	28.9%	amount, the 2014 assessment will increase.
Penalties	402,833	849,000	(446,167)	-52.6%	Based on fines collected as of 6/30/2013.
Other Income	32,716	67,260	(34,544)	-51.4%	Workshops hosted by registered entities; entities not paying dues for affiliates.
Total Funding	10,944,857	9,068,780	1,876,077		
Expenses					
					4% increase for merit increases, market adjustments & promotions; health insurance appx. 9% increase, includes relocation and employee education
Personnel Expenses	8,513,423	8,068,952	444,471	5.5%	reimbursement
Meetings	95,213	38,316	56,897	148.5%	Off-site meetings for contested cases and outreach.
Travel	397,591	348,000	49,591	14.3%	Properly reflects necessary travel for 2014.
Conference Calls	3,500	18,540	(15,040)	-81.1%	maintained by Texas RE staff.
Consultants and Contracts	496,072	415,000	81,072	19.5%	Increasing for REMG Consultant and contract for PI software.
Rent & Improvements	510,864	533,930	(23,066)	-4.3%	
Office Costs	639,498	359,684	279,814	77.8%	Shift to lease IT equipment instead of purchasing new equipment.
Professional Services	1,073,088	888,225	184,863	20.8%	Contingency for outside counsel for one contested case.
Depreciation	263,213	888,000	(624,787)	-70.4%	Anticipated shift to leasing IT equipment.
Indirect Expenses	-	(223,856)	223,856	-100.0%	Charging all costs directly
Total Expenses	11,992,462	11,334,791	657,671	5.8%	
Increase(Decrease) in Fixed Assets	(221,213)	(399,012)	177,799	-44.6%	Reflects the shift to leasing IT equipment
Total Budget	11,771,248	10,935,779	835,469	7.6%	
Change in Working Capital	(826,390)	(1,867,000)	1,040,609		

2014 Summary by Statutory Program



2014 – 2013 Program Comparison

Program Budgets	Budget 2013	Budget 2014	Change 2014 Budget v 2013 Budget	% Change
Reliability Standards	441,628	450,487	8,859	2.0%
Compliance Enforcement and Organization Registration	8,785,957	9,336,233	550,276	6.3%
Reliability Assessments and Performance Analysis	1,131,000	1,448,152	317,152	28.0%
Training, Education and Operator Certification	378,499	392,456	13,957	3.7%
Total Situation Awareness and Infrastructure Security	198,695	143,920	(54,775)	-27.6%
Total	10,935,779	11,771,248	835,469	7.6%



Working Capital and Operating Reserve

- Texas RE has a written Working Capital and Operating Reserve policy approved by the Board of Directors on February 26, 2013.
- When Texas Reliability Entity, Inc. (Texas RE) assumed responsibility as a Regional Entity effective July 1, 2010, its Board of Directors recognized that the company should have an operating reserve for use in the event of a significant unanticipated increase in expenses. The target minimum amount for the operating reserve was set at approximately \$2 million. Being a new entity, Texas RE needed to show stability for the ongoing operations of the organization. After three years of operations, Texas RE maintains an operating reserve of approximately \$2 million to offset any large unanticipated expenditures that could occur.
- Only the CEO is authorized to withdraw from the reserve funds. Based on Texas RE's policy the CEO can authorize to spend up to \$500,000 without board approval. Any amount \$500k and greater requires board approval before withdrawal. Any use of the Reserve is reported to the Audit and Governance Committee and the Board of Directors, accompanied by a description of the need for use of the reserve and the amount being spent.
- The policy is based on historical cash flow patterns. The need for policy revisions will be evaluated and updated as needed annually.

Contact information



Judy Foppiano
CFO and Director of Corporate Services
512.583.4959
Judy.foppiano@Texasre.org