



**RELIABILITY FIRST**

**2015 BUSINESS PLAN AND BUDGET  
FINAL VERSION**

**Approved by ReliabilityFirst Board of Directors**

**JUNE 25, 2014**

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## About ReliabilityFirst

2015 Budget (in whole dollars)	2015 Budget	U.S.	Canada	Mexico
Statutory FTEs	72.2			
Non-statutory FTEs	-			
<b>Total FTEs</b>	72.2			
Statutory Expenses	\$ 18,997,869			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 18,997,869			
Statutory Inc(Dec) in Fixed Assets	\$ (241,106)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (241,106)			
Statutory Working Capital Requirement*	\$ 627,134			
Non-Statutory Working Capital Requirement**	\$ -			
<b>Total Working Capital Requirement</b>	\$ 627,134			
Total Statutory Funding Requirement	\$ 19,383,897			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 19,383,897			
<b>Statutory Funding Assessments</b>	\$ 18,713,897	\$ 18,713,897		
<b>Non-Statutory Fees</b>	\$ -	\$ -		
NEL (MWH)	908,726,579	908,726,579		
NEL%	100%	100%		

## 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 Electric System (BES) in all or parts of thirteen states and the District of Columbia. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by the Electric Reliability Organization (ERO) or North American Electric Reliability Corporation (NERC). These functions include:

- Active participation in the development of North American Reliability Standards for the 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 2015, 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; however, members are required to pay a nominal one-time fee to cover the costs of processing the membership application, which can be waived by the President for proper 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 that consists of 14 directors.

- Eight (8) directors are elected by the Industry Sectors as follows:
  - Suppliers elect two (2) directors;
  - Transmission Companies elect two (2) directors;
  - RTOs elect one (1) director;
  - Small LSEs elect one (1) director;
  - Medium LSEs elect one (1) director; and
  - Large LSEs elect one (1) director.
- Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.
- Three (3) directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent directors are elected by all of the Industry Sectors voting together as a single class.

## 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 ERO Enterprise 2014-2017 Shared Business Plan and Budget Assumptions document, provided as Exhibit A to the ERO Enterprise 2015 Business Plan and Budget. Additionally, NERC and the Regional Entities collaborated on the Electric Reliability Organization Enterprise Strategic Plan 2014-2017 which also guides the activities and directions of ReliabilityFirst throughout this document.

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 2015. Overall, the ReliabilityFirst 2015 budget of \$18,756,763 increased 3.84% over the 2014 budget \$18,063,201. The 2015 assessment \$18,713,897 represents a 23.44% increase over the 2014 assessment \$15,159,784.

The personnel costs of \$789,132 increased by 5.48% over the 2014 budget \$14,386,100. Incorporated into the personnel costs is a 3% general wage increase and a 12% medical premium increase. For 2015, 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 and recruitment activities to attract necessary employee candidates.

The operating and fixed asset costs of \$3,581,531 decreased by 2.6% over the 2014 budget \$3,677,100. This decrease can be attributed to the reduction of telephone and internet costs as a result of the office move. Although the operating and fixed asset costs decreased significantly, the new office rent increased 26%.

Even though the 2015 Budget reflects a 3.84% increase over that of 2014, the 2015 assessment of \$18,713,897, an increase of 23.44%, represents the actual monies collected to fund the total operating expenses of the organization for the calendar year. Many variables affect the calculation of the annual assessment, including the amount of penalties that have been collected which cannot be reasonably forecasted and is not budgeted, the working capital, operating reserve, actual, projected, and budgeted financials, and in the case of the 2015 budget the impact of the new office lease incentives. ReliabilityFirst has experienced a substantial decrease in revenue collected from monetary penalties due to improved performance by the industry and a shift in the enforcement philosophy to focus on incenting continuous improvement within our registered entities and reserving monetary penalties to deter, and send clear signals of what constitutes, undesirable entity behavior.

With the 2015 Assessment as presented, the ReliabilityFirst board has approved a \$250,000 reduction in the desired operating reserve of \$1,000,000 to \$750,000, with the intent to elevate it back to the historical \$1,000,000 in 2016, believed to be appropriate for the organization.

Several years ago, NERC and the eight 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 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 eliminating 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 2015. 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 2015 yielded a requirement of 76 Full Time Equivalents (FTEs) in order to fully address the expected workload. Even though the manpower analysis indicates a need for 76 FTEs, the staffing level incorporated into the 2015 budget reduces staffing to 72.2 FTEs, a reduction from the manpower analysis of 4 FTEs, which holds staffing levels flat compared to 2013 and 2014. The .20 increase reflects actual budgeted part time staff hours. There are many variables that affect these analyses, many of which are subject to change. Also, with the enhancements being considered in many process areas, the organization continues to mature and expects to achieve 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 organization and the ERO will be fully mature and this practice may need to be re-evaluated, but ReliabilityFirst is confident that we have not yet reached that state.

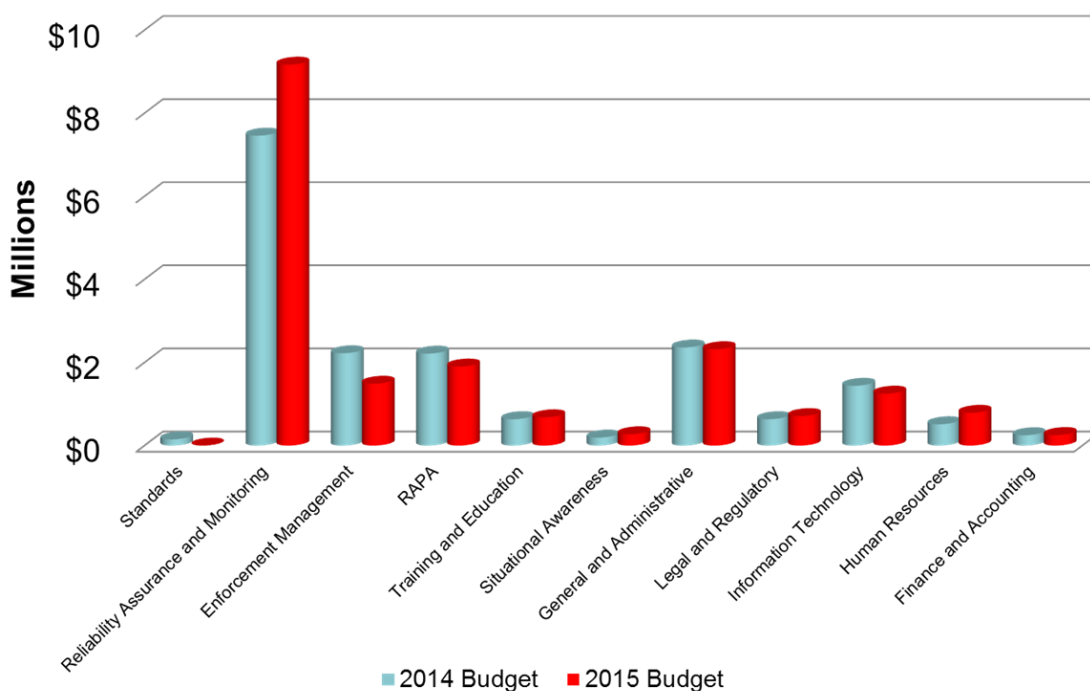
ReliabilityFirst relocated its corporate headquarters in March 2014. The new office space includes expanded conferencing capabilities, more convenient air and hotel accommodations, and has capacity for the number of in-office FTEs presently on staff. The budget impacts of the larger office space are incorporated into the 2016-2017 budget forecasts.



