



2014 BUSINESS PLAN AND BUDGET

FINAL VERSION

Approved by Reliability*First* Board of Directors

June 21, 2013

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Introduction

2014 Budget (in whole dollars)	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	72.0			
Non-statutory FTEs	-			
Total FTEs	72.0			
Statutory Expenses	\$ 18,291,634			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 18,291,634			
Statutory Inc(Dec) in Fixed Assets	\$ (228,433)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (228,433)			
Statutory Working Capital Requirement*	\$ (1,545,284)			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ (1,545,284)			
Total Statutory Funding Requirement	\$ 16,517,917			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 16,517,917			
Statutory Funding Assessments	\$ 15,159,784	\$ 15,159,784		
Non-Statutory Fees	\$ -	\$ -		

*Refer to Table B-1 on page 66 in Section B.

**ReliabilityFirst does not perform any Non-Statutory Functions at this time.

Organizational Overview

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

- Active participation in the development of North American Reliability Standards for the Bulk Electric System (BES), and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the BES.
- Promoting effective training and education of personnel.
- Promoting situational awareness and the protection of critical infrastructure.

In 2014, ReliabilityFirst intends to perform only the functions delegated to it by the ERO.

Membership and Governance

Members

ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. There is no annual fee for ongoing membership in ReliabilityFirst. As new members join, they are required to pay a nominal one-time fee to cover the costs of processing their membership application. This one-time fee currently ranges from \$250 for associate and adjunct members to \$1,000 for regular members and can be waived by the President and CEO of ReliabilityFirst for good cause.

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

There are currently 66 members of ReliabilityFirst, 43 are Regular with voting rights, 17 are Associates, and 6 are Adjunct. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the BES. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong and cost effective approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

Board of Directors

ReliabilityFirst is governed by a hybrid, independent, and balanced stakeholder Board.

The Board consists of 14 directors.

(a) Eight (8) directors are elected by the Industry Sectors as follows:

- (i) Suppliers elect two (2) directors;
- (ii) Transmission Companies elect two (2) directors;
- (iii) RTOs elect one (1) director;
- (iv) Small LSEs elect one (1) director;
- (v) Medium LSEs elect one (1) director; and
- (vi) Large LSEs elect one (1) director.

(b) Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.

(c) Three (3) directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent directors are elected by all of the Industry Sectors voting together as a single class.

Budget Overview

In developing this Business Plan and Budget, ReliabilityFirst, NERC, and the other Regional Entities met and agreed upon common foundational and unique program assumptions. The common foundational assumptions can be found in the NERC 2014 - 2016 Shared Business Plan and Budget Assumptions document, provided as Exhibit A to the NERC 2014 Business Plan and Budget.

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2014-2016. Overall, the ReliabilityFirst 2014 budget (\$18,063,201) increased 3.65% over the 2013 budget (\$17,426,838). The 2014 assessment (\$15,189,784) represents a 7.23% increase over the 2013 assessment (\$14,165,848).

The personnel costs (\$14,386,100) increased by 2.26% over the 2013 budget (\$14,067,807). Incorporated into this estimate is a 3% general wage increase, an 8% medical benefits increase, and a 5% dental benefits increase. For 2014, ReliabilityFirst did not include a personnel vacancy rate because the unused personnel dollars resulting from vacancies are to be used to fund the company's graduate program that the board of directors approved in 2012.

The operating and fixed asset costs (\$3,677,101) increased by 9.47% over the 2013 budget (\$3,359,031). This increase can be attributed to increased software costs, infrastructure upgrades, and the inability to secure the planned smaller internet connection.

Several years ago, NERC and the 8 Regional Entities formed an executive management group (known as the ERO EMG) which has, among other things, concentrated on developing enterprise-wide applications, thus improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the bulk electric system (BES) exception project and developed an application that is a single interface for NERC and the Regional Entities, promoting consistency and reducing cost duplications. In return, there is no expected regional IT expenditure for the BES project, or other centralized applications in the individual regional business plans and budgets for 2014. The region will periodically incur expenses in its budget to address region specific applications that may be necessary and not included within an ERO enterprise wide application.

In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the common assumptions referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2014 yielded a requirement of 75 Full Time Equivalents (FTEs) in order to fully address the expected workload. Even though the manpower analysis indicates a need for 75 FTEs, the staffing level incorporated into the 2014 budget reduces staffing to 72 FTEs, a reduction from the manpower analysis of 3 FTEs. There are many variables that affect these analyses, many of which are not clear at this point in time. Also, with the enhancements being considered in many process areas, the organization continues to mature and expects to achieve many efficiency improvements. This practice of reducing the outcome of the manpower analysis to reflect expected efficiency gains is consistent with past practice at ReliabilityFirst. At some point, the

Introduction

organization and the ERO will be fully mature and this practice may need to be re-evaluated, but we are confident that we have not yet reached that state.

ReliabilityFirst has addressed current office constraints and has selected a new office facility with occupancy expected in March 2014. Although there will be increased costs associated with the office move in 2015 and beyond, there will be no impact on the 2014 budget due to the provisions of the lease agreement.

Summary of Expenses

Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2013 Budget v 2014 Budget	Variance %
Reliability Standards	174,754	194,586	194,074	19,320	11.1%
Compliance Enforcement and Organization Registration	13,022,027	13,023,943	13,584,946	562,919	4.3%
Reliability Assessments and Performance Analysis	3,070,191	2,882,218	3,121,331	51,140	1.7%
Training, Education and Operator Certification	919,707	919,566	916,353	(3,354)	-0.4%
Situation Awareness and Infrastructure Security	240,159	235,479	246,498	6,339	2.6%

FTEs by Program Area

Total FTEs by Program Area	Budget 2013	Projection 2013	Total FTEs 2014 Budget	Change from 2013 Budget
STATUTORY				
Operational Programs				
Reliability Standards	0.50	0.50	0.50	0.00
Compliance and Organization Registration and Certification	43.00	43.00	43.00	0.00
Reliability Assessment and Performance Analysis	10.00	10.00	10.00	0.00
Training and Education	3.10	3.10	3.10	0.00
Situation Awareness and Infrastructure Security	0.60	0.60	0.60	0.00
Total FTEs Operational Programs	57.20	57.20	57.20	0.00
Administrative Programs				
Technical Committees and Member Forums	0.00	0.00	0.00	0.00
General & Administrative	4.30	4.30	3.30	-1.00
Legal and Regulatory Affairs	2.00	2.00	2.00	0.00
Information Technology	5.50	5.00	5.00	-0.50
Human Resources	2.00	3.00	3.00	1.00
Finance and Accounting	2.00	1.50	1.50	-0.50
Total FTEs Administrative Programs	15.80	15.80	14.80	-1.00
Total FTEs	73.00	73.00	72.00	-1.00

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 14,165,848	\$ 14,165,848	\$ -	\$ 15,159,784	\$ 993,936
Penalty Sanctions	2,979,800	2,979,800	-	1,358,133	(1,621,667)
Total ReliabilityFirst Funding	\$ 17,145,648	\$ 17,145,648	\$ -	\$ 16,517,917	\$ (627,731)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	60,000	-	(60,000)	-	(60,000)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 17,205,648	\$ 17,145,648	\$ (60,000)	\$ 16,517,917	\$ (687,731)
Expenses					
Personnel Expenses					
Salaries	\$ 10,610,388	\$ 10,263,151	\$ (347,237)	\$ 10,674,553	\$ 64,165
Payroll Taxes	624,720	634,916	10,196	646,319	21,599
Benefits	1,318,673	1,295,234	(23,439)	1,405,661	86,988
Retirement Costs	1,514,025	1,558,063	44,038	1,659,567	145,542
Total Personnel Expenses	\$ 14,067,806	\$ 13,751,363	\$ (316,443)	\$ 14,386,100	\$ 318,294
Meeting Expenses					
Meetings	\$ 157,810	\$ 144,847	\$ (12,963)	\$ 149,980	\$ (7,830)
Travel	773,300	783,993	10,693	788,600	15,300
Conference Calls	43,092	36,341	(6,751)	38,400	(4,692)
Total Meeting Expenses	\$ 974,202	\$ 965,181	\$ (9,021)	\$ 976,980	\$ 2,778
Operating Expenses					
Consultants & Contracts	\$ 650,140	\$ 634,094	\$ (16,046)	\$ 627,597	\$ (22,543)
Office Rent	461,645	401,645	(60,000)	504,952	43,307
Office Costs	686,864	927,206	240,342	981,284	294,420
Professional Services	483,160	462,526	(20,634)	460,732	(22,428)
Miscellaneous	25,021	34,279	9,258	34,555	9,534
Depreciation	433,772	427,758	(6,014)	319,433	(114,339)
Total Operating Expenses	\$ 2,740,602	\$ 2,887,507	\$ 146,905	\$ 2,928,554	\$ 187,952
Total Direct Expenses	\$ 17,782,610	\$ 17,604,052	\$ (178,558)	\$ 18,291,634	\$ 509,024
Indirect Expenses	\$ -	\$ (0)	\$ (0)	\$ 0	\$ 0
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 17,782,610	\$ 17,604,052	\$ (178,558)	\$ 18,291,634	\$ 509,024
Change in Assets	\$ (576,962)	\$ (458,404)	\$ 118,558	\$ (1,773,717)	\$ (1,196,755)
Fixed Assets					
Depreciation	(433,772)	(427,758)	6,014	(319,433)	114,339
Computer & Software CapEx	78,000	78,000	-	91,000	13,000
Furniture & Fixtures CapEx	-	1,498	1,498	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (355,772)	\$ (348,260)	\$ 7,512	\$ (228,433)	\$ 127,339
Allocation of Fixed Assets	-	0	0	0	0
Inc/(Dec) in Fixed Assets	\$ (355,772)	\$ (348,260)	\$ 7,512	\$ (228,433)	\$ 127,339
Total Budget	\$ 17,426,838	\$ 17,255,792	\$ (171,046)	\$ 18,063,201	\$ 636,363
Change in Working Capital	\$ (221,190)	\$ (110,144)	\$ 111,046	\$ (1,545,284)	\$ (1,324,094)

Section A – Statutory Programs
2014 Business Plan and Budget

Section A — Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Direct Expenses	\$ 131,192	\$ 148,671	\$ 17,479
Indirect Expenses	\$ 44,948	\$ 46,452	\$ 1,504
Inc(Dec) in Fixed Assets	\$ (1,386)	\$ (1,050)	\$ 336
Total Funding Requirement	\$ 174,754	\$ 194,074	\$ 19,320

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Sections 310 through 312, and the ReliabilityFirst Delegation Agreement, ReliabilityFirst may develop Regional Reliability Standards as deemed necessary. These standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional difference where a NERC Reliability Standard does not, or shall be a regional difference necessitated by a physical difference in the BES.

Pursuant to the NERC Rules of Procedure, Sections 313.1 and 313.2, ReliabilityFirst may also develop regional criteria. Regional criteria are good utility practices used to enhance the reliability of the BPS, and are necessary to implement, augment, or comply with Reliability Standards. However, Regional Criteria are not Reliability Standards, and therefore are not enforceable. ReliabilityFirst regional criteria will be developed, modified, and adopted in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

The standards staff will provide direction and prioritization of Reliability Standards, regional criteria, and the associated regional standards procedures by participating in NERC and other regional standards drafting efforts. Standards staff will continue to perform the following functions:

- Facilitate the development of regional standards and regional criteria.
- Volunteer to serve as a member of the NERC Standard Authorization Request (SAR) and Standard Drafting Teams.
- Participate in the development and balloting of NERC reliability standards.

The standards staff will assist the ERO in its overall standards related objectives to develop clear, reasonable, and technically sound mandatory reliability standards in a timely and efficient manner. This includes Regional participation in NERC Standards Committee discussions, review of NERC standards and RSAWs under development, assistance in standards gap analysis, regional stakeholder outreach and assistance in NERC Cost Effective Analysis Procedure (CEAP) process.

The Standards Program relies on technical support from both the staff and stakeholder volunteers for standard and criteria drafting teams. The ReliabilityFirst teams are facilitated by the Standards staff with program oversight directed through the ReliabilityFirst Standards Committee.

ReliabilityFirst anticipates that in 2014 the number of Regional standards-related projects will continue to be minimal due to the ReliabilityFirst Board of Directors' indefinite suspension of regional standards development projects in 2012. In anticipation of approval of NERC continent-wide standards in 2013/2014, ReliabilityFirst expects to revisit all associated ReliabilityFirst standards/criteria to remove all requirements that are duplicative and no longer needed for reliability. For this reason, ReliabilityFirst will continue to allocate 0.5 FTEs to the Reliability Standards Program.

2014 Key Assumptions

The Reliability Standards Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 - 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Reliability Standards Program.

2014 Key Deliverables

- Submit to NERC, and subsequently file with the FERC any new regional standards that:
 - May be needed to support revised NERC Reliability Standards,
 - May address reliability gaps not currently covered by NERC Reliability Standards, and
- Submit to ReliabilityFirst Board any new regional criteria that:
 - Addresses issues not within the scope of NERC Reliability Standards,
 - Promotes more consistent implementation of a NERC Reliability Standard within the Region,
 - May be needed to provide an “interim” solution to reliability enhancement until replaced by a revised NERC Reliability Standard.
- Review and possibly modify the Reliability Standards Development Procedure to align with changing NERC and FERC requirements.
- Initiate and coordinate revisions to regional standards or regional criteria in any stage of development to align with NERC and FERC requirements.
 - Prioritize the regional standards and criterion drafting effort to align with the timing of NERC Reliability Standards revisions.
 - Retire regional standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.
- Review and provide feedback on potential Regional concerns associated with NERC Reliability Standards under development.

Funding Sources and Requirements — Explanation of Variance**Funding Source**

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Reliability Standards Program is a delegated function.

Personnel Expenses

- Salaries, payroll taxes, benefits and retirement costs for 2014 are budgeted for 0.5 FTE for this program area, consistent with 2013. Therefore, with no change in FTEs the increase is mainly due to the additional expenses to retain qualified staff.

Meeting Expenses

- Meeting expenses remained consistent.

Operating Expense

- Operating expenses remained consistent.

Indirect Expenses

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in a slight increase compared to 2013, which is due to higher expenses allocated for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Reliability Standards					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 148,183	\$ 148,183	\$ -	\$ 182,202	\$ 34,019
Penalty Sanctions	26,047	26,047	-	11,872	(14,175)
Total ReliabilityFirst Funding	\$ 174,230	\$ 174,230	\$ -	\$ 194,074	\$ 19,844
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	524	-	(524)	-	(524)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 174,754	\$ 174,230	\$ (524)	\$ 194,074	\$ 19,320
Expenses					
Personnel Expenses					
Salaries	\$ 87,336	\$ 99,885	\$ 12,549	\$ 102,707	\$ 15,371
Payroll Taxes	4,744	8,872	4,128	5,794	1,050
Benefits	10,970	10,632	(338)	11,195	225
Retirement Costs	13,974	17,181	3,207	14,462	488
Total Personnel Expenses	\$ 117,024	\$ 136,570	\$ 19,546	\$ 134,158	\$ 17,134
Meeting Expenses					
Meetings	-	-	-	-	-
Travel	11,500	9,273	(2,227)	12,000	500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 11,500	\$ 9,273	\$ (2,227)	\$ 12,000	\$ 500
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,668	2,470	(198)	2,513	(155)
Professional Services	-	-	-	-	-
Miscellaneous	-	121	121	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 2,668	\$ 2,591	\$ (77)	\$ 2,513	\$ (155)
Total Direct Expenses	\$ 131,192	\$ 148,434	\$ 17,242	\$ 148,671	\$ 17,479
Indirect Expenses	\$ 44,948	\$ 47,297	\$ 2,349	\$ 46,452	\$ 1,504
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 176,140	\$ 195,731	\$ 19,591	\$ 195,123	\$ 18,983
Change in Assets	\$ (1,386)	\$ (21,501)	\$ (20,115)	\$ (1,050)	\$ 336
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	(1,386)	(1,145)	241	(1,050)	336
Inc/(Dec) in Fixed Assets	\$ (1,386)	\$ (1,145)	\$ 241	\$ (1,050)	\$ 336
Total Budget	\$ 174,754	\$ 194,586	\$ 19,832	\$ 194,074	\$ 19,320
Total Change in Working Capital	\$ -	\$ (20,356)	\$ (20,356)	\$ -	\$ (0)

Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	43.00	43.00	0.00
Direct Expenses	\$ 9,472,412	\$ 9,788,246	\$ 315,834
Indirect Expenses	\$ 3,865,608	\$ 3,994,892	\$ 129,284
Inc(Dec) in Fixed Assets	\$ (315,993)	\$ (198,193)	\$ 117,800
Total Funding Requirement	\$ 13,022,027	\$ 13,584,946	\$ 562,919

Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs are structured to achieve maximum effectiveness, consistency, and provide the requisite due diligence in monitoring, investigations and assessments, data and status reporting, enforcement actions, and settlement and hearing activities with regard to compliance with the Reliability Standards.

ReliabilityFirst compliance staff consists of four groups including Compliance Services and Investigations, the Operations and Planning Audit Group(OP/PLAN), the Critical Infrastructure Protection Audit Group (CIP) and the Enforcement Management Group.

The organization registry consists of 349 registered entities covering the listed functions:

- Balancing Authority (BA),
- Distribution Provider (DP),
- Generator Operator (GOP),
- Generator Owner (GO),
- Interchange Authority (IA),
- Load Serving Entity (LSE),
- Planning Authority (PA),
- Purchase-Selling Entity (PSE),
- Reliability Coordinator (RC),
- Reserve Sharing Group (RSG),
- Resource Planner (RS),
- Transmission Owner (TO),
- Transmission Operator (TOP),
- Transmission Planner (TP) and
- Transmission Service Provider (TSP).

Compliance staff will continue to monitor compliance to Reliability Standards of registered owners, operators, and users of the BES through a variety of activities, including:

- Performing compliance audits against standard requirements applicable to their respective functions.
- Spot checking for compliance with selected standard requirements as part of a planned assessment of compliance.
- Validating mitigation plans, settlement actions, and/or other follow-up activities.
- Reviewing and verifying self-certifications and self-reports.
- Conduct investigations and assess complaints received by any parties interested in the reliable operation of the BES, including government entities.
- In proportion to the significance of the event/risk to the BES, system events are reviewed to ensure that registered entities are performing a thorough compliance self-assessment and when required develop self-reports that identify compliance issues to the standards.
- Request data submittals for standards to support reporting requirements as indicated in the standards, studies, modeling, and seasonal assessments.
- Administer exception report monitoring through self-certification process to ensure entities are appropriately assessing compliance where routine monitoring is not in place.
- Conducting risk-based assessments of Registered Entities to determine scope of compliance monitoring.
- Developing lessons learned from all aspects of the compliance monitoring processes and corrective action activities resulting from entity performance.
- Contributing to mitigation plan activities associated with violations including:
 - Reviewing proposed Mitigation Plans and accepting those that contain effective corrective actions.
 - Communicating with enforcement case managers and the Registered Entity throughout the Mitigation Plan review process to ensure that corrective actions will mitigate the violation, prevent reoccurrence, and return the Entity to compliance.
 - Verifying Mitigation Plan completion through the evaluation of evidence provided by entities to demonstrate that appropriate actions have been implemented according to established milestones and to ensure the Entity has returned to compliance.

To facilitate compliance monitoring and enforcement activities, all owners, operators, and users of the BES are required to register for the functions that are applicable to their organizations. ReliabilityFirst maintains organization registration information and submits updated information to NERC, who maintains the official compliance registry. Certification of organizations performing reliability responsibilities will continue for entities required to satisfy the RC, BA, and TOP functions.

2014 Key Assumptions

The Compliance Monitoring and Enforcement and Organization Registration and Certification Programs incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Compliance Monitoring and Enforcement and Organization and Certification Programs include the following unique regional assumptions:

1. Compliance monitoring is conducted using a risk and performance based process where monitoring of entities will be determined by an entity's risk to BES reliability. This change in monitoring is not expected to result in a reduction in resource needs during the 2014 - 2016 timeframe.
2. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two auditor workshops and monthly auditor calls will be provided to auditors with updates on compliance policies, actions, and requirements in order to promote consistency of audit practices and procedures. It is expected that this training and future credentialing will have an impact on staffing needs and costs (e.g., travel and lodging) to attend, certify, and maintain training and associated credentials.
3. Provide time for staff to maintain industry certifications, such as NERC System Operator Certification, Critical Infrastructure Protection (CIP) certifications, and Professional Engineer certifications, etc. Additional time to incorporate the appropriate audit and investigative skills is also being included.
4. Work with NERC to place priority on developing educational materials for Registered Entities regarding expectations for new and changes to existing Reliability Standards. Given the complexity and number of standards and requirements that are being enhanced, changed, etc., these will be required in the near term to develop guidance and training to the industry on all of the new and emerging enhanced standards.

2014 Key Deliverables

- Manage all compliance activities in an unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
- Ensure all auditors receive training and meet all NERC auditor training requirements.
- Develop and enhance processes, databases, and reporting tools for accurate tracking and reporting of compliance activities including compliance audits, spot checks, self-certifications, alleged and confirmed violations of Reliability Standards, penalty and sanction actions, settlements, hearings, disposition of all violations, mitigation plans, and management of the compliance monitoring process records.

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- Maintain a reporting relationship with NERC and establish processes and procedures to report monitoring results, violations, levied penalties and sanctions, and track mitigation plans and settlement actions for violations. Also, develop statistical information of compliance activities to identify any trends requiring action.
 - Manage all enforcement actions to ensure consistent application of penalties for violations of Reliability Standards.
 - Prepare and distribute all compliance monitoring process reports to NERC and Registered Entities.
 - Provide enhanced analysis reports of violations and violation trends of Reliability Standards to the Reliability *First* Board Compliance Committee and NERC.
 - Identify trends pertaining to problem areas, entities that may require additional follow-up review, and communicate any lessons learned to other Registered Entities while protecting confidentiality.
 - Support the development of the compliance elements for all new or revised Reliability Standards within the Reliability *First* and NERC Standards Program.
 - Support NERC standards drafting teams as resources are available.
 - Increase efficiencies across all areas to reduce redundancy and increase productivity.
 - Support NERC with any ongoing training (e.g. auditor) and credentialing efforts to maintain an appropriate mix of credentialed and /or experienced staff to conduct and demonstrate competence in all CMEP activities.

Investigations & Compliance Services

Program Scope and Functional Description

The Investigations and Compliance Services functions include: compliance investigations, assessments of all complaints, organization registration, organization certification, perform mitigation plan acceptance and approval as required, assessment of self-certifications and periodic data submittals, review and analyze complaints, develop compliance lessons learned, provide industry training through various means and serving as a technical resource for the Corporation.

2014 Key Assumptions

The Investigations and Compliance Services area incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The Investigations and Compliance Services area includes the following unique regional assumptions:

1. Review the criteria and processes used to encourage prompt and complete compliance self-analysis to promote continuous improvement, shared lessons learned, and information sharing. The number of reviews requiring this analysis and follow up is expected to be significant until this process matures.
2. Conduct about thirty compliance assessments, initiate two compliance investigations, and analyze two complaints. It is anticipated that the compliance reviews will include at least one request for information to acquire any needed clarification in order to make a determination if a formal monitoring process is initiated.
3. Analyze BES exception requests, entity questions, and all entity submittals that will determine what elements are captured as part of the BES. With an expected uniform BES definition and exception process being implemented in 2014, a resulting increased workload will be required to handle these new tasks. This activity coupled with the existing compliance monitoring activity workload increases will potentially increase the overall compliance workload. It is expected that a large number of registration evaluations will be necessary based on this process.
4. Entities have expressed a desire to consolidate and where applicable, increase the number of Joint Registration Organizations, and Coordinated Functional Registrations. Requests are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance management by registering as a corporate entity. This increase will have a direct impact on the workload associated with registration and certification.
5. Entities have expressed a desire to implement the Multi-Regional Registered Entity (MRRE) within the Regions. Requests are expected to increase as entities seek to achieve efficiency and effectiveness in compliance. The increase in requests might have a direct impact on the workload associated with implementing various compliance monitoring processes.

6. Document and continue to conduct Assist Visits in an effort to improve entities' compliance culture, practices and performance. Formalize and document the Assist Visit Program. Expecting a minimum of eight to ten assist visits to be requested in 2014.
7. Work with NERC on updating, modifying and streamlining the CMEP Implementation Plan process.
8. Work with NERC on updating and improving the Organization Certification process by looking for efficiencies and when appropriate perform these using a risk based assessment.
9. Make use of tabletop (off-site) reviews and use a risk based assessment to determine when a review is needed.
10. Work with NERC on reviewing and modifying the registration process by moving towards an ERO wide common registration database.

ReliabilityFirst does not expect a significant number of registration challenges, with efforts in registration focusing on refining the current registries across the Region. However, with the continued merger and acquisition activities in the industry and changing BES definition, some registration changes are anticipated and will require administrative, technical, and legal reviews.

2014 Key Deliverables

- Work within the region and NERC to develop criteria for processing, analyzing, and reporting BES inclusions and exclusions, and Exception requests.
- Develop criteria and a process to encourage prompt and complete compliance self-analysis.
- Develop material for Registered Entities regarding expectations for new and existing Reliability Standards.
- In proportion to the significance of the incident and risk to the BES, review and make a timely decision whether an additional compliance monitoring process needs to be implemented.
- Process all registration issues including the Joint Registration and, Organization, Coordinated Functional Registration requests in a timely fashion.
- Develop a process and share it with NERC to review and determine if applying the MRRE to an entity is appropriate and reasonable.
- Complete a registry review of all entities based upon the FERC approved BES definition to assure registration accuracy.
- Develop the documentation for the Assist Visit Program.

Operations & Planning Audit

Program Scope and Functional Description

The Operations & Planning Audit Group (OP/PLAN) is responsible for the completion of the operations and planning audits and spot checks, which address the FERC Order 693 Reliability Standards, investigations and certification activities, and provides Subject Matter Experts (SMEs) to the Enforcement Area as needed for mitigation plan reviews and other initiatives. The OP/PLAN area is also responsible for the completion of risk-based assessments as part of the monitoring processes.

2014 Key Assumptions

The OP/PLAN area incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst OP/PLAN area includes the following unique regional assumptions:

1. Audits will continue under the on-going schedule to complete the BA, TOP, and RC audits on a three year cycle. It is expected TOs identified as local control centers within PJM (TO/LCCs) will be monitored every three years through PJM directed compliance audits, with oversight by region. All Registered Entities that are registered for other functions will be audited every six years. Audits may transition to a period more reflective of their risk profile.
2. Audits will focus on a risk and performance based review of the individual entity. While some audits will be more in-depth and of greater complexity, other audits may require fewer review activities based on the risk and performance based assessment of each entity.
3. OP/PLAN staff will support investigations, organization registration and certification, assist visits, the Enforcement area as SMEs, and other compliance processes as needed in 2014.
4. OP/PLAN staff will continue to support NERC initiatives through participation on NERC committees, support of NERC audits and other monitoring processes, and existing communication processes to achieve the global initiative of providing Registered Entities with consistency, transparency, and educational opportunities.
5. Audit Plans, Internal Controls, and Risk Based Monitoring are expected to be rolled out in 2014 as part of the audit process. The extent of any resource impact is unknown at this time. Inclusion of these requirements is expected to increase auditor time and resources to complete monitoring processes.
6. Training to improve the auditing skills of the current OP/PLAN audit staff is being addressed to improve the understanding and skills of the team members. Through NERC training and other available auditing courses, RFC will provide the necessary training to continue to provide an excellent and respected audit staff.
7. ReliabilityFirst will continue to seek and employ initiatives to increase efficiencies and production in 2014. The MKInsight audit management system will be fully functional for audits and ReliabilityFirst will look to further develop the system to

address Audit Planning and Risk Based Assessments. In addition, ReliabilityFirst will look to expand the system to be a central location for all monitoring processes and as a result become a central compliance database for all registered entities which will spread the initial savings and efficiencies throughout the compliance area. Other initiatives such as audit mapping, procedure improvement, and training will be explored to support the effort to gain and maintain efficiencies and production.