## Summary of Expenses

Program	Budget 2014	Projection 2014	Budget 2015	Variance 2014 Budget v 2015 Budget	Variance %
Reliability Standards	194,073	40,492	(0)	(194,073)	-100.0%
Reliability Assurance and Compliance Monitoring	10,273,995	12,972,352	12,726,123	2,452,128	23.9%
Enforcement Management	3,310,952	2,451,596	2,146,525	(1,164,427)	-35.2%
Reliability Assessments and Performance Analysis	3,121,331	2,983,534	2,658,505	(462,826)	-14.8%
Training, Education and Operator Certification	916,353	1,007,145	959,098	42,745	4.7%
Situation Awareness and Infrastructure Security	246,497	263,486	266,512	20,015	8.1%

## 2015 Versus 2014 Cost Allocation by Program Summary of Expenses



## FTEs by Program Area

Total FTEs by Program Area	Budget 2014	Projection 2014	Total FTEs 2015 Budget	Change from 2014 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	0.50	0.00	0.00	-0.50
Reliability Assurance and Compliance Monitoring	31.00	37.50	37.50	6.50
Enforcement Management	12.00	8.25	8.25	-3.75
Reliability Assessment and Performance Analysis	10.00	8.35	8.35	-1.65
Training and Education	3.10	3.00	3.00	-0.10
Situation Awareness and Infrastructure Security	0.60	0.50	0.50	-0.10
<b>Total FTEs Operational Programs</b>	<b>57.20</b>	<b>57.60</b>	<b>57.60</b>	<b>0.40</b>
<b>Administrative Programs</b>				
General & Administrative	3.30	3.00	3.00	-0.30
Legal and Regulatory Affairs	2.00	2.00	2.00	0.00
Information Technology	5.00	5.00	5.00	0.00
Human Resources	3.00	3.00	3.00	0.00
Finance and Accounting	1.50	1.60	1.60	0.10
<b>Total FTEs Administrative Programs</b>	<b>14.80</b>	<b>14.60</b>	<b>14.60</b>	<b>-0.20</b>
<b>Total FTEs</b>	<b>72.00</b>	<b>72.20</b>	<b>72.20</b>	<b>0.20</b>

## Statement of Activities and Capital Expenditures

Statement of Activities and Capital Expenditures 2014 Budget & Projection, and 2015 Budget <b>STATUTORY</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ReliabilityFirst Assessments	\$ 15,159,785	\$ 15,159,785	\$ 0	\$ 18,713,897	\$ 3,554,112
Penalty Sanctions	1,358,133	1,358,133	0	570,000	(788,133)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 16,517,918</b>	<b>\$ 16,517,918</b>	<b>\$ 0</b>	<b>\$ 19,283,897</b>	<b>\$ 2,765,979</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	1,446,172	1,446,172	100,000	100,000
<b>Total Funding</b>	<b>\$ 16,517,918</b>	<b>\$ 17,964,090</b>	<b>\$ 1,446,172</b>	<b>\$ 19,383,897</b>	<b>\$ 2,865,979</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,674,553	\$ 10,637,591	\$ (36,962)	\$ 11,085,279	\$ 410,726
Payroll Taxes	646,319	631,387	(14,932)	646,939	620
Benefits	1,405,661	1,326,799	(78,862)	1,666,553	260,892
Retirement Costs	1,659,567	1,819,054	159,487	1,776,461	116,894
<b>Total Personnel Expenses</b>	<b>\$ 14,386,100</b>	<b>\$ 14,414,831</b>	<b>\$ 28,731</b>	<b>\$ 15,175,232</b>	<b>\$ 789,132</b>
<b>Meeting Expenses</b>					
Meetings	\$ 149,980	\$ 158,034	\$ 8,054	\$ 177,350	\$ 27,370
Travel	788,600	751,129	(37,471)	781,779	(6,821)
Conference Calls	38,400	38,400	0	40,800	2,400
<b>Total Meeting Expenses</b>	<b>\$ 976,980</b>	<b>\$ 947,564</b>	<b>\$ (29,416)</b>	<b>\$ 999,929</b>	<b>\$ 22,949</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 627,597	\$ 469,269	\$ (158,328)	\$ 620,734	\$ (6,863)
Office Rent	504,952	811,048	306,096	548,330	43,378
Office Costs	981,284	910,830	(70,454)	746,476	(234,808)
Professional Services	460,732	456,436	(4,296)	455,571	(5,161)
Miscellaneous	34,555	33,390	(1,165)	30,491	(4,064)
Depreciation	319,433	495,662	176,229	421,106	101,673
<b>Total Operating Expenses</b>	<b>\$ 2,928,553</b>	<b>\$ 3,176,635</b>	<b>\$ 248,082</b>	<b>\$ 2,822,707</b>	<b>\$ (105,846)</b>
<b>Total Direct Expenses</b>	<b>\$ 18,291,633</b>	<b>\$ 18,539,030</b>	<b>\$ 247,397</b>	<b>\$ 18,997,869</b>	<b>\$ 706,235</b>
<b>Indirect Expenses</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ (2)</b>	<b>\$ (0)</b>	<b>\$ (2)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ 41,431</b>	<b>\$ 41,431</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 18,291,635</b>	<b>\$ 18,580,461</b>	<b>\$ 288,826</b>	<b>\$ 18,997,869</b>	<b>\$ 706,233</b>
<b>Change in Assets</b>	<b>\$ (1,773,718)</b>	<b>\$ (616,371)</b>	<b>\$ 1,157,346</b>	<b>\$ 386,028</b>	<b>\$ 2,159,746</b>
<b>Fixed Assets</b>					
Depreciation	(319,433)	(495,662)	(176,229)	(421,106)	(101,673)
Computer & Software CapEx	91,000	172,730	81,730	140,000	49,000
Furniture & Fixtures CapEx	-	123,701	123,701	40,000	40,000
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	1,337,374	1,337,374	-	-
	<b>\$ (228,433)</b>	<b>\$ 1,138,143</b>	<b>\$ 1,366,576</b>	<b>\$ (241,106)</b>	<b>\$ (12,673)</b>
Allocation of Fixed Assets	\$ (1)	\$ 0	\$ 1	\$ -	\$ 1
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (228,434)</b>	<b>\$ 1,138,143</b>	<b>\$ 1,366,577</b>	<b>\$ (241,106)</b>	<b>\$ (12,672)</b>
<b>Total Budget</b>	<b>\$ 18,063,201</b>	<b>\$ 19,718,605</b>	<b>\$ 1,655,403</b>	<b>\$ 18,756,763</b>	<b>\$ 693,561</b>
<b>Change in Working Capital</b>	<b>\$ (1,545,284)</b>	<b>\$ (1,754,515)</b>	<b>\$ (209,231)</b>	<b>\$ 627,134</b>	<b>\$ 2,172,418</b>

## **Section A - Statutory Programs**

## Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.50	0.00	(0.50)
Direct Expenses	\$ 148,671	\$ (0)	\$ (148,671)
Indirect Expenses	\$ 46,452	\$ -	\$ (46,452)
Inc(Dec) in Fixed Assets	\$ (1,050)	\$ -	\$ 1,050
Total Funding Requirement	\$ 194,073	\$ (0)	\$ (194,073)

### Program Scope and Functional Description

ReliabilityFirst has reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program as a result of the reorganization that is necessary to advance the Reliability Assurance initiatives. The described activities below will continue to be addressed as part of the risked based philosophy applied to the various technical programs.

In support of the ERO, 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.

ReliabilityFirst may also develop regional criteria. Regional criteria are good utility practices used to enhance the reliability of the BES and may augment Reliability Standards. Regional Criteria are not Reliability Standards, and therefore are not enforceable. ReliabilityFirst regional criteria will be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

Given the ERO's increased emphasis on aligning activities with the set of identified risks that have the most impact on reliability, there will be activities assuring that a specific risk targeted by a particular Standard is being adequately addressed. That is, whether the Standard as written, and as monitored and enforced for compliance, is successful in having the intended impact on, and effectively mitigating, the identified risk. Therefore, the following activities are contemplated:

- i. **Standards Effectiveness** – Report on whether programs or actions mandated (either intentionally or unintentionally) by the Standards, seen

- via monitoring or enforcement, are effectively mitigating the intended targeted risk.
- ii. **Standards Efficiency** – Report on whether monitoring and enforcing a Standard is a necessary (or the most efficient) method for ensuring the mitigation of a specific risk or achieving a particular reliability outcome.
  - iii. **Standards Completeness** – Report on whether any identified risk remains unaddressed by a Standard.

### 2015 Key Assumptions

The Reliability Standards Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 - 2017 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Reliability Standards Program.

### 2015 Key Deliverables

- Submit to NERC, and subsequently file with 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 and RSAWs under development.
- Support and participate in Reliability Assurance Initiative activities and provide input from a standards perspective.

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**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 2015 are budgeted for 0 FTEs for this program area, a decrease of 0.50 FTE from 2014. This change is a result of reallocating staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

**Meeting Expenses**

- Meeting expenses have been re-allocated from the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program.

**Operating Expense**

- Operating expenses have been re-allocated from the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014. This method of accounting results in a decrease compared to 2013 as a result of the reallocation of 0.50 FTE to the Reliability Assurance and Compliance Monitoring Program.