2014 Key Deliverables

- Conduct thorough and formal compliance audits of RC, BA, TOPs and TO/LCCs. Audit teams will consist of ReliabilityFirst staff supplemented as necessary by independent contractors. No industry volunteers will serve on audit teams. Approximately 8 on-site audits will be performed.
- Conduct thorough and formal compliance audits of all other entities on a six-year cycle. These audits will be conducted off-site but may necessitate on-site reviews periodically. Approximately 65 off-site audits will be performed.
- Conduct spot checks and unscheduled audits on entities to assess risk and performance of OP/PLAN standards or as determined through any other assessment utilized by ReliabilityFirst. This type of monitoring may rise in 2014 and in the years following 2014. Risk assessments will provide a focused determination of the risks which will affect the scope of monitoring, ideally with a future reduction of overall monitoring.
- Conduct approximately 110 risk-based assessments on those entities scheduled for an audit.
- Provide efficiencies in audit and spot check processes through continued auditor training and process improvements. We will be utilizing an audit management software package that will be fully operational in the beginning of 2014 and is expected to provide efficiency gains.
- Support two reliability workshops each year, monthly “open” compliance calls, assist visits, and provide Registered Entity assistance as needed.
- Provide support to satisfy NERC and FERC oversight and monitoring activities.

The anticipated workload may exceed the 2014 available resources based upon proposed NERC initiatives for the auditing and monitoring processes, however, no additional FTEs in 2014 are being requested. For audits, contractor support will supplement the audit staff in some instances where unplanned events occur that affect the available resources.

Critical Infrastructure Protection Audits

Program Scope and Functional Description

The Critical Infrastructure Protection (CIP) Audit area is responsible for completion of the following major functional responsibilities:

- Monitor Compliance to the CIP Standards for entities subject to CIP standards through compliance audits and/or spot checks ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
- Management of Technical Feasibility Exceptions (TFEs), as outlined in Appendix 4D of the NERC Rules of Procedures, to ensure all reviews and ongoing (quarterly & annual) reporting requirements are properly managed.
- Participation in the NERC Sufficiency Review Program – CIP-OS Outreach sessions. It is expected that this program will continue to mature and be revised based on any ongoing lessons learned.
- Support the completion of risk-based entity profile assessments as part of the monitoring processes and ensure consistency of the audit and spot check processes for the CIP Reliability Standards.
- Support the development and implementation of various initiatives including the Risk Based Monitoring, Audit Planning / Scoping, and Internal Controls Assessment.
- Provide technical subject matter expertise and support for compliance investigations, assist visits, mitigation plan reviews, regional outreach efforts, and other initiatives as identified within *ReliabilityFirst* and/or the ERO.

2014 Key Assumptions

The CIP Audit area incorporates the regional specific common business planning assumptions as described in the NERC 2014 - 2016 Shared Business Plan and Budget Assumptions document. The *ReliabilityFirst* CIP Audit area includes the following unique regional assumptions:

1. The ERO is continuing with the “Three-Tiered Approach to Audit Scope Determination” which identifies Tier 1 requirements as the minimum scope of an audit with the potential expansion into Tier 2 and Tier 3 requirements based on the results of a risk-based entity profile assessment or as determined during the audit process. This approach is expected to continue in 2014 with the possibility of some changes that are yet to be defined within the ERO. As a result, 131 of 168 Tier 1 CIP requirements are the minimum requirements within an audit scope, with the potential addition of 28 Tier 2 and 9 Tier 3 CIP requirements for all Registered Entities that have identified Critical Assets and Critical Cyber Assets. The scoping philosophy has continued to be to incorporate Tier 2 requirements into the audit review for those Registered Entities that have not undergone a previous CIP audit or spot check. Where entities have undergone a previous CIP audit or spot check, these results and the previous scope are assessed as part of the risk-based entity profile assessment and incorporated into the audit scope recommendation for the upcoming audit or spot check.

2. The time required to complete the onsite CIP audit reviews, also includes site visits and field visits (i.e. substations, generation facilities, etc.) that may be warranted based on the scope of the audit and if initial evidence is not sufficient to substantiate that an entity meets compliance.
3. For Registered Entities subject to compliance to the CIP standards that have no Critical Cyber Assets, the audit scope focuses on Tier 1 (minimum) and Tier 2 (when warranted) requirements within CIP-002 and CIP-003 R2 and are conducted offsite by one team of two auditors.
4. It is expected that CIP spot checks will take place in 2014 and may increase with the implementation of the risk-based approach to compliance monitoring. This may increase auditor time and resources, however appropriately scoped audits based on risk-based entity assessments should lead to a focused and efficient monitoring program. ReliabilityFirst will plan to support these efforts with existing CIP audit staff and augment with OP/PLAN audit staff or contractors, as needed.
5. The TFE program will continue to require existing staff resources to perform reviews and gauge compensating measures. TFE development, review, and approval will result in compensating measure validation checks, quarterly/annual report tracking, and change management. Furthermore, the continued review and assessment of new TFEs and the tracking and updating of existing TFEs within the existing process continues to be administratively burdensome and has resulted in proposed NERC RoP, Appendix 4D process revisions, which are in the process of being filed with FERC. The timing and outcome of FERC's ruling is unknown at this time. In the interim, ReliabilityFirst will continue to support the TFE's with existing staff and incorporate any changes in TFE processing to improve overall efficiency.
6. Any approved and/or terminated TFEs are to be audited as part of a scheduled CIP audit according to Appendix 4D of the NERC Rules of Procedure. This is applicable to entities that have identified Critical Assets and Critical Cyber Assets and have such TFEs. The review of these TFEs has been incorporated into the existing audit review schedule. The effort required to review these TFEs continues to be monitored and may extend the audit review schedule or result in a separate unscheduled audit review, resulting in additional time and/or resources required to complete the audit of such TFEs.
7. With the FERC approval of the CIP Version 4 Reliability Standards, the effective date of 4/1/2014 for these standards is established. Entities will be expected to utilize the new CIP-002-4 Bright-Line Criteria (BLC) to identify and revise their Critical Assets. However, on April 18, 2013, FERC issued a Notice of Proposed Rulemaking (NPOR) proposing to approve CIP Version 5 Reliability Standards. In the NOPR, the Commission proposes to approve NERC's implementation plan to allow entities to transition from compliance with the currently-effective CIP Version 3 Reliability Standards to compliance with the CIP Version 5 Reliability Standards and, the CIP Version 4 Reliability Standards would never be mandatory and enforceable. Presently, the timing of FERC's Final Rule on CIP Version 5 is unknown and the CIP Version 4 effective date is established. Both CIP Version 4 and CIP Version 5 introduce new criteria for identifying assets that are subject to compliance with the CIP Reliability Standard. With the integration

of this new criterion, expectations are such that there may be a substantial increase in the number of entities and Critical Assets required to be monitored for CIP compliance in the near future but, there may also be a decrease in the number of entities and Critical Assets required to be monitored for CIP compliance downstream. In either case, a resource impact is anticipated along with the potential for additional burden and workload added to the CIP Program during the ensuing transition period from CIP Version 3 to CIP Version 4 or CIP Version 5. The actual impact is yet to be realized so in the interim, existing CIP audit staff will manage and monitor the impact which will guide the development of any future resource recommendations.

8. The proposed implementation plan for CIP Version 5 provides language that would allow entities to transition from CIP Version 3 to CIP Version 5, thereby bypassing implementation of CIP Version 4 completely upon Commission approval. Realizing that FERC's actions are unknown, NERC plans to issue CIP-002 Transition Guidance addressing Applicable Methodologies and Possible Outcomes and Compliance Monitoring and Enforcement guidance regarding the transition from CIP Version 3 to CIP Version 4 while CIP Version 5 is pending at FERC. Based on this status, there is little expected workload impact in 2014 regarding the Version 5 CIP Standards other than engaging in any outreach efforts identified within the ERO.
9. Will support the NERC CIP-002 Sufficiency Review Program in 2014.
10. Will support the development and implementation of various initiatives including Risk Based Monitoring, Audit Planning / Scoping, and Internal Controls Assessment.
11. Will support ongoing CIP auditor training and credentialing efforts (as applicable) to maintain an appropriate mix of credentialed and/or experienced audit staff to conduct and demonstrate competence in auditing.

2014 Key Deliverables

- CIP audits will be performed as separate audits from the OP/PLAN audits. The CIP audits can be categorized as medium and small sized audits as defined by NERC and the number of requirements. The number of CIP audits targeted for 2014 is defined below and will be based on the number of entities that identify Critical Assets, as entities start assessing their Critical Assets against the approved CIP-002-4 Bright Line Criteria, and their compliance to all the requirements of CIP-003-4 thru CIP-009-4 by the effective date of April 1, 2014. It is expected that the number of CIP audits will be greater than or at least the same as in 2013 resulting in approximately:
 - 5-10 CIP medium audits of entities on the 3 year cycle (onsite).
 - Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 or 3 CIP requirements based on the results of the risk-based entity profile assessment. These entities typically have many Critical Assets and Critical Cyber Assets due to being registered for multiple functions such as a BA, TO, TOP, and RC.

- 5-10 CIP medium audits of entities on the 6 year cycle (onsite).
 - Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 or 3 CIP based on the results of the risk-based entity profile assessment. These entities typically have fewer Critical Cyber Assets as a result of being registered for multiple functions such as a GO, GOP, LSE, etc.
- 30-35 CIP small audits of entities on the 6 year cycle (offsite).
 - Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 requirements, within CIP-002 and CIP-003 R2 based on the results of the risk-based entity profile assessment. These entities have identified no Critical Cyber Assets.
- CIP spot checks will be used to assess performance to selected CIP Standards as outlined in the annual *CMEP* Implementation Plan. This monitoring process will also be utilized to confirm self-certifications, self-reports, the status of mitigation plans or agreed to activities associated with settlement agreements.
- Manage the completion of TFE Part A reviews, Part B Reviews, and quarterly / annual reporting for the 14 requirements subject to TFE processing which will become more streamlined within the revised Appendix 4D. The effort required to process TFEs will continue into 2014. The rate of TFE submittals is not expected to be reduced to zero in the next few years due to technology changes, additional entities being identified with Critical Assets and Critical Cyber Assets, and the full understanding of the current and upcoming CIP Standards. ReliabilityFirst expects approximately 250 new TFEs, 225 TFE amendments, and 400 TFE Terminations to be processed. It is expected that one equivalent FTE will continuously be allocated to provide oversight and management of the TFE process.

In 2014, compliance audits of CIP Standards will continue to include the review of Approved and Terminated TFEs. The plan is to continue incorporating the review of these TFEs into the existing audit review schedule for 2014 and beyond.

- Conduct approximately 117 risk-based assessments on those entities scheduled for an audit in 2014. This includes assessments for both CIP and OP/PLAN audits conducted by an internal ReliabilityFirst Risk-Based Assessment committee comprised of cross-functional team members.
- Participate in the 2014 NERC Sufficiency Review Program – CIP-OS Outreach sessions. The expectation is that NERC will conduct 1 or 2 sufficiency reviews of entities registered in the ReliabilityFirst region.
- Provide efficiencies in audit and spot check processes through auditor training and compliance monitoring process improvements.
- Support NERC in developing and supporting a training and implementation program for Registered Entities to successfully implement the CIP-002 Version 4

Standard, as requested. Depending on the state of the CIP Version 5 standards, support similar activities.

- Support NERC in the development and implementation of Risk Based Monitoring, Audit Planning / Scoping, and Internal Controls Assessment. This may include:
 - Transitioning to performance based audits focused on the purpose, intent and reliability risk associated with applicable standards, in an effort to further identify and promote auditing efficiencies.
 - Integration of a process for assessing registered entity internal controls as part of the compliance monitoring activities to further prioritize risk-based compliance monitoring activities.

The final resource impact for supporting these initiatives is unknown at this time and will be further assessed and defined as these initiatives gain further definition.

- Support the successful implementation of the ERO 2014 Strategic Goals and Objectives with a focus on goal “1.b.i. – Facilitate smooth transition of new standards (i.e. CIP Version 5)”, and goal “1.b.ii. – Consolidate to a common set of application guides or RSAWs for all standards.” Resources are being expended throughout 2013 and expected to continue into 2014. Support for any other goals will be provided as agreed to between ReliabilityFirst and NERC.
- Support two regional compliance workshops each year, monthly “open” compliance calls and assist visits.
- CIP will support the OP/PLAN Audit Program as needed and available in 2014.

Overall, the current workload is exceeding the currently staffed available resources and this workload is not anticipated to diminish in the next few years, but instead remain the same or grow.

For 2014, the workload analysis associated with the above deliverables supports the already approved compliment of FTEs including management. These resources will be required to complete the anticipated workload as well as any new CIP-related initiatives within the CIP Audit Department. Also, contractor support is expected to remain a necessity to provide staff coverage as required to meet the fluctuating demands of the 2014 CIP audit schedule or any other responsibilities.

Furthermore, Compliance will monitor the workload during 2013 and look for efficiency gains throughout the monitoring process (i.e. MKInsight Audit Management Tool, Audit Process Mapping, etc.) to match the allocated manpower and to also collect information to make the necessary resource recommendations in the 2015 budgeting cycle.

Enforcement Management

Program Scope and Functional Description

ReliabilityFirst Enforcement will end 2013 with an approved Enforcement Staffing level of 12 FTEs. As has been the case in the last few budgets, ReliabilityFirst will keep flat that level of staffing within Enforcement. Enforcement work burden (defined as all necessary activities needed to successfully complete an enforcement action including but not limited to fact and circumstance review, risk-harm assessment, mitigation plan review and validation, final disposition method selection, negotiation, final document drafting, post-filing support, etc.), continues to be driven primarily by the number of enforcement actions undertaken. Historical violation levels (i.e., enforcement actions undertaken) are shown below for 2010 thru 2012. The need to make estimations almost two years in advance makes forecasting a difficult task, but ReliabilityFirst estimates the number of violations year over year during this budgeted year to remain relatively flat.

CIP		693			
Year	# of Violations	Year	# of Violations	Total	
2010	254	2010	215	469	Actual
2011	408	2011	177	585	Actual
2012	358	2012	191	549	Actual
2013	533	2013	120	653	Estimate
2014	400	2014	180	580	Estimate
2015	410	2015	180	590	Estimate

ReliabilityFirst Enforcement activities are centered on risk assessment, risk management and risk communication. As the ERO (including the Regions) bases more decisions on risks to reliability, risk analysis becomes key in dynamically managing ReliabilityFirst monitoring activities and in driving ReliabilityFirst decision making in treatment of issues within or without of Enforcement. By virtue of the necessary regulatory requirement of providing rigorous risk analysis for each Enforcement action filing, ReliabilityFirst has developed skill and expertise in this area within the Risk and Mitigation Group of the Enforcement Department. As this expertise becomes more necessary for activities throughout ReliabilityFirst outside of Enforcement, the techniques (e.g., risk-harm methodologies, root cause analysis, preventative measures, internal control attribute appraisals) developed by Enforcement will be leveraged throughout ReliabilityFirst and, with equal importance, shared with the Registered Entities within the ReliabilityFirst Region.

2014 Key Assumptions

The Enforcement Management area incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Enforcement Management area includes the following unique regional assumptions:

1. ReliabilityFirst Enforcement believes the downward trend for Non-CIP (“693”) violations seen from 2010 to 2011 has stabilized and the number of Non-CIP violations will remain flat relative to the 2011 and 2012 violation levels. Additionally, ReliabilityFirst Enforcement believes the year over year increase in CIP violations (2010 to 2011 = 60% year over year increase) has moderated and the expectation is that the number of CIP violations will also remain relatively flat during this budgeted period.
2. It is expected that the majority of possible violations will continue to be handled through the settlement process (30 to 40%) and the Find, Fix and Track (FFT) program (60 to 70%).
3. Increased process efficiencies and gained experience offset the increased complexity of compliance cases and the level of effort and resources for a settlement continues to decrease. A year over year increase in efficiency of 5% is assumed.
4. The number of hearings to be conducted in 2014 is unknown, and therefore no external legal resources have been budgeted.
5. There will be a shift in focus of activities from punishing past behavior (although still necessary and required in serious circumstances) to partnering with Registered Entities to ensure compliance and reliability going forward in a proactive manner. This focus has historically been present in mitigation plan and settlement (“above and beyond” activities), but the same analysis and techniques can be used to prevent non-compliances from occurring in the first place.

2014 Key Deliverables

- Continue to increase efficiency in dispositioning enforcement actions and preparing settlements.
- Conduct initial violation fact and circumstance reviews and communicate with the entity through each step of the enforcement process. Manage all necessary activities of the enforcement process through final closure with NERC, including mitigation plans, settlements, hearings, and participate as necessary in any appeals to NERC or regulatory agencies for alleged violations that are contested.
- Enforcement will resolve serious violations in a manner that deters entities from engaging in similarly risky behavior that resulted in the serious violations.
- Enforcement will continue to tailor resolutions of violations to the risk posed by each violation.
- Enforcement will recognize that an aged violation may result in mitigating activities that are stale, and therefore, do not address reliability risks as effectively as they otherwise might. Therefore, Enforcement will work to derive internal goals that encourage addressing violations in a timely manner.
- Report all violations of Standards for which investigation, decision, and hearing processes have been completed, including the identity of the organizations involved in those violations.
- Provide the necessary information regarding all financial penalties to support the collection and disbursement of the penalty funds.

- Continue development of risk-harm analysis process to accurately quantify the risk-harm posed by violations.
- Develop or assist in the development of cross-departmental procedures to ensure FFT is implemented in a manner that maximizes its efficacy.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Compliance Monitoring, and Enforcement, and Organization and Certification Program is a delegated function.

Personnel Expenses

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 43 FTEs for this program area, consistent with 2013. Therefore, with no change in FTEs the increase is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Meeting expenses increased as a result of an increase in travel expenses expected for the new Director of Compliance position.

Operating Expenses

- Consultants and Contracts decreased due to the process improvements and efficiency gains that are expected to be achieved.
- Office Costs increased due to the maintenance agreements and change order requests for both Open Access Technology International's compliance portal and MKInsight's audit management tool.

Indirect Expenses

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- Fixed Assets Additions increased due to budgeting for software to be used to perform additional analysis.

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

Funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Compliance Monitoring, and Enforcement, and Organization Registration and Certification					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 10,736,863	\$ 10,736,863	\$ -	\$ 12,563,972	\$ 1,827,109
Penalty Sanctions	2,240,059	2,240,059		1,020,974	(1,219,085)
Total ReliabilityFirst Funding	\$ 12,976,922	\$ 12,976,922	\$ -	\$ 13,584,946	\$ 608,024
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	45,105	-	(45,105)	-	(45,105)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 13,022,027	\$ 12,976,922	\$ (45,105)	\$ 13,584,946	\$ 562,919
Expenses					
Personnel Expenses					
Salaries	\$ 5,870,100	\$ 5,693,026	\$ (177,074)	\$ 6,071,377	\$ 201,277
Payroll Taxes	370,369	370,038	(331)	380,483	10,114
Benefits	838,359	774,537	(63,822)	869,013	30,654
Retirement Costs	867,559	865,178	(2,381)	950,486	82,927
Total Personnel Expenses	\$ 7,946,387	\$ 7,702,780	\$ (243,607)	\$ 8,271,359	\$ 324,972
Meeting Expenses					
Meetings	\$ 8,210	\$ 9,826	\$ 1,616	\$ 10,730	\$ 2,520
Travel	508,000	541,663	33,663	533,000	25,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 516,210	\$ 551,489	\$ 35,279	\$ 543,730	\$ 27,520
Operating Expenses					
Consultants & Contracts	\$ 475,000	\$ 494,459	\$ 19,459	\$ 454,000	\$ (21,000)
Office Rent	-	-	-	-	-
Office Costs	311,989	280,468	(31,521)	381,527	69,538
Professional Services	15,000	15,000	-	15,000	-
Miscellaneous	1,405	1,039	(366)	2,721	1,316
Depreciation	206,421	226,207	19,786	119,909	(86,512)
Total Operating Expenses	\$ 1,009,815	\$ 1,017,173	\$ 7,358	\$ 973,157	\$ (36,658)
Total Direct Expenses	\$ 9,472,412	\$ 9,271,442	\$ (200,970)	\$ 9,788,246	\$ 315,834
Indirect Expenses	\$ 3,865,608	\$ 4,067,584	\$ 201,976	\$ 3,994,892	\$ 129,284
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 13,338,020	\$ 13,339,026	\$ 1,006	\$ 13,783,139	\$ 445,119
Change in Assets	\$ (315,993)	\$ (362,104)	\$ (46,111)	\$ (198,193)	\$ 117,800
Fixed Assets					
Depreciation	\$ (206,421)	\$ (226,207)	\$ (19,786)	\$ (119,909)	\$ 86,512
Computer & Software CapEx	9,600	9,600	-	12,000	2,400
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (196,821)	\$ (216,607)	\$ (19,786)	\$ (107,909)	\$ 88,912
Allocation of Fixed Assets	\$ (119,172)	\$ (98,476)	\$ 20,696	\$ (90,284)	\$ 28,888
Inc/(Dec) in Fixed Assets	\$ (315,993)	\$ (315,083)	\$ 910	\$ (198,193)	\$ 117,800
Total Budget	\$ 13,022,027	\$ 13,023,943	\$ 1,916	\$ 13,584,946	\$ 562,919
Total Change in Working Capital	\$ -	\$ (47,021)	\$ (47,021)	\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	10.00	10.00	0.00
Direct Expenses	\$ 2,198,926	\$ 2,213,283	\$ 14,357
Indirect Expenses	\$ 898,979	\$ 929,045	\$ 30,066
Inc(Dec) in Fixed Assets	\$ (27,714)	\$ (20,996)	\$ 6,718
Total Funding Requirement	\$ 3,070,191	\$ 3,121,331	\$ 51,140

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 800, ReliabilityFirst's engineering staff will independently analyze, assess, and report on the reliability and adequacy of the BES within its footprint. This includes performance of seasonal, near-term and long-term resource and transmission assessments, special investigations as warranted, analysis and reporting of system disturbances and events, and collection and dissemination of data, lessons learned, and other information.

2014 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Reliability Assessment and Performance Program.

2014 Key Deliverables

Assessments of Reliability Performance

- Perform seasonal (summer and winter) and long term resource adequacy assessments and produce reports per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- Perform seasonal (summer and winter) transmission assessment studies, a near-term (1 through 5 years into the future) transmission assessment, and a long-term (5 through 10 years into the future) transmission assessment and produce reports per Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, long-term, and post-seasonal operational reports per NERC Rules of Procedure Section 800.
- Work with neighboring Regional Entities in the Eastern Interconnection Reliability Assessment Group (ERAG) to perform seasonal, near-term, and long-term transmission assessment studies and produce reports per NERC Standards TPL-005, and TPL-006.

Model Development to Conduct Assessments

- Develop a series of thirteen power flow base case models per NERC Standards MOD-011 and MOD-014 (ERAG/Multiregional Modeling Working Group (MMWG) effort).
- Develop power flow base case models per NERC Standards MOD-011 and MOD-014 (regional and interregional study efforts).
- Develop a series of eight dynamic base case models per NERC Standards MOD-013 and MOD-015 (ERAG/MMWG effort).
- Develop any needed dynamic base case models per NERC Standards MOD-013 and MOD-015 (regional and interregional study efforts).

Event Analysis Activities

- The staff will collect, review, and analyze disturbances as described in the NERC ERO Event Analysis Process and cooperate with NERC and FERC staff and other Regional Entity staff to assure root cause, corrective actions, and lessons learned are identified.
- Collect and review disturbance reports as required in NERC Standard EOP-004.
- Collect and review disturbance reports as required by the Department of Energy in form OE-417.
- Assist NERC in the collection and validation of data for the Events Information Data System (EIDS).

Reporting Requirements

- Submit Reliability*First* load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
- Assist NERC in the collection and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS) and the Demand Response Availability Data System (DADS)
- Assist NERC in the collection and validation of data for the Reliability Assessment Data System (RADS). This project has been created to help automate the data collection, validation, submission and analysis process for the reliability assessment reports.
- Submit Reliability*First* power flow data annually for the FERC 715 report.
- Submit an assessment report to the Public Utilities Commission of Ohio as required by Ohio law.

Other Requirements and Activities

- Publish any lessons learned that are developed from analyzed system events, misoperation reporting, and other sources.
- Continue to actively participate in ERAG, which includes the Management Committee, MMWG, and the study forums.

- Analyze protective relay misoperation information and track corrective action plans as required in NERC Standard PRC-003.
- Conduct initial and periodic Special Protection System (SPS) reviews as required in NERC Standards PRC-012, PRC-013, and PRC-014.
- Conduct under-frequency load shed (UFLS) reviews as required in NERC Standard PRC-006.
- Conduct under-voltage load shed (UVLS) reviews.
- Coordinate disturbance monitoring equipment placement as required in NERC Standard PRC-002.
- Develop and maintain a Reliability*First* BES facilities map.
- Develop and maintain a linear contingency database for transmission assessment studies.
- In support of the ERO, actively participate in NERC committees, subcommittees, task forces, and other technical groups, such as the Planning Committee, Operating Committee, and associated subgroups.
- Compliance Monitoring and Enforcement and Organization and Certification Program and Reliability Assessment and Performance Analysis Program will manage the NERC BES definition exception process and coordinate with NERC according to the Rules of Procedure exception process.
- Continue to support stakeholder participation through various regional technical groups. The Reliability Committee is the primary technical advisory body to the Reliability*First* Board of Directors. Other technical subcommittees analyze and discuss technical issues related to reliability assessments, disturbance reporting, event analysis, and other technical and assessment related activities.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Reliability Assessment and Performance Analysis Program is a delegated function.

Personnel Expenses

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 10 FTEs, consistent with 2013. Therefore, with no change in FTEs the increase in personnel expenses is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Meeting expenses increased due to the expectation that meeting activity will be similar to 2012 levels.
- Travel expenses decreased due to an expected reduction in participation on various committees and subcommittees.

Operating Expenses

- Office costs decreased due to a reduction in an annual fee for software licenses.

Indirect Expenses

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Reliability Assessment and Performance Analysis					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 2,538,757	\$ 2,538,757	\$ -	\$ 2,883,895	\$ 345,138
Penalty Sanctions	520,944	520,944	-	237,436	(283,508)
Total ReliabilityFirst Funding	\$ 3,059,701	\$ 3,059,701	\$ -	\$ 3,121,331	\$ 61,630
Membership Dues			\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	10,490	-	(10,490)	-	(10,490)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,070,191	\$ 3,059,701	\$ (10,490)	\$ 3,121,331	\$ 51,140
Expenses					
Personnel Expenses					
Salaries	\$ 1,479,629	\$ 1,322,999	\$ (156,630)	\$ 1,495,659	\$ 16,030
Payroll Taxes	86,964	79,126	(7,838)	90,649	3,685
Benefits	154,494	119,118	(35,376)	150,700	(3,794)
Retirement Costs	218,462	198,569	(19,893)	236,514	18,052
Total Personnel Expenses	\$ 1,939,549	\$ 1,719,812	\$ (219,737)	\$ 1,973,522	\$ 33,973
Meeting Expenses					
Meetings	\$ 15,000	\$ 12,119	\$ (2,881)	\$ 22,000	\$ 7,000
Travel	106,500	97,170	(9,330)	85,500	(21,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 121,500	\$ 109,289	\$ (12,211)	\$ 107,500	\$ (14,000)
Operating Expenses					
Consultants & Contracts	\$ 77,140	\$ 77,140	\$ -	\$ 77,097	\$ (43)
Office Rent	-	-	-	-	-
Office Costs	60,687	52,870	(7,817)	54,963	(5,724)
Professional Services	-	-	-	-	-
Miscellaneous	50	59	9	200	150
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 137,877	\$ 130,069	\$ (7,808)	\$ 132,260	\$ (5,617)
Total Direct Expenses	\$ 2,198,926	\$ 1,959,170	\$ (239,756)	\$ 2,213,283	\$ 14,357
Indirect Expenses	\$ 898,979	\$ 945,950	\$ 46,971	\$ 929,045	\$ 30,066
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,097,905	\$ 2,905,120	\$ (192,785)	\$ 3,142,327	\$ 44,422
Change in Assets	\$ (27,714)	\$ 154,581	\$ 182,295	\$ (20,996)	\$ 6,718
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (27,714)	\$ (22,901)	\$ 4,813	\$ (20,996)	\$ 6,718
Inc/(Dec) in Fixed Assets	\$ (27,714)	\$ (22,901)	\$ 4,813	\$ (20,996)	\$ 6,718
Total Budget	\$ 3,070,191	\$ 2,882,218	\$ (187,973)	\$ 3,121,331	\$ 51,140
Total Change in Working Capital	\$ -	\$ 177,483	\$ 177,483	\$ -	\$ (0)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.10	3.10	0.00
Direct Expenses	\$ 649,614	\$ 634,858	\$ (14,756)
Indirect Expenses	\$ 278,684	\$ 288,004	\$ 9,320
Inc(Dec) in Fixed Assets	\$ (8,591)	\$ (6,509)	\$ 2,082
Total Funding Requirement	\$ 919,707	\$ 916,353	\$ (3,354)

Program Scope and Functional Description

The Training, Education, and Operator Certification staff focuses on providing relevant training to entities operating in the ReliabilityFirst region and participates in the NERC Training and Education Group (TEG) in identifying training needs of the industry and Regional Entity staff. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

2014 Key Assumptions

The Training, Education, and Operator Certification Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Training, Education and Operator Certification Program includes the following unique regional assumption:

1. ReliabilityFirst will provide timely publication of lessons learned and recommendations from system events and track responses to recommendations on compliance related issues and concerns.