**Other Non-Operating Expenses**

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

**Fixed Assets**

- 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 table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Reliability Standards</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 182,202	\$ 182,202	\$ 0	\$ (0)	\$ (182,202)
Penalty Sanctions	11,872	11,872	0	-	(11,872)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 194,074</b>	<b>\$ 194,074</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ (194,074)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 194,074</b>	<b>\$ 194,074</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ (194,074)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 102,707	\$ 26,796	\$ (75,911)	\$ -	\$ (102,707)
Payroll Taxes	5,794	1,876	(3,918)	-	(5,794)
Benefits	11,195	2,623	(8,572)	-	(11,195)
Retirement Costs	14,462	6,000	(8,462)	-	(14,462)
<b>Total Personnel Expenses</b>	<b>\$ 134,158</b>	<b>\$ 37,295</b>	<b>\$ (96,863)</b>	<b>\$ -</b>	<b>\$ (134,158)</b>
<b>Meeting Expenses</b>					
Meetings	-	-	-	-	-
Travel	12,000	2,442	(9,558)	-	(12,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 12,000</b>	<b>\$ 2,442</b>	<b>\$ (9,558)</b>	<b>\$ -</b>	<b>\$ (12,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,513	575	(1,938)	(0)	(2,513)
Professional Services	-	-	-	-	-
Miscellaneous	-	180	180	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 2,513</b>	<b>\$ 755</b>	<b>\$ (1,758)</b>	<b>\$ (0)</b>	<b>\$ (2,513)</b>
<b>Total Direct Expenses</b>	<b>\$ 148,671</b>	<b>\$ 40,492</b>	<b>\$ (108,179)</b>	<b>\$ (0)</b>	<b>\$ (148,671)</b>
<b>Indirect Expenses</b>	<b>\$ 46,452</b>	<b>\$ -</b>	<b>\$ (46,452)</b>	<b>\$ -</b>	<b>\$ (46,452)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 195,123</b>	<b>\$ 40,492</b>	<b>\$ (154,631)</b>	<b>\$ (0)</b>	<b>\$ (195,123)</b>
<b>Change in Assets</b>	<b>\$ (1,050)</b>	<b>\$ 153,582</b>	<b>\$ 154,632</b>	<b>\$ -</b>	<b>\$ 1,050</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	(1,050)	-	1,050	-	1,050
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (1,050)</b>	<b>\$ -</b>	<b>\$ 1,050</b>	<b>\$ -</b>	<b>\$ 1,050</b>
<b>Total Budget</b>	<b>\$ 194,073</b>	<b>\$ 40,492</b>	<b>\$ (153,581)</b>	<b>\$ (0)</b>	<b>\$ (194,073)</b>
<b>Total Change in Working Capital</b>	<b>\$ 0</b>	<b>\$ 153,582</b>	<b>\$ 153,582</b>	<b>\$ -</b>	<b>\$ (0)</b>



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

<b>Monitoring, and Enforcement, and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	43.00	45.75	2.75
Direct Expenses	\$ 9,788,248	\$ 10,677,953	\$ 889,705
Indirect Expenses	\$ 3,994,893	\$ 4,391,664	\$ 396,771
Inc(Dec) in Fixed Assets	\$ (198,194)	\$ (196,970)	\$ 1,224
Total Funding Requirement	\$ 13,584,947	\$ 14,872,648	\$ 1,287,701

### 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, in the furtherance of ReliabilityFirst's mission to assure reliability.

ReliabilityFirst compliance staff consists of three groups including Reliability Assurance, Compliance Monitoring, which are presented together for budget purposes, and the Enforcement Management Group.

The organization registry consists of approximately 331 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, reviewing system events to ensure that registered entities are performing a thorough compliance self-assessment and when required, developing self-reports that identify compliance issues to the standards.
- Requesting data submittals for standards to support reporting requirements as indicated in the standards, studies, modeling, and seasonal assessments.
- Conducting risk-based assessments of Registered Entities to determine scope and frequency of compliance monitoring.
- Developing lessons learned from all aspects of the compliance monitoring processes and corrective action activities resulting from Registered Entity performance.
- Supporting the mitigation plan activities associated with violations by :
  - Reviewing proposed Mitigation Plans and accepting those that contain effective corrective and preventative actions.
  - Communicating with the Registered Entity throughout the Mitigation Plan review process to ensure that corrective actions will mitigate the violation, prevent reoccurrence, and return the Registered Entity to compliance.
  - Verifying Mitigation Plan completion through the evaluation of evidence provided by entities to demonstrate that agreed to actions have been

implemented according to established milestones and to ensure the Registered 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.

The RAI implementation, Risk-Based Registration initiative, and CIP v5 transition are major activities through 2014 to 2016. These are all joint ERO Enterprise level initiatives that will benefit NERC, the Regional Entities, and the Registered Entities. Resource demands are not fully appreciated at this point in time and as such, ReliabilityFirst will continue to assess resource conditions and will reallocate existing staff, utilize contract resources, or provide a manpower evaluation for additional staffing to provide the resource support which is determined to be necessary to support the implementation of these major activities.

### **2015 Key Assumptions**

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs incorporate the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 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 scope of monitoring will be determined by a Registered Entity's risk to BES reliability. This change in monitoring is not expected to result in a reduction in resource needs during the 2015 - 2017 timeframe.
2. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance 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,

Professional Engineer certifications, legal licensure, etc. Additional time to incorporate the appropriate audit, internal control evaluation, event/failure analysis 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 changed 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.
5. The implementation of the Reliability Assurance Initiative (RAI) and expansion of the Find-Fix-Track process will require the redeployment of existing resources within ReliabilityFirst to begin developing the processes necessary to implement RAI and to provide the operational staff to support those activities on an on-going basis (in support of the ERO timeline of full implementation in 2016).
6. ReliabilityFirst will use the consistent audit practices developed by NERC and the other Regional Entities and focus on higher reliability risks to increase efficiency and mitigate overall compliance costs.
7. The Compliance Auditor Capabilities and Competency Guide, if approved, will be adopted in 2015. ReliabilityFirst will assess our existing resources and potentially adjust skill sets to meet these requirements. This may require additional resources to attain and maintain these competencies.
8. ReliabilityFirst will plan to support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide.
9. Continued implementation for Technical Feasibility Exception (TFE) processing per the revised Appendix 4D, NERC Rules of Procedure, which is expected to drive a less onerous process for TFE reporting and reviewing.
10. Support the assessment project to evaluate systems used for compliance, registration, analysis and tracking which may result in changes to or the replacement of existing systems.
11. Risk-based monitoring activities are expected to increase and strong consideration will need to be given to modifying the current time-based audit cycles for registered entities. The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk and not a predetermined three and six year schedule.

12. The use of spot checks and self-certifications, to assure all corrective actions are completed for known existing risks or that, proactively, significant reliability risks do not exist, is expected to increase as risk-based monitoring is implemented, and should have a minor effect on overall resource requirements.
13. Non-CIP violations are expected to continue to decrease as most registered entities have been audited and the standards and RSAWs have matured.
14. CIP compliance personnel will need to support the conversion from Version 3 to Version 5 and provide support to entities undergoing a CIP audit until stability in the standards is reached.
15. ReliabilityFirst will support NERC as the lead in the CIP Version 5 training development, coordination and facilitation for the ERO CIP Auditors and Industry Outreach. ReliabilityFirst Auditors will support these initiatives in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood and administered.
16. ReliabilityFirst will plan to support the ongoing CIP Version 5 transition plans and should anticipate an expansion in the number of registered entities that require guidance during 2015.
17. A registration assessment project will occur in 2014 with the expectation that an implementation plan and possibly early deployments of revisions to the registration process will take place in 2015.
18. The implementation of the revised BES definition may place additional resource demands in the registration area. These demands cannot be fully assessed at this time. If a high number of BES exception requests are received, the potential for a backlog situation in the first two or three years of implementation is possible.

### **2015 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.

- 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 ReliabilityFirst 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 ReliabilityFirst 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.

<b>Reliability Assurance and Compliance Monitoring</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	31.00	37.50	6.50
Direct Expenses	\$ 7,569,428	\$ 9,292,640	\$ 1,723,212
Indirect Expenses	\$ 2,880,039	\$ 3,599,725	\$ 719,686
Inc(Dec) in Fixed Assets	\$ (175,472)	\$ (166,242)	\$ 9,230
Total Funding Requirement	\$ 10,273,995	\$ 12,726,123	\$ 2,452,128

## Reliability Assurance

### Program Scope and Functional Description

The Reliability Assurance functions include: assist/appraisal visits, organization registration, organization certification, mitigation plan acceptance, approval, and verification, assessment of self-certifications and periodic data submittals, review and analyze events for risk trending, analysis and reporting of system disturbances and events, risk-harm analysis and analytics (e.g., in support of discretionary enforcement treatment of lesser issues), the creation of compliance monitoring plans and schedules to align with potential risk impacts, the provision of industry training, and serving as a technical resource for the Corporation.