2014 Key Deliverables

Board of Directors' Training

- Per the Bylaws of ReliabilityFirst, the Board of Directors will receive training annually to keep current with activities within the ReliabilityFirst footprint and to stay abreast of changes affecting the industry.
- In addition, ReliabilityFirst also has a requirement to conduct orientation training for newly-elected Directors. This training is conducted soon after a new Director has been elected and provides an overview of ReliabilityFirst including our organization, governance, goals, and objectives.

Industry Education and Workshops

- In 2014, ReliabilityFirst will increase and add greater focus to its activities aimed at helping industry participants achieve excellence in reliability. These activities include:
 - The development and publication of lessons learned/best practices from system events.

- Identification of common reasons why Reliability Standards are violated.
- Efforts to better prepare entities for compliance audits and also for enforcement activities.
- Increased focus on any lessons learned or trends in reliability assessments.
- Continued workshops and forums to allow for free exchange of information between Reliability*First* and its stakeholders. Workshops to be conducted in 2014 include:
 - Two Compliance Monitoring and Enforcement Program workshops to promote an understanding of the program and educate the entities on understanding what is required to meet compliance for a requirement, what is needed for a sufficient data submittal, and the concepts of Risk Based and Internal Control Programs. This effort includes “Open” compliance calls.
 - Open forums to provide insight into new standards developed and approved by the industry changes in the Compliance Monitoring and Enforcement Program, Infrastructure Protection issues, or other topics requested by Members/Registered Entities.
 - CIP Standards Webinars to provide insight into the evolution of these standards and to provide a forum for representatives of registered entities to share thoughts, problems, and solutions.
 - Updates to the base case development process used for developing computer models used to perform reliability assessments.
 - Develop and post timely compliance-related lessons learned.
 - Assist NERC, in the development of educational materials for our Registered Entities.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Training, Education, and Operator Certification Program is a delegated function.

Personnel Expenses

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 3.1 FTEs for this program area, consistent with 2013. Therefore, with no change in FTEs the increase in personnel expenses is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Meetings decreased as a result of the exclusion of two additional workshops that were included within the 2013 budget.
- Travel increased due to the travel expenses relating to the anticipated assist visits.

Operating Expenses

- There are no operating expenses expected for this budget year.

Indirect Expenses

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Training, Education, and Operator Certification Program					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 754,962	\$ 754,962	\$ -	\$ 842,748	\$ 87,786
Penalty Sanctions	161,493	161,493		73,605	(87,888)
Total ReliabilityFirst Funding	\$ 916,455	\$ 916,455	\$ -	\$ 916,353	\$ (102)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	3,252	-	(3,252)	-	(3,252)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 919,707	\$ 916,455	\$ (3,252)	\$ 916,353	\$ (3,354)
Expenses					
Personnel Expenses					
Salaries	\$ 411,250	\$ 415,132	\$ 3,882	\$ 428,516	\$ 17,266
Payroll Taxes	27,473	28,131	658	28,687	1,214
Benefits	51,900	51,622	(278)	53,484	1,584
Retirement Costs	64,991	64,036	(955)	67,571	2,580
Total Personnel Expenses	\$ 555,614	\$ 558,920	\$ 3,306	\$ 578,258	\$ 22,644
Meeting Expenses					
Meetings	\$ 90,000	\$ 69,134	\$ (20,866)	\$ 45,000	\$ (45,000)
Travel	4,000	5,367	1,367	11,600	7,600
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 94,000	\$ 74,501	\$ (19,499)	\$ 56,600	\$ (37,400)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 649,614	\$ 633,421	\$ (16,193)	\$ 634,858	\$ (14,756)
Indirect Expenses	\$ 278,684	\$ 293,244	\$ 14,560	\$ 288,004	\$ 9,320
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 928,298	\$ 926,666	\$ (1,632)	\$ 922,862	\$ (5,436)
Change in Assets	\$ (8,591)	\$ (10,211)	\$ (1,620)	\$ (6,509)	\$ 2,082
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,591)	\$ (7,099)	1,492	(6,509)	\$ 2,082
Inc/(Dec) in Fixed Assets	\$ (8,591)	\$ (7,099)	\$ 1,492	\$ (6,509)	\$ 2,082
Total Budget	\$ 919,707	\$ 919,566	\$ (141)	\$ 916,353	\$ (3,354)
Total Change in Working Capital	\$ -	\$ (3,111)	\$ (3,111)	\$ -	\$ (0)

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.60	0.60	0.00
Direct Expenses	\$ 188,308	\$ 192,440	\$ 4,132
Indirect Expenses	\$ 53,939	\$ 55,743	\$ 1,804
Inc(Dec) in Fixed Assets	\$ (2,088)	\$ (1,685)	\$ 403
Total Funding Requirement	\$ 240,159	\$ 246,498	\$ 6,339

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 1000, Situation Awareness and Infrastructure Security (SAIS) staff, in coordination with members of the Engineering staff, will monitor present conditions on the BES.

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

The SAIS program area focuses on supporting the staff and Registered Entities in understanding potential threats to the electricity sector, implementation of Reliability Standards developed to reinforce infrastructure security, and maintaining an awareness of conditions on the BES.

2014 Key Assumptions

The SAIS Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst SAIS Program includes the following unique regional assumption:

- National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and Data Acquisition, and information technology assets. ReliabilityFirst will participate in these exercises as appropriate.

2014 Key Deliverables

Support of the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC)

- The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the ReliabilityFirst region. SAIS staff will support the committee through scheduling and facilitation of committee meetings and webinars and dissemination of messages, alerts, and warnings from NERC and Department of Homeland Security (DHS).

Support/Oversee ReliabilityFirst Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009)

- ReliabilityFirst is committed to complying with the NERC Cyber Security Standards. The SAIS staff will provide training, guidance, and oversight to the staff, particularly the Information Technology staff, in achieving compliance to these standards.

Provide Information on CIP-Related Issues

- This activity involves dissemination of information to Registered Entities from agencies such as the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), the U.S.DHS, and others containing information on events or suspected events representing potential threats to the electricity sector.
- SAIS staff will work with other members of the NERC CIPC and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience.

Monitor the Health of the BES

- The use of situation awareness tools by staff has been evolving over the last few years. SAIS staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and is making use of the SAFNR displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such staff has been using tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to SAFNR Version 2, to monitor the health of the BES within the ReliabilityFirst geographical area.

Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office

- A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets. Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout. A pandemic plan focuses on business continuity in the face of a declared pandemic.
- The ReliabilityFirst Board of Directors approved the implementation of a full Disaster Recovery site. Staff refined its Emergency Response plan to develop a true Business Continuity Plan and investigated the options for providing Disaster Recovery. During 2013, ReliabilityFirst staff continued to evaluate disaster recovery capabilities and conducted a simplified tabletop exercise to test the plan. In 2014, ReliabilityFirst will conduct additional exercises to further test and refine the plan and to identify areas for additional improvement.

Assist stakeholders in complying with NERC and ReliabilityFirst Standards Dealing with CIP

- The Standards currently addressing this issue continue to be the NERC Cyber Security Standards (CIP-002 – CIP-009). As these standards evolve, ReliabilityFirst stakeholders will continue to monitor and implement revisions to the standards as those revisions are completed and approved. ReliabilityFirst SAIS staff will be available to answer questions concerning these standards and,

in coordination with the ReliabilityFirst CIPC, will sponsor regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by stakeholders.

Support the ReliabilityFirst Compliance Monitoring and Enforcement Program

- The SAIS program area will support the activities involving CIP related issues and events and Compliance Monitoring and Enforcement program area by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009).

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Situation Awareness and Infrastructure Security Program is a delegated function.

Personnel Expenses

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 0.6 FTEs for this program area, consistent with 2013.

Meeting Expenses

- Meeting expenses increased due to hosting more meetings at third party facilities.
- Travel expenses decreased due to an additional year's worth of historical data, which allows a more accurate estimate to be forecasted.

Operating Expenses

- Operating expenses remained consistent.

Indirect Expenses

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Situation Awareness and Infrastructure Security					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 208,273	\$ 208,273	\$ -	\$ 232,251	\$ 23,978
Penalty Sanctions	31,257	31,257	-	14,246	(17,011)
Total ReliabilityFirst Funding	\$ 239,530	\$ 239,530	\$ -	\$ 246,498	\$ 6,968
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	629	-	(629)	-	(629)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 240,159	\$ 239,530	\$ (629)	\$ 246,498	\$ 6,339
Expenses					
Personnel Expenses					
Salaries	\$ 120,045	\$ 119,631	\$ (414)	\$ 123,160	\$ 3,115
Payroll Taxes	5,984	6,136	152	6,112	128
Benefits	7,251	7,287	36	7,265	14
Retirement Costs	19,207	19,285	78	19,593	386
Total Personnel Expenses	\$ 152,487	\$ 152,339	\$ (148)	\$ 156,130	\$ 3,643
Meeting Expenses					
Meetings	\$ 2,000	\$ 6,573	\$ 4,573	\$ 7,000	\$ 5,000
Travel	30,000	17,220	(12,780)	25,000	(5,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 32,000	\$ 23,793	\$ (8,207)	\$ 32,000	\$ -
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,496	3,084	588	3,036	540
Professional Services	-	-	-	-	-
Miscellaneous	900	880	(20)	848	(52)
Depreciation	425	656	231	425	-
Total Operating Expenses	\$ 3,821	\$ 4,620	\$ 799	\$ 4,309	\$ 488
Total Direct Expenses	\$ 188,308	\$ 180,752	\$ (7,556)	\$ 192,440	\$ 4,132
Indirect Expenses	\$ 53,939	\$ 56,757	\$ 2,818	\$ 55,743	\$ 1,804
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 242,247	\$ 237,509	\$ (4,738)	\$ 248,182	\$ 5,935
Change in Assets	\$ (2,088)	\$ 2,021	\$ 4,109	\$ (1,685)	\$ 403
Fixed Assets					
Depreciation	\$ (425)	\$ (656)	\$ (231)	\$ (425)	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (425)	\$ (656)	\$ (231)	\$ (425)	\$ -
Allocation of Fixed Assets	\$ (1,663)	\$ (1,374)	289	\$ (1,260)	\$ 403
Inc/(Dec) in Fixed Assets	\$ (2,088)	\$ (2,031)	\$ 57	\$ (1,685)	\$ 403
Total Budget	\$ 240,159	\$ 235,479	\$ (4,680)	\$ 246,498	\$ 6,339
Total Change in Working Capital	\$ -	\$ 4,051	\$ 4,051	\$ -	\$ -

Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	15.80	14.80	(1.00)
Total Direct Expenses	\$ 5,142,158	\$ 5,314,136	\$ 171,978
Inc(Dec) in Fixed Assets	\$ (158,526)	\$ (120,099)	\$ 38,427
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 4,983,632	\$ 5,194,037	\$ 210,405
Funding Requirements for Working Capital Requirement	\$ (221,190)	\$ (1,545,284)	\$ (1,324,094)

Program Scope and Functional Description

Administrative Services is comprised of the following programs; Technical Committees and Member Forums, General and Administrative, Legal and Regulatory Affairs, Information Technology, Human Resources, and Finance and Accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

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

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The ReliabilityFirst technical committees and subcommittees continue to work exclusively on reliability assessment and performance analysis activities, and therefore, all associated costs have been included within the Reliability Assessment and Performance Analysis Program. There are no member forums supported in the region.

General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	4.30	3.30	(1.00)
Total Direct Expenses	\$ 2,384,637	\$ 2,401,886	\$ 17,249
Inc(Dec) in Fixed Assets	\$ (45,326)	\$ (41,920)	\$ 3,406
Working Capital Requirement	\$ (221,190)	\$ (1,545,284)	\$ (1,324,094)

Program Scope and Functional Description

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

2013 Key Assumptions

The General and Administrative Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the General and Administrative Program.

Funding Requirements — Explanation of Variance

Funding Sources

- The increase or decrease in ERO assessments to achieve the desired working capital reserve balance is reflected in the General and Administrative Program.

Personnel Expenses

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 3.3 FTEs for this program area, a decrease of one FTE from 2013. The decrease in Salaries is a result of the reallocation of the Event Planner/Receptionist to the Human Resource Program and the reallocation of compensation as a result of the implementation of a deferred compensation plan.
- The increase in Retirement Costs is due to the reallocation of compensation as a result of the implementation of a deferred compensation plan.

Meeting Expenses

- Meeting expenses increased due to the increase costs associated with the quarterly board meetings.

Operating Expenses

- Consultants and Contracts increased as a result of budgeting for leadership training and project management support of the Regional Entity Management Group.
- Office Costs increased due to the annual fees associated with the online solutions used to manage board materials and company surveys.
- Professional Services decreased due to a reduction in the number of board committee conference calls. In addition, the anticipated cost of commercial insurance decreased.