### 2015 Key Assumptions

The Reliability Assurance area incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. The Reliability Assurance area includes the following unique regional assumptions:

1. Review the criteria and processes used to encourage prompt and complete guided 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 as value to reliability is demonstrated.
2. Conduct event analysis assessments, determine the need for compliance investigations (to be executed through the Compliance Monitoring group), as required. It is anticipated that the reviews will include a request for the Registered Entities' Compliance Self-Assessment and 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 and may evolve in 2015. 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) process 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 and development of a formal MRRE process.
6. Document and continue to conduct Assist/Appraisal Visits in an effort to improve entities' compliance culture, their capability in key management practice areas and to assure reliability performance.
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.

### **2015 Key Deliverables**

- Work within the region and NERC to implement 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 associated with system events.
- 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. Encourage entities to perform a thorough compliance self-assessment for all system events.
- Process all registration issues including the Joint Registration Organization and Coordinated Functional Registration requests in a timely fashion.
- In 2015, develop a process and share it with NERC to review and determine if applying the MRRE process 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 an Entity Company Profile database whereby entities can update their company information on-line and the data can be used for the entity and regional risk assessment.
- Expand the documentation for the Assist Visit Program to include various RAI initiatives.
- 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 and 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).
- Administer the BES definition processes for self-determined notifications to the BES and the Exception Request process using the BESnet software.

## Compliance Monitoring

### Program Scope and Functional Description

The Compliance Monitoring Group is responsible for the completion of the Operations/Planning (OP/PLAN) and Critical Infrastructure Protection (CIP) audits, complaints, investigations, spot checks, and management of TFEs, which address the NERC Reliability Standards.

### 2015 Key Assumptions

The Compliance Monitoring area incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Compliance Monitoring area includes the following unique regional assumptions:

1. Monitor compliance to the NERC Reliability Standards for applicable registered entities 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.
2. Audits will continue under the on-going schedule to complete the BA, TOP, and RC audits on a three year cycle. All Registered Entities that are registered for other functions will be audited on a six year cycle. Beginning in 2015, audit schedules may be determined through an assessment of a Registered Entity's risk profile and no longer subject to the predefined periodicity identified above.
3. Audits will continue to be scoped on a risk and performance based assessment of the individual entity. The scope of audits will be determined through a more comprehensive audit planning process through implementation of the Auditor Checklist.
4. The Audit Handbook and Checklist was rolled out in 2014 as part of the RAI Initiative. ReliabilityFirst will continue to implement the guidance contained in the documents and other ERO Enterprise tools in 2015. The extent of any resource impact is unknown at this time. Inclusion of these requirements may increase auditor time and resources needed to complete monitoring processes.
5. Competency and Training will be assessed to improve the understanding of auditing practices and skills of the team members. Through NERC training and other available auditing courses, ReliabilityFirst will provide the necessary training to continue to provide an excellent and respected audit staff.
6. ReliabilityFirst will continue to seek and employ initiatives to increase efficiencies and production in 2015. The MKInsight audit management system will be fully

functional for audits and ReliabilityFirst will look to further develop the system to address other monitoring processes. In addition, ReliabilityFirst will continue to work with NERC to develop a global audit management system which will be utilized by all regions. This will improve the efficiency of monitoring processes and NERC oversight for all regions.

7. FERC issued a Final Rule approving the CIP Version 5 Reliability Standards in Order No. 791, effective February 3, 2014. The Final Rule established the following:
  - a. Effective date for Compliance with all non-periodic requirements as **April 1, 2016** for High and Medium Impact, and **April 1, 2017** for Low Impact
  - b. Compliance with initial performance of periodic requirements as discussed in the Implementation Plan, using an Effective Date of **April 1, 2016**

A resource impact is anticipated along with the potential for additional burden and workload added to the CIP Monitoring Program during the ensuing transition period from CIP Version 3 to CIP Version 5. The actual impact is yet to be realized so in the interim, existing CIP staff will manage and monitor the impact, which will guide the development of any future resource recommendations.

8. The ERO is evaluating the possibility of transitioning away from the Actively Monitored List (AML) methodology and process in 2015 and instead, empowering Regional Entities to define unique audit scopes and periodicity for each audited entity based on the risk and impact that entity poses on the reliability of the BES. Regional Entities would start with the complete library of Reliability Standards and, by employing a risk-based entity profile assessment, apply only a subset of Reliability Standards to a Registered Entity. This approach has yet to be defined, evaluated and implemented within the ERO.
9. 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 is compliant.
10. For Registered Entities subject to compliance to the CIP Version 3 standards that have no Critical Cyber Assets, the audit scope will continue to focus on CIP-002 and CIP-003 R2. These audits will be conducted offsite by one team consisting of two auditors.
11. **NOTE:** With the FERC approval of the CIP Version 5 Standards, the ERO is evaluating:

- a. Whether changes being proposed in CIP Version 5 will materially change the amount of time Regional Entities will need to spend on audit/ monitoring activities for registered entities with and without Critical Assets and Critical Cyber Assets, including whether field visits will be required; and
- b. Whether material changes or additions are going to be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.

Results of this evaluation may impact the audit scope, regional resource requirements and expectations that will need to be factored into future resource recommendations for the budget.

12. It is expected that CIP spot checks will take place in 2015 and may increase with the implementation of the risk-based approach to compliance monitoring. This may increase audit time and resources; however, appropriately scoped audits resulting from risk-based entity profile assessments should lead to a focused and efficient monitoring program.
13. With the FERC approval of the revised NERC Rules of Procedure Appendix 4D, the TFE program is becoming more streamlined. ReliabilityFirst will continue to support the TFE program with existing CIP staff and will incorporate any changes in TFE processing to improve overall efficiency according to the revised Appendix 4D.
14. Any approved and/or terminated TFEs will continue to be audited as part of a scheduled CIP audit according to Appendix 4D. This rule 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.
15. CIP Staff will support the NERC Sufficiency Review Program – CIP-OS Outreach sessions in 2015 as requested by NERC.

### **2015 Key Deliverables**

- Conduct thorough and formal compliance audits consistently with all regions through incorporation of the Auditor Handbook and Checklist. Audit teams will consist of ReliabilityFirst staff supplemented, only if necessary by independent

contractors. No industry volunteers will serve on audit teams. Approximately 45 OP/PLAN 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 assessments utilized by ReliabilityFirst. This type of monitoring may rise in 2015 and subsequent years. Risk assessments will provide a focused determination of the risks, which will affect the scope of an engagement.
- Provide efficiencies in audit and spot check processes through continued auditor training and process improvements. We will be utilizing an audit management software package which became fully operational in the beginning of 2014 and is expected to provide efficiency gains in years to come.
- 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.
- CIP audits will be performed as separate audits from the OP/PLAN audits unless agreed to otherwise between ReliabilityFirst Audit Management and the audited entity. 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 2015 is defined below and will be based on the number of entities that identify Critical Assets in accordance with the latest Cyber Security Standards Transition Guidance (CSSTG) published by NERC. It is expected that the number of CIP audits will be greater than or at least the same as in 2014 resulting in approximately:
  - 1-3 CIP medium audits of entities on the 3 year cycle (onsite).
    - Registered Entities are expected to be compliant with the CIP requirements identified in the ReliabilityFirst Compliance Monitoring Schedule (CMS) (at a minimum) and any added 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, TOP, and RC.
  - 3-5 CIP medium audits of entities on the 6 year cycle (onsite).
    - Registered Entities are expected to be compliant with the CIP requirements identified in the ReliabilityFirst Compliance Monitoring Schedule (CMS) (at a minimum) and any added CIP requirements 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, TO, etc.