Indirect Expenses

- Expenses related to Administrative Services, including General and Administrative have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

General and Administrative

Funding sources and related expenses for the General and Administrative Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
General and Administrative					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ (221,190)	\$ (221,190)	\$ -	\$ (1,545,284)	\$ (1,324,094)
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,245,216	\$ 1,172,075	\$ (73,141)	\$ 1,134,062	\$ (111,154)
Payroll Taxes	40,166	45,186	5,020	46,893	6,727
Benefits	68,109	74,559	6,450	68,963	854
Retirement Costs	110,326	159,135	48,809	155,262	44,936
Total Personnel Expenses	<u>\$ 1,463,817</u>	<u>\$ 1,450,956</u>	<u>\$ (12,861)</u>	<u>\$ 1,405,181</u>	<u>\$ (58,636)</u>
Meeting Expenses					
Meetings	\$ 25,800	\$ 30,248	\$ 4,448	\$ 47,500	\$ 21,700
Travel	59,800	59,800	-	57,500	(2,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 85,600</u>	<u>\$ 90,048</u>	<u>\$ 4,448</u>	<u>\$ 105,000</u>	<u>\$ 19,400</u>
Operating Expenses					
Consultants & Contracts	\$ 21,000	\$ 18,750	\$ (2,250)	\$ 59,500	\$ 38,500
Office Rent	401,645	401,645	-	404,952	3,307
Office Costs	39,623	60,921	21,298	71,057	31,434
Professional Services	315,650	300,976	(14,674)	302,400	(13,250)
Miscellaneous	11,976	12,150	174	11,876	(100)
Depreciation	45,326	28,500	(16,826)	41,920	(3,406)
Total Operating Expenses	<u>\$ 835,220</u>	<u>\$ 822,942</u>	<u>\$ (12,278)</u>	<u>\$ 891,706</u>	<u>\$ 56,486</u>
Total Direct Expenses	<u>\$ 2,384,637</u>	<u>\$ 2,363,946</u>	<u>\$ (20,691)</u>	<u>\$ 2,401,886</u>	<u>\$ 17,249</u>
Indirect Expenses	<u>\$ (2,384,637)</u>	<u>\$ (2,363,946)</u>	<u>\$ 20,691</u>	<u>\$ (2,401,886)</u>	<u>\$ (17,249)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Change in Assets	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>
Fixed Assets					
Depreciation	\$ (45,326)	\$ (28,500)	\$ 16,826	\$ (41,920)	\$ 3,406
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	1,498	1,498	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<u>\$ (45,326)</u>	<u>\$ (27,002)</u>	<u>\$ 18,324</u>	<u>\$ (41,920)</u>	<u>\$ 3,406</u>
Allocation of Fixed Assets	\$ 45,326	\$ 27,002	(18,324)	\$ 41,920	\$ (3,406)
Inc/(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Budget	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Total Change in Working Capital	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>

Legal and Regulatory Affairs

Legal and Regulatory Affairs (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	0.00
Total Direct Expenses	\$ 571,560	\$ 634,132	\$ 62,572
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -

Program Scope and Functional Description

Legal activities include the areas of Corporate Governance; Legal and Regulatory Compliance; Contract Law; Employment Law; General Counsel Activities; FERC Filings; General Corporate Needs; serving as Advisor to the President & CEO and the Board of Directors; working with FERC, NERC, industry, and other entities or individuals on specific issues relating to ReliabilityFirst and/or its performance of its delegated functions; advising senior executives on strategic planning, governance, corporate risk, and various strategic and tactical initiatives for the corporation; and advocating and advancing the corporation's strategic initiatives to FERC and other government authorities, NERC and the Regional Entities, stakeholders, and the general public.

2014 Key Assumptions

The Legal and Regulatory Affairs Program provides legal support to all other programs to make all necessary regulatory filings with NERC, the Commission, and any other agency, as well as support NERC in its efforts to do the same.

2014 Key Deliverables

Support all legal and regulatory needs of the corporation.

Funding Requirements — Explanation of Variance**Personnel Expenses**

- Salaries, payroll taxes, employee benefits, and retirement costs for 2014 are budgeted for two FTEs, consistent with 2013. Therefore, with no change in the total number of FTEs, the increase in personnel expenses is mainly due to the reallocation of one FTE at a higher compensation level, then the two .5 FTEs previously included in the budget.

Meeting Expenses

- Travel expenses increased due to the additional travel anticipated of the general counsel.

Operating Expenses

- Consultants and Contracts increased as a result of budgeting for leadership training.
- Office Costs increased due to budgeting for a subscription to LexisNexis that was previously budgeted in the Compliance department.

Indirect Expenses

- Expenses related to Administrative Services, including Legal and Regulatory Affairs, have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Legal and Regulatory Affairs

Funding sources and related expenses for the Legal and Regulatory Affairs Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Legal and Regulatory Affairs					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 373,908	\$ 384,220	\$ 10,312	\$ 399,449	\$ 25,541
Payroll Taxes	19,523	19,745	222	20,114	591
Benefits	18,245	26,827	8,582	28,452	10,207
Retirement Costs	58,576	60,850	2,274	62,462	3,886
Total Personnel Expenses	<u>\$ 470,252</u>	<u>\$ 491,641</u>	<u>\$ 21,389</u>	<u>\$ 510,477</u>	<u>\$ 40,225</u>
Meeting Expenses					
Meetings	\$ -	\$ 147	\$ 147	\$ -	\$ -
Travel	28,000	28,000	-	38,000	10,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 28,000</u>	<u>\$ 28,147</u>	<u>\$ 147</u>	<u>\$ 38,000</u>	<u>\$ 10,000</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Office Rent	-	-	-	-	-
Office Costs	8,308	14,176	5,868	15,655	7,347
Professional Services	65,000	65,000	-	65,000	-
Miscellaneous	-	8	8	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 73,308</u>	<u>\$ 79,184</u>	<u>\$ 5,876</u>	<u>\$ 85,655</u>	<u>\$ 12,347</u>
Total Direct Expenses	<u>\$ 571,560</u>	<u>\$ 598,972</u>	<u>\$ 27,412</u>	<u>\$ 634,132</u>	<u>\$ 62,572</u>
Indirect Expenses	<u>\$ (571,560)</u>	<u>\$ (598,972)</u>	<u>\$ (27,412)</u>	<u>\$ (634,132)</u>	<u>\$ (62,572)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc/(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Budget	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Total Change in Working Capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>

Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5.50	5.00	(0.50)
Total Direct Expenses	\$ 1,423,923	\$ 1,513,858	\$ 89,935
Inc(Dec) in Fixed Assets	\$ (109,258)	\$ (75,583)	\$ 33,675

Program Scope and Functional Description

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

- Data Center Management
- Website Hosting
- VOIP Phone System
- Voice Conferencing (outsource)
- Web Conferencing (outsource)
- Email
- Document Management
- Desktop Support
- Telecommuter Support
- Application Support and Development
- Business Analysis
- Information Security Awareness and Monitoring
- Business Continuity and Disaster Recovery

IT will align itself and provide customer service to the departments so that the systems built, enhanced, and supported are done in response to our organization's changing needs. ReliabilityFirst must be active in the Regional Entity community by continuing to participate in discussions concerning current and future implementation of technology solutions within the ERO.

2014 Key Assumptions

The IT Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The IT Program includes the following unique regional assumptions:

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

2014 Key Deliverables

- Perform necessary software upgrades including, but not limited to, the upgrade of Windows 7 Enterprise using software encryption and the upgrade to Office 2013 Professional.
- Continue hardware preventative maintenance program to replace aging hardware before end-of-life affects organizational productivity. In 2014, user systems (i.e. laptops), the core network switch, and the spam firewall devices are scheduled to be replaced. Warranty coverage on infrastructure servers will be extended into 2015+ to extend usage and level costs.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Continue enhancements of the internal "intranet" website and related applications to further improve employee efficiency. Focus will continue to be with the Document Management System, Time Management System, and Report Management System.
- Working closely with the SAIS staff to continue security awareness of staff by providing training documents, questionnaires, simulated exercises, and/or seminars on existing "work-place" vulnerabilities.
- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

Funding Sources and Requirements — Explanation of Variance**Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 5 FTEs, a decrease of 0.5 FTE from 2013. The decrease is a result of the elimination of a position that was shared with Finance and Accounting.
- The increase in Benefits is due to the increase in education reimbursement costs for 2014.

Meeting Expenses

- Meeting expenses decreased slightly as a result of efficiencies gained by use of conference call tools and technologies.

Operating Expenses

- Consultants and Contracts decreased due to using contractors for support and maintenance roles instead of performing more extensive system upgrades.
- Office rent increased due to the outsourcing of the data center.
- Office costs increased due to the continued use of the high bandwidth data line and the scheduled replacement of hardware and software.

Indirect Expenses

- Expenses related to Administrative Services, including IT, have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- Fixed Asset expenses increased due to the scheduled replacement of the core switch, scheduled hardware replacement of the spam firewall devices, and the implementation of a wireless infrastructure.

Information Technology

Funding sources and related expenses for the Information Technology Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Information Technology					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 618,029	\$ 614,770	\$ (3,259)	\$ 541,390	\$ (76,639)
Payroll Taxes	41,356	43,394	2,038	38,462	(2,894)
Benefits	85,791	87,269	1,478	89,227	3,436
Retirement Costs	97,312	90,733	(6,579)	86,074	(11,238)
Total Personnel Expenses	\$ 842,488	\$ 836,166	\$ (6,322)	\$ 755,153	\$ (87,335)
Meeting Expenses					
Meetings	\$ 600	\$ 600	\$ -	\$ 720	\$ 120
Travel	11,000	11,000	-	11,000	-
Conference Calls	43,092	36,341	(6,751)	38,400	(4,692)
Total Meeting Expenses	\$ 54,692	\$ 47,941	\$ (6,751)	\$ 50,120	\$ (4,572)
Operating Expenses					
Consultants & Contracts	\$ 36,000	\$ 25,000	\$ (11,000)	\$ 22,000	\$ (14,000)
Office Rent	60,000	-	(60,000)	100,000	40,000
Office Costs	253,085	500,256	247,171	432,002	178,917
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	177,658	168,228	(9,430)	154,583	(23,075)
Total Operating Expenses	\$ 526,743	\$ 693,484	\$ 166,741	\$ 708,585	\$ 181,842
Total Direct Expenses	\$ 1,423,923	\$ 1,577,591	\$ 153,668	\$ 1,513,858	\$ 89,935
Indirect Expenses	\$ (1,423,923)	\$ (1,577,591)	\$ (153,668)	\$ (1,513,858)	\$ (89,935)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	\$ (177,658)	\$ (168,228)	\$ 9,430	\$ (154,583)	\$ 23,075
Computer & Software CapEx	68,400	68,400	-	79,000	10,600
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (109,258)	\$ (99,828)	\$ 9,430	\$ (75,583)	\$ 33,675
Allocation of Fixed Assets	\$ 109,258	\$ 99,828	(9,430)	75,583	(33,675)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	3.00	1.00
Total Direct Expenses	\$ 414,901	\$ 514,231	\$ 99,330
Inc(Dec) in Fixed Assets	\$ (799)	\$ (799)	\$ -

Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest resource, and that finding, nurturing, and developing that talent is one of our most important tasks. Therefore, the responsibilities of the Human Resources program center on its greatest resource, the ReliabilityFirst staff. These responsibilities include attraction and retention, employee development through performance management and training initiatives, policy and procedure development and adherence measures, as well as compensation and benefits administration. The Human Resources staff must be vigilant in understanding and complying both with federal and state employment laws covering five (5) states and the respective reporting requirements for each.

In 2014, ReliabilityFirst will have assembled a staff of 73, a reduction of one (1) FTE from 2013. (This includes two part-time positions equaling one (1) FTE, which brings the total to an equivalent of 72 FTEs.) The ReliabilityFirst staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve our stakeholders and to support the ERO by properly carrying out our delegated functions.

2014 Key Assumptions

The Human Resource Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Human Resource Program.

2014 Key Deliverables

- Recruit highly skilled and excellent employees.
- Provide training programs and career development.
 - Beginning in 2013, ReliabilityFirst conducts an entire week of training for staff directed at providing cost-effective training. ReliabilityFirst will continue this training in 2014. The training topics are selected to improve the knowledge of staff in areas relevant to staff members' functions.
- Review and manage employee benefits.
- Review succession plans.

Funding Sources and Requirements — Explanation of Variance

Personnel Expenses

- Salaries, payroll taxes, employee benefits, and retirement costs are for 3.0 FTEs for this program area, an increase of one FTE from 2013. The increase is a result of the reallocation of the Event Planner/Receptionist from the General & Administrative Program.
- Benefits also increased due to the additional expenses related to a week of training scheduled for the entire staff. This week of training is instituted in an effort to take advantage of economies of scale. It will include all required general training, as well as training targeted toward maintaining specific licensures and/or certifications.
- Retirement costs also increased due to administrative costs relating to the management of the company's retirement plan that was previously budgeted in Professional Services.

Meeting Expenses

- Meeting expenses remained consistent.

Operating Expenses

- Consultants & Contracts decreased by not planning for a compensation and benefits study.
- Professional Services decreased due to the administrative costs relating to the management of the company's retirement plan that is now being budgeted in Retirement Costs.
- Miscellaneous expenses increased as a result of implementing an employee wellness program.

Indirect Expenses

- Expenses related to Administrative Services, including Human Resources, have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Human Resources

Funding sources and related expenses for the Human Resources Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Human Resources					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 202,709	\$ 245,314	\$ 42,605	\$ 250,049	\$ 47,340
Payroll Taxes	15,076	18,689	3,613	18,989	3,913
Benefits	49,487	113,599	64,112	103,512	54,025
Retirement Costs	31,626	56,426	24,800	46,682	15,056
Total Personnel Expenses	<u>\$ 298,898</u>	<u>\$ 434,027</u>	<u>\$ 135,129</u>	<u>\$ 419,232</u>	<u>\$ 120,334</u>
Meeting Expenses					
Meetings	\$ 16,200	\$ 16,200	\$ -	\$ 17,030	\$ 830
Travel	8,500	8,500	-	9,000	500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 24,700</u>	<u>\$ 24,700</u>	<u>\$ -</u>	<u>\$ 26,030</u>	<u>\$ 1,330</u>
Operating Expenses					
Consultants & Contracts	\$ 31,000	\$ 18,745	\$ (12,255)	\$ 10,000	\$ (21,000)
Office Rent	-	-	-	-	-
Office Costs	4,404	5,023	619	4,428	24
Professional Services	44,410	35,891	(8,519)	34,832	(9,578)
Miscellaneous	10,690	20,022	9,332	18,910	8,220
Depreciation	799	799	(0)	799	-
Total Operating Expenses	<u>\$ 91,303</u>	<u>\$ 80,480</u>	<u>\$ (10,823)</u>	<u>\$ 68,969</u>	<u>\$ (22,334)</u>
Total Direct Expenses	<u>\$ 414,901</u>	<u>\$ 539,207</u>	<u>\$ 124,306</u>	<u>\$ 514,231</u>	<u>\$ 99,330</u>
Indirect Expenses	<u>\$ (414,901)</u>	<u>\$ (539,207)</u>	<u>\$ (124,306)</u>	<u>\$ (514,231)</u>	<u>\$ (99,330)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	\$ (799)	\$ (799)	\$ 0	\$ (799)	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<u>\$ (799)</u>	<u>\$ (799)</u>	<u>\$ 0</u>	<u>\$ (799)</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ 799	\$ 799	\$ (0)	\$ 799	\$ -
Inc/(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Budget	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Change in Working Capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	1.50	(0.50)
Total Direct Expenses	\$ 347,137	\$ 250,029	\$ (97,108)
Inc(Dec) in Fixed Assets	\$ (3,143)	\$ (1,797)	\$ 1,346

Program Scope and Functional Description

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

- Leading the creation of the annual business plan and budget that adequately supports its delegated functions;
- Establishing and maintaining accounting policies and procedures to guide the preparation of ReliabilityFirst's internal and external financial statements in accordance with GAAP;
- Overseeing the annual external audit of ReliabilityFirst's financials and all required filings;
- Supporting the ERO's funding/collection mechanism, ReliabilityFirst will annually collect and supply the ERO with a list of LSEs within the ReliabilityFirst footprint and their associated Net Energy for Load (NEL) data as mandated by FERC; and
- Working with the ERO to develop common accounting practices throughout NERC and the Regions.

2014 Key Assumptions

The Accounting and Finance Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the Finance and Accounting Program.

2014 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.
- Provide all ReliabilityFirst program areas, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.

- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting system controls and standards.
- Participate with NERC on the annual Regional Entity true-up filing.
- In an effort to continuously improve the entire accounting and budgeting process, actions to monitor operating expenses at a more granular level need to be advanced and implemented.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Funding Sources and Requirements — Explanation of Variance**Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 1.5 FTEs for this program area, a decrease of 0.5 FTE from 2013. The decrease is a result of the elimination of a position that was shared with Information Technology.

Meeting Expenses

- Meeting expenses remained consistent.

Operating Expenses

- Consultants & Contracts decreased due to the cost for the automated expense report system that is now being budgeted in office costs.
- Office Costs increased due to transitioning from a manual to an automated expense report process.

Indirect Expenses

- Expenses related to Administrative Services, including Finance and Accounting, have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Finance and Accounting					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 202,166	\$ 196,099	\$ (6,067)	\$ 128,182	\$ (73,984)
Payroll Taxes	13,065	15,599	2,534	10,136	(2,929)
Benefits	34,067	29,784	(4,283)	23,850	(10,217)
Retirement Costs	31,992	26,671	(5,321)	20,461	(11,531)
Total Personnel Expenses	\$ 281,290	\$ 268,152	\$ (13,138)	\$ 182,629	\$ (98,661)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	6,000	6,000	-	6,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 6,000	\$ 6,000	\$ -	\$ 6,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 10,000	\$ -	\$ (10,000)	\$ -	\$ (10,000)
Office Rent	-	-	-	-	-
Office Costs	3,604	7,938	4,334	16,103	12,499
Professional Services	43,100	45,659	2,559	43,500	400
Miscellaneous	-	-	-	-	-
Depreciation	3,143	3,368	225	1,797	(1,346)
Total Operating Expenses	\$ 59,847	\$ 56,965	\$ (2,882)	\$ 61,400	\$ 1,553
Total Direct Expenses	\$ 347,137	\$ 331,117	\$ (16,020)	\$ 250,029	\$ (97,108)
Indirect Expenses	\$ (347,137)	\$ (331,117)	\$ 16,020	\$ (250,029)	\$ 97,108
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	\$ (3,143)	\$ (3,368)	\$ (225)	\$ (1,797)	\$ 1,346
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (3,143)	\$ (3,368)	\$ (225)	\$ (1,797)	\$ 1,346
Allocation of Fixed Assets	\$ 3,143	\$ 3,368	225	\$ 1,797	\$ (1,346)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Section B – Supplemental Financial Information
2014 Business Plan and Budget

Section B — Supplemental Financial Information

Working Capital Reserve Analysis 2013-2014

Table B-1: Reserve Analysis

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	1 5,741,861
Less: Penalty sanctions to be used as offset to 2014 assessments	2 (166,633)
Plus: 2013 ReliabilityFirst Funding (from LSEs or designees)	14,165,848
Plus: 2013 Other funding sources	60,000
Less: 2013 Projected expenses & capital expenditures	(17,255,792)
Projected Working Capital Reserve (Deficit), December 31, 2013	2,545,284
Desired Operating Reserve, December 31, 2014	3 1,000,000
Less: Projected Working Capital Reserve, December 31, 2013	(2,545,284)
Increase(decrease) in Assessments to Achieve Desired Operating Reserve	(1,545,284)
2014 Expenses and Capital Expenditures	18,063,201
Less: Penalty Sanctions	4 (1,358,133)
Less: Other Funding Sources	0
Adjustment to achieve desired Operating Reserve	(1,545,284)
2014 ReliabilityFirst Assessment	15,159,784

¹ Includes penalty sanctions collected from July 1, 2012 to December 31, 2012.

² Represents penalty sanctions collected from July 1, 2012 to December 31, 2012.

³ On February 20, 2013, the ReliabilityFirst Board of Directors approved a desired working capital reserve of \$1,000,000.

⁴ Represents penalty sanctions collected from July 1, 2012 to June 30, 2013.

Explanation of Operating Reserve

The amount of ReliabilityFirst's operating reserve fund is determined and recommended for approval by the Audit Committee during the annual budget process. In the beginning of the 2014 budgeting process, it was determined that the operating reserve fund would be \$1,000,000 for the year, consistent with 2013. This determination was based on the assumption that the operating reserve fund and the \$1,000,000 line of credit will be sufficient for any anticipated expenditures where the specific amount and timing are uncertain, and any unbudgeted and unexpected expenditures.

Breakdown of Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures Table (as seen on page 8) in the Introduction section.

The explanations of variances are provided based on the following criteria:

- Variances equal to or greater than +/- 10%, and
- Variances greater than \$10,000.

Table B-2: Penalty Sanctions

Penalty Sanctions Collected Between July 1, 2012 and June 30, 2013	
Dates Received	Amount Received
Collected July 1, 2012 to December 31, 2012	166,633
Collected January 1, 2013 to June 30, 2013	1,191,500
Total	1,358,133

Penalty monies received between July 1, 2012 and June 30, 2013, are totaled above and are to be used to offset assessments in the 2014 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, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

Allocation Method

Penalty monies received have been allocated based upon the number of FTEs to the following direct programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration and Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security.

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Interest Income	\$ 60,000	\$ -	\$ -	\$ (60,000)
Total	\$ 60,000	\$ -	\$ -	\$ (60,000)
Total Outside Funding	\$ 60,000	\$ -	\$ -	\$ (60,000)

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Due to the volatility of the financial markets ReliabilityFirst will be reevaluating investment options, and as such there has been no interest income included in the budget.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Salaries					
Salaries	\$ 10,437,514	\$ 10,090,626	\$ 10,565,531	\$ 128,017	1.23%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	172,875	158,630	109,022	(63,853)	-36.94%
Total Salaries	\$ 10,610,389	\$ 10,249,256	\$ 10,674,553	\$ 64,164	0.60%
Total Payroll Taxes	\$ 624,720	\$ 634,542	\$ 646,319	\$ 21,599	3.46%
Benefits					
Workers Compensation	\$ 20,027	\$ 22,662	\$ 19,492	\$ (535)	-2.67%
Medical Insurance	1,019,054	995,117	1,096,713	77,659	7.62%
Life-LTD Insurance	113,207	75,631	88,706	(24,501)	-21.64%
Education	156,385	182,253	184,750	28,365	18.14%
Relocation	10,000	12,141	16,000	6,000	60.00%
Total Benefits	\$ 1,318,673	\$ 1,287,804	\$ 1,405,661	\$ 86,988	6.60%
Retirement					
Discretionary 401k Contribution	\$ 908,862	\$ 980,660	\$ 1,032,854	\$ 123,992	13.64%
Savings Plan	605,163	559,406	619,713	14,550	2.40%
Total Retirement	\$ 1,514,025	\$ 1,540,066	\$ 1,652,567	\$ 138,542	9.15%
Total Personnel Costs	\$ 14,067,807	\$ 13,711,668	\$ 14,379,100	\$ 311,293	2.21%
FTEs	73.00	73.00	72.00	-1.00	-1.37%
Cost per FTE					
Salaries	\$ 145,348	\$ 140,401	\$ 148,258	2,910	2.00%
Payroll Taxes	8,558	8,692	8,977	419	4.89%
Benefits	18,064	17,641	19,523	1,459	8.08%
Retirement	20,740	21,097	22,952	2,212	10.67%
Total Cost per FTE	\$ 192,710	\$ 187,831	\$ 199,710	\$ 7,000	3.63%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The decrease in **Vacation Expense** is due to the change in the company's vacation policy regarding the maximum annual carryover and the banked vacation.
- The decrease in **Life-LTD-Insurance** is due to the consolidation of the two policies by different providers.
- The increase in **Education** is due to increase costs associated with the annual week of corporate training and education for the entire staff.
- The increase in **Discretionary 401(k) Contribution** is due to the implementation of a deferred compensation plan.

Table B-5: Consultants and Contracts

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	475,000	494,459	454,000	(21,000)	-4.42%
Reliability Assessment and Performance Analysis	77,140	77,140	77,097	(43)	-0.06%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security Committee and Member Forums	-	-	-	-	
General and Administrative	21,000	18,750	59,500	38,500	183.33%
Legal and Regulatory	-	-	5,000	5,000	
Information Technology	36,000	25,000	22,000	(14,000)	-38.89%
Human Resources	31,000	18,745	10,000	(21,000)	-67.74%
Accounting and Finance	10,000	-	-	(10,000)	-100.00%
Consultants Total	\$ 650,140	\$ 634,094	\$ 627,597	\$ (22,543)	-3.47%
Total Consulting and Contracts	\$ 650,140	\$ 634,094	\$ 627,597	\$ (22,543)	-3.47%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The increase in **General and Administrative** is a result of budgeting for leadership training and project management support of the Regional Entity Management Group.
- The increase in **Legal and Regulatory** is a result of budgeting for leadership training.
- The decrease in **Information Technology** is due to using contractors for support and maintenance roles instead of performing more extensive system upgrades.
- The decrease in **Human Resources** is a result of not planning for a compensation and benefits study.
- The decrease in **Finance and Accounting** is a result of the costs for the automated expense report system that are now being budgeted in office costs.

Table B-6: Office Rent

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 400,818	\$ 400,818	\$ 447,634	46,816	11.68%
Utilities	60,827	60,827	57,318	(3,509)	-5.77%
Maintenance	-	-	-	-	
Security	-	-	-	-	
	-	-	-	-	
Total Office Rent	\$ 461,645	\$ 461,645	\$ 504,952	\$ 43,307	9.38%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Office rent increased due to the outsourcing of the data center.

Table B-7: Office Costs

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 144,477	\$ 240,472	\$ 156,534	\$ 12,057	8.35%
Internet	53,026	195,520	168,124	115,098	217.06%
Office Supplies	30,697	27,606	31,925	1,228	4.00%
Computer Supplies and Maintenance	397,365	416,385	568,310	170,945	43.02%
Publications & Subscriptions	22,259	13,204	17,903	(4,356)	-19.57%
Dues	14,505	11,239	16,712	2,207	15.21%
Postage	3,055	3,012	2,946	(109)	-3.57%
Express Shipping	2,600	2,571	2,830	230	8.85%
Copying	14,000	12,852	14,000	-	0.00%
Reports	600	-	-	(600)	-100.00%
Stationary Forms	320	573	540	220	68.75%
Equipment Repair/Service Contracts	3,460	3,507	960	(2,500)	-72.25%
Bank Charges	500	265	500	-	0.00%
Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity	-	-	-	-	
Total Office Costs	\$ 686,864	\$ 927,206	\$ 981,284	\$ 294,420	42.86%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The increase in **Internet** is due to the continued use of the high bandwidth data line through October 2014, which was anticipated to have been cancelled by the end of 2012.
- The increase in **Computer Supplies and Maintenance** is due to scheduled hardware replacement of user systems along with the maintenance agreements for Open Access Technology International's compliance portal and the MKInsight's audit management tool.

Table B-8: Professional Services

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Independent Trustee Fees	\$ 232,650	\$ 223,135	\$ 225,900	\$ (6,750)	-2.90%
Outside Legal	80,000	80,000	80,000	-	0.00%
Accounting & Auditing Fees	87,510	81,550	78,332	(9,178)	-10.49%
Insurance Commercial	83,000	77,841	76,500	(6,500)	-7.83%
				-	
Total Services	\$ 483,160	\$ 462,526	\$ 460,732	\$ (22,428)	-4.64%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- No explanations needed.