- 42-48 CIP small audits of entities on the 6 year cycle (offsite).
  - Registered Entities are expected to be compliant with the CIP requirements identified in the ReliabilityFirst Compliance Monitoring Schedule (CMS) (at a minimum) and any added CIP requirements based on the results of the risk-based entity profile assessment, within CIP-002 and CIP-003 R2. These entities may or may not have Critical Assets but 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 and/or as defined by ReliabilityFirst monitoring activities. This monitoring process will also be used to confirm self-certifications, self-reports, the status of mitigation plans or agreed-to activities associated with settlement agreements.
- Manage the TFE processing in accordance with the revised NERC Rules of Procedure Appendix 4D. The effort required to process TFEs will continue into 2015. The rate of TFE submittals is not expected to reduce to zero in the next few years due to technology changes, changes in the identification of Critical Assets and Critical Cyber Assets, and the full understanding of the CIP Version 5 Reliability Standards. ReliabilityFirst projects 500 man-hours will be expended on processing TFEs in 2015. It is expected that one equivalent FTE will continuously be allocated to provide oversight and management of the TFE process.
- In 2015, 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 2015 and beyond.
- Participate in the 2015 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 in 2015.
- Support NERC in developing and supporting training and outreach for Registered Entities to successfully transition to CIP Version 5 standards.
- Support the execution of the ERO 2014-2017 Strategic Plan by supporting the successful implementation of Goals 1 through 5 and their associated Objectives and valued outcomes. For 2015, there will be a focus on the 2015 Goals and Deliverables applicable to Compliance Operations. Resources are being expended throughout 2014 and expected to continue into 2015 and beyond.

Additional support for any other goals will be provided as agreed to between ReliabilityFirst and NERC.

The anticipated workload may exceed the 2015 available resources based upon proposed NERC initiatives for the auditing and monitoring processes and personnel turnover, however, no additional FTEs in 2015 are being requested. For audits, contractor support will supplement the audit staff in some instances where unplanned scheduling constraints arise that affect the available resources.

## **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 Assurance and Compliance Monitoring Program is a delegated function.

### **Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2015 are budgeted for 37.50 FTEs for this program area, an increase of 6.50 FTEs from 2014. This change is a result of reallocating staff to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

### **Meeting Expenses**

- Meeting expenses are consistent with the 2014 budget.
- Travel expenses increased as a result of the reallocation of staff to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

### **Operating Expense**

- Consultants and Contracts decreased due to the process improvements and efficiency gains that are being achieved.
- Office Costs decreased as a result of changing our wireless plan to a data share plan, along with the reduction in change orders expected for the compliance portal.
- Depreciation expense decreased as a result of some fixed assets being fully depreciated.

### **Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2015. This method of accounting results in an increase compared to 2014 as a result of the reallocation of 6.50 FTEs.

### **Other Non-Operating Expenses**

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

### **Fixed Assets**

- There are no fixed asset additions expected for this budget year.
- Depreciation expense decreased as a result of some fixed assets being fully depreciated.



**Reliability Assurance and Compliance Monitoring**

Funding Sources and related expenses for the Reliability Assurance and Compliance Monitoring Program are shown in table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Reliability Assurance and Compliance Monitoring</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 9,537,944	\$ 9,537,944	\$ -	\$ 12,289,925	\$ 2,751,981
Penalty Sanctions	736,051	736,051		371,094	(364,957)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 10,273,995</b>	<b>\$ 10,273,995</b>	<b>\$ -</b>	<b>\$ 12,661,018</b>	<b>\$ 2,387,023</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	941,518	941,518	65,104	65,104
<b>Total Funding</b>	<b>\$ 10,273,995</b>	<b>\$ 11,215,513</b>	<b>\$ 941,518</b>	<b>\$ 12,726,123</b>	<b>\$ 2,452,128</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,579,063	\$ 5,386,685	\$ 807,622	\$ 5,931,175	\$ 1,352,112
Payroll Taxes	282,675	319,132	36,457	350,077	67,402
Benefits	627,993	678,539	50,546	837,400	209,407
Retirement Costs	720,292	888,522	168,230	928,260	207,968
<b>Total Personnel Expenses</b>	<b>\$ 6,210,023</b>	<b>\$ 7,272,879</b>	<b>\$ 1,062,856</b>	<b>\$ 8,046,912</b>	<b>\$ 1,836,889</b>
<b>Meeting Expenses</b>					
Meetings	\$ 9,050	\$ 7,304	\$ (1,746)	\$ 9,400	\$ 350
Travel	467,000	500,172	33,172	522,379	55,379
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 476,050</b>	<b>\$ 507,476</b>	<b>\$ 31,426</b>	<b>\$ 531,779</b>	<b>\$ 55,729</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 425,000	\$ 186,079	\$ (238,921)	\$ 375,000	\$ (50,000)
Office Rent	-	-	-	-	-
Office Costs	346,007	257,304	(88,703)	310,613	(35,394)
Professional Services	-	-	-	-	-
Miscellaneous	1,965	160	(1,805)	1,765	(200)
Depreciation	110,383	85,843	(24,540)	26,571	(83,812)
<b>Total Operating Expenses</b>	<b>\$ 883,355</b>	<b>\$ 529,386</b>	<b>\$ (353,969)</b>	<b>\$ 713,949</b>	<b>\$ (169,406)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,569,428</b>	<b>\$ 8,309,740</b>	<b>\$ 740,312</b>	<b>\$ 9,292,640</b>	<b>\$ 1,723,212</b>
<b>Indirect Expenses</b>	<b>\$ 2,880,039</b>	<b>\$ 3,945,305</b>	<b>\$ 1,065,266</b>	<b>\$ 3,599,725</b>	<b>\$ 719,686</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 10,449,467</b>	<b>\$ 12,255,046</b>	<b>\$ 1,805,579</b>	<b>\$ 12,892,365</b>	<b>\$ 2,442,898</b>
<b>Change in Assets</b>	<b>\$ (175,472)</b>	<b>\$ (1,039,533)</b>	<b>\$ (864,061)</b>	<b>\$ (166,242)</b>	<b>\$ 9,230</b>
<b>Fixed Assets</b>					
Depreciation	\$ (110,383)	\$ (85,843)	\$ 24,540	\$ (26,571)	\$ 83,812
Computer & Software CapEx	-	13,608	13,608	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (110,383)	\$ (72,235)	\$ 38,148	\$ (26,571)	\$ 83,812
Allocation of Fixed Assets	\$ (65,089)	\$ 789,541	\$ 854,630	\$ (139,671)	\$ (74,582)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (175,472)</b>	<b>\$ 717,306</b>	<b>\$ 892,778</b>	<b>\$ (166,242)</b>	<b>\$ 9,230</b>
<b>Total Budget</b>	<b>\$ 10,273,995</b>	<b>\$ 12,972,352</b>	<b>\$ 2,698,357</b>	<b>\$ 12,726,123</b>	<b>\$ 2,452,128</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ (1,756,839)</b>	<b>\$ (1,756,839)</b>	<b>\$ -</b>	<b>\$ -</b>

## Enforcement Management

<b>Enforcement Management</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	12.00	8.25	(3.75)
Direct Expenses	\$ 2,218,820	\$ 1,385,313	\$ (833,507)
Indirect Expenses	\$ 1,114,854	\$ 791,939	\$ (322,915)
Inc(Dec) in Fixed Assets	\$ (22,722)	\$ (30,728)	\$ (8,006)
Total Funding Requirement	\$ 3,310,952	\$ 2,146,525	\$ (1,164,427)

### Program Scope and Functional Description

Enforcement work burden (defined as all necessary activities needed to successfully complete an enforcement action including but not limited to fact and circumstance review, final disposition method selection, negotiation, final document drafting, post-filing support, advocacy, etc.), is driven by the complexity of the violations and the associated mitigation plans and above and beyond action items.

Historical violation levels (i.e., enforcement actions undertaken) are shown below for 2010 thru 2013. To project the complexity of potential violations in advance is a difficult task. With its increased focus on risk and the anticipated use of enforcement discretion, ReliabilityFirst anticipates that the complexity of enforcement actions may increase. However, ReliabilityFirst estimates the number of violations during this budget year and beyond will decrease slightly and then stabilize.

CIP		693			
Year	# of Violations	Year	# of Violations	Total	
2010	254	2010	215	<b>469</b>	Actual
2011	408	2011	177	<b>585</b>	Actual
2012	358	2012	191	<b>549</b>	Actual
2013	560	2013	105	<b>665</b>	Actual
2014	450	2014	100	<b>550</b>	Estimate
2015	350	2015	100	<b>450</b>	Estimate
2016	400	2016	100	<b>500</b>	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 enforcement activities and driving informed decision making. ReliabilityFirst Enforcement will continue to utilize risk-harm analysis and leverage internal control appraisal results from the Reliability Assurance group to inform the management of its enforcement actions.

### **2015 Key Assumptions**

The Enforcement Management group incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Enforcement Management group includes the following unique regional assumptions:

1. ReliabilityFirst Enforcement believes the number of non-CIP violations will increase slightly in 2015 as entities improve their detective controls. Additionally, ReliabilityFirst Enforcement believes the number of CIP violations will decrease slightly until second quarter 2016, when CIP Version 5 will become enforceable. Although the transition to CIP Version 5 may increase the number of CIP violations in 2016, that number could be partially offset by a decreased scope of assets monitored for CIP compliance, also due to CIP Version 5. Also, as additional entities are granted logging/aggregation privileges as a result of internal controls assessments, there will be minimal risk issues that are eligible for enforcement discretion and therefore not processed as “violations.”
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, Track and Report (FFT) program (60% to 70%). It is anticipated that the expansion of the logging/aggregation pilots involving enforcement discretion for minimal risk issues may affect the FFT percentages, as FFT issues are likely to be logged discretion items.
3. Increased process efficiencies offset the increased complexity of enforcement activity and the level of effort and resources for a moderate and minimal risk enforcement activity continues to decrease. However, enforcement activity involving violations that pose a greater risk, include significant mitigating activities and/or above and beyond action items, and/or programmatic changes within a Registered Entity, which are becoming more frequent commensurate with the growing focus on internal controls, tend to involve increased effort and resources.
4. The number of hearings to be conducted in 2015 is unknown, and therefore no external legal resources have been budgeted.

5. ReliabilityFirst will continue to shift 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. Enforcement will continue to participate in cross-functional efforts to analyze the effectiveness of Reliability Standards, conduct Registered Entity internal controls appraisals in support of RAI, and ensure that the anticipated future use of discretion is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
6. The RAI will require increased and ongoing Enforcement effort to design and implement processes through the budget period.

### **2015 Key Deliverables**

- Continue to increase efficiency, through process improvement, in dispositioning enforcement actions and preparing settlement agreements.
- 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 FERC, including mitigation plans, settlements, hearings, and participate as necessary in any appeals to NERC, FERC, 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 to use the risk-harm analysis process to inform enforcement actions.
- Leverage the knowledge gained from internal controls and other risk assessments to inform enforcement decision making through expansion of the

logging/aggregation privilege and use of enforcement discretion for minimal risk issues.

- Ensure that the anticipated future use of discretion in Compliance Monitoring and Enforcement is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.

## **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 Enforcement Management Program is a delegated function.

### **Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2015 are budgeted for 8.25 FTEs for this program area, a decrease of 3.75 FTEs from 2014. This change is a result of reallocating staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

### **Meeting Expenses**

- Meeting expenses increased due to the plan to increase entity outreach efforts.
- Travel expenses decreased as a result of the reallocation of staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

### **Operating Expense**

- There are no contractors expected to be used in this budget year.
- Office Costs decreased as a result of changing our wireless plan to a data share plan
- Professional Services decreased due to the expiration and non-renewal of a retainer agreement for a hearing officer.
- Depreciation expense decreased due to the transfer of an asset and its depreciation expense to the Reliability Assurance and Compliance Monitoring Program, therefore there is no depreciation expense for this budget year.

### **Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2015. This method of accounting results in a decrease compared to 2014 as a result of the reallocation of 3.75 FTEs to the Reliability Assurance and Compliance Monitoring Program.

### **Other Non-Operating Expenses**

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

### **Fixed Assets**

- There are no fixed asset additions expected for this budget year.
- Depreciation expense decreased due to the transfer of an asset and its depreciation expenses to the Reliability Assurance and Compliance Monitoring Program, therefore there is no depreciation expense for this budget year.

**Enforcement Management**

Funding Sources and related expenses for the Enforcement Management Program are shown in table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Enforcement Management</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 3,026,029	\$ 3,026,029	\$ -	\$ 2,050,561	\$ (975,468)
Penalty Sanctions	284,923	284,923	-	81,641	(203,282)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 3,310,952</b>	<b>\$ 3,310,952</b>	<b>\$ -</b>	<b>\$ 2,132,202</b>	<b>\$ (1,178,750)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	207,134	207,134	14,323	14,323
<b>Total Funding</b>	<b>\$ 3,310,952</b>	<b>\$ 3,518,086</b>	<b>\$ 207,134</b>	<b>\$ 2,146,525</b>	<b>\$ (1,164,427)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,492,316	\$ 954,692	\$ (537,624)	\$ 902,267	\$ (590,049)
Payroll Taxes	97,808	72,147	(25,661)	64,104	(33,704)
Benefits	241,020	157,303	(83,717)	202,968	(38,052)
Retirement Costs	230,194	162,914	(67,280)	144,216	(85,978)
<b>Total Personnel Expenses</b>	<b>\$ 2,061,338</b>	<b>\$ 1,347,056</b>	<b>\$ (714,282)</b>	<b>\$ 1,313,555</b>	<b>\$ (747,783)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,680	\$ 3,679	\$ 1,999	\$ 8,000	\$ 6,320
Travel	66,000	45,231	(20,769)	40,000	(26,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 67,680</b>	<b>\$ 48,910</b>	<b>\$ (18,770)</b>	<b>\$ 48,000</b>	<b>\$ (19,680)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 29,000	\$ 3,500	\$ (25,500)	\$ -	\$ (29,000)
Office Rent	-	-	-	-	-
Office Costs	35,520	10,343	(25,177)	23,258	(12,262)
Professional Services	15,000	-	(15,000)	-	(15,000)
Miscellaneous	756	120	(636)	500	(256)
Depreciation	9,526	2,215	(7,311)	-	(9,526)
<b>Total Operating Expenses</b>	<b>\$ 89,802</b>	<b>\$ 16,179</b>	<b>\$ (73,623)</b>	<b>\$ 23,758</b>	<b>\$ (66,044)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,218,820</b>	<b>\$ 1,412,145</b>	<b>\$ (806,675)</b>	<b>\$ 1,385,313</b>	<b>\$ (833,507)</b>
<b>Indirect Expenses</b>	<b>\$ 1,114,854</b>	<b>\$ 867,967</b>	<b>\$ (246,887)</b>	<b>\$ 791,939</b>	<b>\$ (322,915)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 3,333,674</b>	<b>\$ 2,280,112</b>	<b>\$ (1,053,562)</b>	<b>\$ 2,177,253</b>	<b>\$ (1,156,421)</b>
<b>Change in Assets</b>	<b>\$ (22,722)</b>	<b>\$ 1,237,974</b>	<b>\$ 1,260,696</b>	<b>\$ (30,728)</b>	<b>\$ (8,006)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (9,526)	\$ (2,215)	\$ 7,311	\$ -	\$ 9,526
Computer & Software CapEx	12,000	-	(12,000)	-	(12,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>\$ 2,474</b>	<b>\$ (2,215)</b>	<b>\$ (4,689)</b>	<b>\$ -</b>	<b>\$ (2,474)</b>
Allocation of Fixed Assets	\$ (25,196)	\$ 173,699	\$ 198,895	\$ (30,728)	\$ (5,532)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (22,722)</b>	<b>\$ 171,484</b>	<b>\$ 194,206</b>	<b>\$ (30,728)</b>	<b>\$ (8,006)</b>
<b>Total Budget</b>	<b>\$ 3,310,952</b>	<b>\$ 2,451,596</b>	<b>\$ (859,356)</b>	<b>\$ 2,146,525</b>	<b>\$ (1,164,427)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ 1,066,490</b>	<b>\$ 1,066,490</b>	<b>\$ -</b>	<b>\$ -</b>



## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	10.00	8.35	(1.65)
Direct Expenses	\$ 2,213,282	\$ 1,888,067	\$ (325,215)
Indirect Expenses	\$ 929,045	\$ 801,539	\$ (127,506)
Inc(Dec) in Fixed Assets	\$ (20,996)	\$ (31,100)	\$ (10,104)
Total Funding Requirement	\$ 3,121,331	\$ 2,658,505	\$ (462,826)

### Program Scope and Functional Description

In support of the ERO, ReliabilityFirst's Reliability Assessment and Performance Analysis 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, and collection and dissemination of data, lessons learned, and other information.

### 2015 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document for the 2015 budget cycle. There are no additional assumptions unique to the ReliabilityFirst Reliability Assessment and Performance Program.

### 2015 Key Deliverables

- Assessments of Reliability Performance
  - Perform seasonal (summer and winter) and long term resource adequacy assessments and produce reports.
  - 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.
  - Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, long-term, and post-seasonal operational reports.