Section C – Non-Statutory Activities
2014 Business Plan and Budget

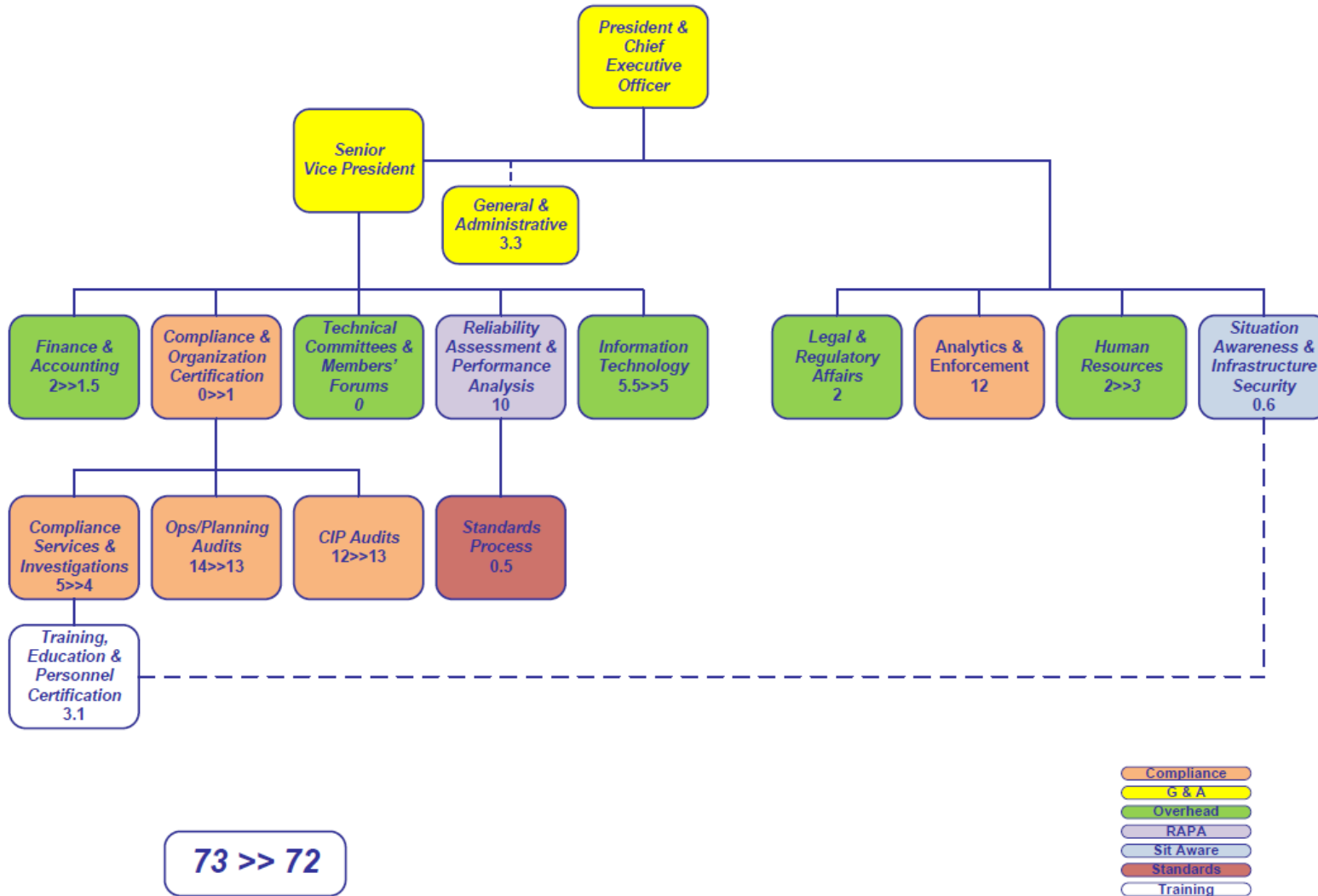
Section C — Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2013 and the organization does not intend to perform any functions outside its ERO delegated activities in 2014, therefore Section C is not applicable.

Section D – Supplemental Information
2014 Business Plan and Budget

Section D — Supplemental Information

2014 Organizational Chart



Statement of Financial Position

Statement of Financial Position 2012 Audited, 2013 Projection, and 2014 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-12	Projected 31-Dec-13	Budget 31-Dec-14
ASSETS			
Cash	8,506,130	5,476,186	3,930,902
Accounts receivable, net of allowance for uncollectible accounts	891,634	53,267	53,267
Other receivables	-	-	-
Prepaid expenses and other current assets	203,305	163,305	123,305
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	1,137,872	979,567	979,567
Total Assets	10,738,941	6,672,325	5,087,041
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	3,542,939	3,542,939	3,542,939
Deferred income	-	-	-
Regional assessments collected in advance	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Total Current Liabilities	3,542,939	3,542,939	3,542,939
Long Term Liabilities			
Accrued expenses	316,269	392,962	392,962
Total Long Term Liabilities	316,269	392,962	392,962
Net Assets - unrestricted	2,916,800	1,536,291	151,140
Net Assets - restricted	3,962,933	1,200,133	1,000,000
Total Liabilities and Net Assets	10,738,941	6,672,325	5,087,041

Section D — Supplemental Information

Statement of Activities

Statement of Activities and Capital Expenditures by Program 2013 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding															
ReliabilityFirst Funding															
ReliabilityFirst Assessments	15,159,784	15,159,784	-	15,159,784	182,202	12,563,972	2,883,895	842,748	232,251	-	(1,545,284)	-	-	-	-
Penalty Sanctions	1,358,133	1,358,133	-	1,358,133	11,872	1,020,974	237,436	73,605	14,246	-	-	-	-	-	-
Total ReliabilityFirst Funding	16,517,917	16,517,917	-	16,517,917	194,074	13,584,946	3,121,331	916,353	246,498	-	(1,545,284)	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	16,517,917	16,517,917	-	16,517,917	194,074	13,584,946	3,121,331	916,353	246,498	-	(1,545,284)	-	-	-	-
Expenses															
Personnel Expenses															
Salaries	10,674,553	10,674,553	-	10,674,553	102,707	6,071,377	1,495,659	428,516	123,160	-	1,134,062	399,449	541,390	250,049	128,182
Payroll Taxes	646,319	646,319	-	646,319	5,794	380,483	90,649	28,687	6,112	-	46,893	20,114	38,462	18,989	10,136
Benefits	1,405,661	1,405,661	-	1,405,661	11,195	869,013	150,700	53,484	7,265	-	68,963	28,452	89,227	103,512	23,850
Retirement Costs	1,659,567	1,659,567	-	1,659,567	14,462	950,486	236,514	67,571	19,593	-	155,262	62,462	86,074	46,682	20,461
Total Personnel Expenses	14,386,100	14,386,100	-	14,386,100	134,158	8,271,359	1,973,522	578,258	156,130	-	1,405,181	510,477	755,153	419,232	182,629
Meeting Expenses															
Meetings	149,980	149,980	-	149,980	-	10,730	22,000	45,000	7,000	-	47,500	-	720	17,030	-
Travel	788,600	788,600	-	788,600	12,000	533,000	85,500	11,600	25,000	-	57,500	38,000	11,000	9,000	6,000
Conference Calls	38,400	38,400	-	38,400	-	-	-	-	-	-	-	-	38,400	-	-
Total Meeting Expenses	976,980	976,980	-	976,980	12,000	543,730	107,500	56,600	32,000	-	105,000	38,000	50,120	26,030	6,000
Operating Expenses															
Consultants & Contracts	627,597	627,597	-	627,597	-	454,000	77,097	-	-	-	59,500	5,000	22,000	10,000	-
Office Rent	504,952	504,952	-	504,952	-	-	-	-	-	-	404,952	-	100,000	-	-
Office Costs	981,284	981,284	-	981,284	2,513	381,527	54,963	-	3,036	-	71,057	15,655	432,002	4,428	16,103
Professional Services	460,732	460,732	-	460,732	-	15,000	-	-	-	-	302,400	65,000	-	34,832	43,500
Miscellaneous	34,555	34,555	-	34,555	-	2,721	200	-	848	-	11,876	-	-	18,910	-
Depreciation	319,433	319,433	-	319,433	-	119,909	-	425	41,920	-	41,920	-	154,583	799	1,797
Total Operating Expenses	2,928,554	2,928,554	-	2,928,554	2,513	973,157	132,260	-	4,309	-	891,706	85,655	708,585	68,969	61,400
Total Direct Expenses	18,291,634	18,291,634	-	18,291,634	148,671	9,788,246	2,213,283	634,858	192,440	-	2,401,886	634,132	1,513,858	514,231	250,029
Indirect Expenses	0	0	-	0	46,452	3,994,692	929,045	288,004	55,743	-	(2,401,886)	(634,132)	(1,513,858)	(514,231)	(250,029)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	18,291,634	18,291,634	-	18,291,634	195,123	13,783,139	3,142,327	922,862	248,182	-	-	-	-	-	-
Change in Assets	(1,773,717)	(1,773,717)	-	(1,773,717)	(1,050)	(198,193)	(20,996)	(6,509)	(1,685)	-	(1,545,284)	-	-	-	-
Fixed Assets															
Depreciation	(319,433)	(319,433)	-	(319,433)	-	(119,909)	-	-	(425)	-	(41,920)	-	(154,583)	(799)	(1,797)
Computer & Software CapEx	91,000	91,000	-	91,000	-	12,000	-	-	-	-	-	-	79,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fixed Assets	(228,433)	(228,433)	-	(228,433)	-	(107,909)	-	-	(425)	-	(41,920)	-	(75,583)	(799)	(1,797)
Allocation of Fixed Assets	0	0	-	0	(1,050)	(90,284)	(20,996)	(6,509)	(1,260)	-	41,920	-	75,583	799	1,797
Inc/(Dec) Fixed Assets	(228,433)	(228,433)	-	(228,433)	(1,050)	(198,193)	(20,996)	(6,509)	(1,685)	-	-	-	-	-	-
Total Budget	18,063,201	18,063,201	-	18,063,201	194,074	13,584,946	3,121,331	916,353	246,498	-	-	-	-	-	-
Change in Working Capital	(1,545,284)	(1,545,284)	-	(1,545,284)	-	-	-	-	-	-	(1,545,284)	-	-	-	-

2015 and 2016 Projections

Statement of Activities
2015 and 2016 Projections

	2014 Budget	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	2016 Projection	\$ Change 15 v 16	% Change 15 v 16
Funding							
ERO Funding							
ERO Assessments	\$ 15,159,784	\$ 18,770,190	\$ 3,610,405	23.8%	\$ 19,472,701	\$ 702,511	3.7%
Penalty Sanctions	1,358,133	-	-1,358,133	-100%	-	-	-
Total ERO Funding	\$ 16,517,917	\$ 18,770,190	\$ 2,252,272	13.6%	\$ 19,472,701	\$ 702,511	3.7%
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Federal Grants	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding	\$ 16,517,917	\$ 18,770,190	\$ 2,252,272	13.6%	\$ 19,472,701	\$ 702,511	3.7%
Expenses							
Personnel Expenses							
Salaries	\$ 10,674,553	\$ 10,982,497	\$ 307,944	2.9%	\$ 11,308,972	\$ 326,475	3.0%
Payroll Taxes	646,319	658,950	12,631	2.0%	678,538	19,588	3.0%
Benefits	1,405,661	1,487,605	81,944	5.8%	1,611,358	123,752	8.3%
Retirement Costs	1,659,567	1,738,145	78,578	4.7%	1,789,210	51,064	2.9%
Total Personnel Expenses	\$ 14,386,100	\$ 14,867,197	\$ 481,097	3.3%	\$ 15,388,077	\$ 520,880	3.5%
Meeting Expenses							
Meetings	\$ 149,980	\$ 155,229	\$ 5,249	3.5%	\$ 160,662	\$ 5,433	3.5%
Travel	788,600	816,201	27,601	3.5%	844,768	28,567	3.5%
Conference Calls	38,400	40,000	1,600	4.2%	42,000	2,000	5.0%
Total Meeting Expenses	\$ 976,980	\$ 1,011,430	\$ 34,450	3.5%	\$ 1,047,430	\$ 36,000	3.6%
Operating Expenses							
Consultants & Contracts	\$ 627,597	\$ 700,000	\$ 72,403	11.5%	\$ 600,000	\$ (100,000)	-14.3%
Office Rent	504,952	665,431	160,478	31.8%	773,810	108,379	16.3%
Office Costs	981,284	840,000	(141,284)	-14.4%	966,000	126,000	15.0%
Professional Services	460,732	500,367	39,635	8.6%	500,367	-	0.0%
Miscellaneous	34,555	35,765	1,209	3.5%	37,016	1,252	3.5%
Depreciation	319,433	319,433	-	0.0%	319,433	-	0.0%
Total Operating Expenses	2,928,554	3,060,995	132,441	4.5%	3,196,626	135,631	4.4%
Total Direct Expenses	\$ 18,291,634	\$ 18,939,623	\$ 647,988	3.5%	\$ 19,632,134	\$ 692,511	3.7%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 18,291,634	\$ 18,939,623	\$ 647,988	3.5%	\$ 19,632,134	\$ 692,511	3.7%
Change in Assets	\$ (1,773,717)	\$ (169,433)	\$ 1,604,284	-90.4%	\$ (159,433)	\$ 10,000	-5.9%
Fixed Assets							
Depreciation	\$ (319,433)	\$ (319,433)	\$ -	0.0%	\$ (319,433)	\$ -	0.0%
Computer & Software CapEx	91,000	150,000	59,000	64.8%	160,000	10,000	6.7%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
	\$ (228,433)	\$ (169,433)	\$ 59,000	-25.8%	\$ (159,433)	\$ 10,000	-5.9%
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Inc/(Dec) in Fixed Assets	\$ (228,433)	\$ (169,433)	\$ 59,000	-25.8%	\$ (159,433)	\$ 10,000	-5.9%
Total Budget	\$ 18,063,201	\$ 18,770,190	\$ 706,988	3.9%	\$ 19,472,701	\$ 702,511	3.7%
Change in Working Capital	\$ (1,545,284)	\$ -	\$ 1,545,284	-100.0%	\$ -	\$ -	
FTEs	72	72	-	0.0%	72	-	0.0%

Explanation of 2015 and 2016 Projections

The total budget projection for 2015 and 2016 is 3.7% and 3.5%, respectively.

Personnel expenses are expected to increase by 3.1% in both 2015 and 2016. Incorporated into these projections is a 3% general wage increase and a 10% medical benefits increase.

The 2015 and 2016 meeting expenses are expected to increase by 3.5% and 3.6%, respectively.

Operating expenses are expected to increase 4.5% in 2015, and 4.4% in 2016. The increase in 2015 is due to a 31.8% rent increase for the new office space, and a 16.3% rent increase for 2016.