- 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.
- Model Development to Conduct Assessments
  - Develop a series of thirteen power flow base case models (ERAG/Multiregional Modeling Working Group (MMWG) effort).
  - Update power flow base case models for regional and interregional study efforts.
  - Develop a series of eight dynamic base case models (ERAG/MMWG effort).
  - Develop any needed dynamic base case models (regional and interregional study efforts).
- Reporting Requirements
  - Submit ReliabilityFirst 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 ReliabilityFirst power flow data annually for the FERC 715 report.
  - Submit an assessment report to the Public Utilities Commission of Ohio as required by Ohio administrative law.
- Other Requirements and Activities
  - Publish any lessons learned that are developed from 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.
  - Conduct initial and periodic Special Protection System (SPS) reviews and maintain a database of regional SPSs.
  - Conduct under-frequency load shed (UFLS) reviews.

- Conduct under-voltage load shed (UVLS) reviews.
- Develop and maintain a ReliabilityFirst BES facilities map for EIA-411 reporting.
- 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.
- Continue to support stakeholder participation through various regional technical groups. The Reliability Committee is the primary technical advisory body to the ReliabilityFirst 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 Source**

- 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 2015 are budgeted for 8.35 FTEs for this program area, a decrease of 1.65 FTEs from 2014. This change is a result of reallocating staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

### **Meeting Expenses**

- Meeting expenses decreased due to the plan to hold meetings at entity facilities and ReliabilityFirst's corporate office.
- Travel expenses decreased as a result of the reallocation of staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

### **Operating Expense**

- Operating expenses are consistent with the 2014 budget.

### **Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2015. This method of accounting results in a decrease compared to 2014 as a result of the reallocation of 1.65 FTEs to the Reliability Assurance and Compliance Monitoring Program.

### **Other Non-Operating Expenses**

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

### **Fixed Assets**

- 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 table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,883,895	\$ 2,883,895	\$ -	\$ 2,561,379	\$ (322,516)
Penalty Sanctions	237,436	237,436	-	82,630	(154,806)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 3,121,331</b>	<b>\$ 3,121,331</b>	<b>\$ -</b>	<b>\$ 2,644,009</b>	<b>\$ (477,322)</b>
Membership Dues			\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	209,645	209,645	14,497	14,497
<b>Total Funding</b>	<b>\$ 3,121,331</b>	<b>\$ 3,330,976</b>	<b>\$ 209,645</b>	<b>\$ 2,658,505</b>	<b>\$ (462,826)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,495,659	\$ 1,282,345	\$ (213,314)	\$ 1,242,644	\$ (253,015)
Payroll Taxes	90,649	82,696	(7,953)	76,842	(13,807)
Benefits	150,700	123,818	(26,882)	143,664	(7,036)
Retirement Costs	236,514	216,737	(19,777)	198,437	(38,077)
<b>Total Personnel Expenses</b>	<b>\$ 1,973,522</b>	<b>\$ 1,705,596</b>	<b>\$ (267,926)</b>	<b>\$ 1,661,587</b>	<b>\$ (311,935)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 22,000	\$ 7,356	\$ (14,644)	\$ 15,000	\$ (7,000)
Travel	85,500	75,000	(10,500)	80,000	(5,500)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 107,500</b>	<b>\$ 82,356</b>	<b>\$ (25,144)</b>	<b>\$ 95,000</b>	<b>\$ (12,500)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 77,097	\$ 91,155	\$ 14,058	\$ 80,734	\$ 3,637
Office Rent	-	-	-	-	-
Office Costs	54,963	50,034	(4,929)	50,686	(4,277)
Professional Services	-	-	-	-	-
Miscellaneous	200	100	(100)	60	(140)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 132,260</b>	<b>\$ 141,290</b>	<b>\$ 9,030</b>	<b>\$ 131,480</b>	<b>\$ (780)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,213,282</b>	<b>\$ 1,929,242</b>	<b>\$ (284,040)</b>	<b>\$ 1,888,067</b>	<b>\$ (325,215)</b>
<b>Indirect Expenses</b>	<b>\$ 929,045</b>	<b>\$ 878,488</b>	<b>\$ (50,557)</b>	<b>\$ 801,539</b>	<b>\$ (127,506)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 3,142,327</b>	<b>\$ 2,807,730</b>	<b>\$ (334,597)</b>	<b>\$ 2,689,606</b>	<b>\$ (452,721)</b>
<b>Change in Assets</b>	<b>\$ (20,996)</b>	<b>\$ 523,246</b>	<b>\$ 544,242</b>	<b>\$ (31,100)</b>	<b>\$ (10,104)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (20,996)	\$ 175,805	\$ 196,801	\$ (31,100)	\$ (10,104)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (20,996)</b>	<b>\$ 175,805</b>	<b>\$ 196,801</b>	<b>\$ (31,100)</b>	<b>\$ (10,104)</b>
<b>Total Budget</b>	<b>\$ 3,121,331</b>	<b>\$ 2,983,534</b>	<b>\$ (137,797)</b>	<b>\$ 2,658,505</b>	<b>\$ (462,826)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ 347,442</b>	<b>\$ 347,442</b>	<b>\$ -</b>	<b>\$ -</b>

## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.10	3.00	(0.10)
Direct Expenses	\$ 634,858	\$ 682,294	\$ 47,436
Indirect Expenses	\$ 288,004	\$ 287,978	\$ (26)
Inc(Dec) in Fixed Assets	\$ (6,509)	\$ (11,174)	\$ (4,665)
Total Funding Requirement	\$ 916,353	\$ 959,098	\$ 42,745

### 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 Staff Training Group (STG) 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.

### 2015 Key Assumptions

The Training, Education, and Operator Certification Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Training, Education, and Operator Certification Program.

### 2015 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 2015, 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 ReliabilityFirst and its stakeholders. Workshops to be conducted in 2015 include:
    - Two Compliance Monitoring and Enforcement Program workshops to promote an understanding of the concepts of Risk Based and Internal Control Programs, as well as targeted discussion on methods to demonstrate compliance. 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, Critical Infrastructure Protection issues, or other topics requested by Members/Registered Entities.
    - CIP Version 5 Standards Seminar to provide insight into the evolution of these standards and to provide a forum for 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.

## **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 Training, Education, and Operator Certification Program is a delegated function.

### **Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2015 are budgeted for 3 FTEs for this program area, a decrease of 0.10 FTE from 2014. This change is a result of reallocating staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.
- Salaries decreased due to a variance in Vacation Expense. Vacation Expense decreased due the change in the company's vacation policy regarding the maximum annual carryover and the banked vacation.
- Benefits increased due to a variance in Medical Insurance. Medical Insurance increased due to an estimated 12% increase in the insurance rates.

### **Meeting Expenses**

- Meeting expenses increased due to the addition of a CIP Version 5 Standards Seminar to provide insight into the evolution of these standards and to provide a forum for registered entities to share thoughts, problems, and solutions.

### **Operating Expense**

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

### **Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2015. This method of accounting results in a decrease compared to 2014 as a result of the reallocation of 0.10 FTE to the Reliability Assurance and Compliance Monitoring program.

### **Other Non-Operating Expenses**

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

### **Fixed Assets**

- 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 table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Training, Education, and Operator Certification Program</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 842,748	\$ 842,748	\$ -	\$ 924,202	\$ 81,454
Penalty Sanctions	73,605	73,605		29,688	(43,918)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 916,353</b>	<b>\$ 916,353</b>	<b>\$ -</b>	<b>\$ 953,890</b>	<b>\$ 37,537</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	75,321	75,321	5,208	5,208
<b>Total Funding</b>	<b>\$ 916,353</b>	<b>\$ 991,674</b>	<b>\$ 75,321</b>	<b>\$ 959,098</b>	<b>\$ 42,745</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 428,516	\$ 422,168	\$ (6,348)	\$ 426,419	\$ (2,097)
Payroll Taxes	28,687	28,136	(551)	28,864	177
Benefits	53,484	51,277	(2,207)	57,040	3,556
Retirement Costs	67,571	71,238	3,667	67,971	400
<b>Total Personnel Expenses</b>	<b>\$ 578,258</b>	<b>\$ 572,819</b>	<b>\$ (5,439)</b>	<b>\$ 580,294</b>	<b>\$ 2,036</b>
<b>Meeting Expenses</b>					
Meetings	\$ 45,000	\$ 55,538	\$ 10,538	\$ 90,000	\$ 45,000
Travel	11,600	-	(11,600)	12,000	400
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 56,600</b>	<b>\$ 55,538</b>	<b>\$ (1,062)</b>	<b>\$ 102,000</b>	<b>\$ 45,400</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 634,858</b>	<b>\$ 628,357</b>	<b>\$ (6,501)</b>	<b>\$ 682,294</b>	<b>\$ 47,436</b>
<b>Indirect Expenses</b>	<b>\$ 288,004</b>	<b>\$ 315,624</b>	<b>\$ 27,620</b>	<b>\$ 287,978</b>	<b>\$ (26)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 922,862</b>	<b>\$ 943,982</b>	<b>\$ 21,120</b>	<b>\$ 970,272</b>	<b>\$ 47,410</b>
<b>Change in Assets</b>	<b>\$ (6,509)</b>	<b>\$ 47,692</b>	<b>\$ 54,201</b>	<b>\$ (11,174)</b>	<b>\$ (4,665)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (6,509)	\$ 63,163	69,672	(11,174)	\$ (4,665)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (6,509)</b>	<b>\$ 63,163</b>	<b>\$ 69,672</b>	<b>\$ (11,174)</b>	<b>\$ (4,665)</b>
<b>Total Budget</b>	<b>\$ 916,353</b>	<b>\$ 1,007,145</b>	<b>\$ 90,792</b>	<b>\$ 959,098</b>	<b>\$ 42,745</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ (15,471)</b>	<b>\$ (15,471)</b>	<b>\$ -</b>	<b>\$ -</b>

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.60	0.50	(0.10)
Direct Expenses	\$ 192,439	\$ 220,378	\$ 27,939
Indirect Expenses	\$ 55,743	\$ 47,996	\$ (7,747)
Inc(Dec) in Fixed Assets	\$ (1,685)	\$ (1,862)	\$ (177)
Total Funding Requirement	\$ 246,497	\$ 266,512	\$ 20,015

### Program Scope and Functional Description

In support of the ERO, 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.

### 2015 Key Assumptions

The SAIS Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst SAIS Program includes the following unique regional assumption:

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

### 2015 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 the U.S. Department of Homeland Security (U.S. DHS).
- Support/Oversee ReliabilityFirst Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-011)
  - 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 and will promote the use of this messaging system for exchange of security-related information.
- Monitor the Health of the BES
  - The use of situation awareness tools by staff has been evolving over the last few years. 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, ReliabilityFirst 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.

- In 2012, the ReliabilityFirst Board of Directors approved the implementation of a full Disaster Recovery site. In 2014, ReliabilityFirst relocated its corporate offices and, at the same time, moved its data center to a separate colocation facility. Due to the increased redundancy of support functions (electric power, data communications facilities, etc.) the Board of Directors directed staff to revisit the need for a Disaster Recovery site. ReliabilityFirst is researching the need for, and options associated with, Disaster Recovery and will communicate with the Board of Directors when that research is complete.
- 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-011). 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-011).

## **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 Situation Awareness and Infrastructure Security Program is a delegated function.

### **Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2015 are budgeted for 0.50 FTE for this program area, a decrease of 0.10 FTE from 2014. This change is a result of reallocating staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.

### **Meeting Expenses**

- Meeting expenses decreased due to the plan to hold meetings at entity facilities and ReliabilityFirst's corporate office.

### **Operating Expense**

- Consultants and contracts increased due to the planned vulnerability and penetration testing of ReliabilityFirst's electronic infrastructure to ensure the company's compliance with CIP Standards.
- Depreciation expense decreased due to the transfer of an asset and its depreciation expense to the General and Administrative Program, therefore there is no depreciation expense for this budget year.

### **Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2015. This method of accounting results in a decrease compared to 2014 as a result of the reallocation of 0.10 FTE to the Reliability Assurance and Compliance Monitoring Program.

### **Other Non-Operating Expenses**

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

### **Fixed Assets**

- There are no fixed asset additions expected for this budget year.
- Depreciation expense decreased due to the transfer of an asset and its depreciation expense to the General and Administrative Program, therefore there is no depreciation expense 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 table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 232,251	\$ 232,251	\$ -	\$ 260,696	\$ 28,445
Penalty Sanctions	14,246	14,246	-	4,948	(9,298)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 246,497</b>	<b>\$ 246,497</b>	<b>\$ -</b>	<b>\$ 265,644</b>	<b>\$ 19,147</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	12,554	12,554	868	868
<b>Total Funding</b>	<b>\$ 246,497</b>	<b>\$ 259,051</b>	<b>\$ 12,554</b>	<b>\$ 266,512</b>	<b>\$ 20,015</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 123,160	\$ 120,096	\$ (3,064)	\$ 106,160	\$ (17,000)
Payroll Taxes	6,112	6,468	356	5,276	(836)
Benefits	7,265	6,521	(744)	7,958	693
Retirement Costs	19,593	20,635	1,042	16,899	(2,694)
<b>Total Personnel Expenses</b>	<b>\$ 156,130</b>	<b>\$ 153,720</b>	<b>\$ (2,410)</b>	<b>\$ 136,293</b>	<b>\$ (19,837)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 7,000	\$ 11,578	\$ 4,578	\$ 2,400	\$ (4,600)
Travel	25,000	25,000	-	19,500	(5,500)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 32,000</b>	<b>\$ 36,578</b>	<b>\$ 4,578</b>	<b>\$ 21,900</b>	<b>\$ (10,100)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 8,000	\$ 8,000	\$ 60,000	\$ 60,000
Office Rent	-	-	-	-	-
Office Costs	3,036	1,990	(1,046)	2,185	(851)
Professional Services	-	-	-	-	-
Miscellaneous	848	67	(781)	-	(848)
Depreciation	425	142	(283)	-	(425)
<b>Total Operating Expenses</b>	<b>\$ 4,309</b>	<b>\$ 10,199</b>	<b>\$ 5,890</b>	<b>\$ 62,185</b>	<b>\$ 57,876</b>
<b>Total Direct Expenses</b>	<b>\$ 192,439</b>	<b>\$ 200,497</b>	<b>\$ 8,058</b>	<b>\$ 220,378</b>	<b>\$ 27,939</b>
<b>Indirect Expenses</b>	<b>\$ 55,743</b>	<b>\$ 52,604</b>	<b>\$ (3,139)</b>	<b>\$ 47,996</b>	<b>\$ (7,747)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 248,182</b>	<b>\$ 253,101</b>	<b>\$ 4,919</b>	<b>\$ 268,374</b>	<b>\$ 20,192</b>
<b>Change in Assets</b>	<b>\$ (1,685)</b>	<b>\$ 5,950</b>	<b>\$ 7,635</b>	<b>\$ (1,862)</b>	<b>\$ (177)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (425)	\$ (142)	\$ 283	\$ -	\$ 425
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (425)	\$ (142)	\$ 283	\$ -	\$ 425
Allocation of Fixed Assets	\$ (1,260)	\$ 10,527	11,787	\$ (1,862)	\$ (602)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (1,685)</b>	<b>\$ 10,385</b>	<b>\$ 12,070</b>	<b>\$ (1,862)</b>	<b>\$ (177)</b>
<b>Total Budget</b>	<b>\$ 246,497</b>	<b>\$ 263,486</b>	<b>\$ 16,989</b>	<b>\$ 266,512</b>	<b>\$ 20,015</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ (4,435)</b>	<b>\$ (4,435)</b>	<b>\$ -</b>	<b>\$ -</b>

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	14.80	14.60	(0.20)
Total Direct Expenses	\$ 5,314,135	\$ 5,529,178	\$ 215,043
Inc(Dec) in Fixed Assets	\$ (120,099)	\$ (214,535)	\$ (94,436)
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 5,194,036	\$ 5,314,643	\$ 120,607
Funding Requirements for Working Capital Requirement	\$ (1,545,284)	\$ 627,134	\$ 2,172,418

### Program Scope and Functional Description

Administrative Services is comprised of the following programs: 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.

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.30	3.00	(0.30)
Total Direct Expenses	\$ 2,401,885	\$ 2,435,993	\$ 34,108
Inc(Dec) in Fixed Assets	\$ (41,920)	\$ (121,003)	\$ (79,083)
Working Capital Requirement	\$ (1,545,284)	\$ 627,134	\$ 2,172,418

### Program Scope and Functional Description

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

### 2015 Key Assumptions & Deliverables

The General and Administrative Program incorporates the regional specific common business planning assumptions as described in the Electric Reliability Organization Enterprise Strategic Plan 2014-2017 and the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. There are no additional assumptions or deliverables unique to the ReliabilityFirst General and Administrative Program.



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

- The increase or decrease in ERO Assessments to achieve the desired working capital reserve balance, and transactions recorded only on the Statement of Financial Position, including true-up of current versus non-current deferred rent obligations are reflected in the General and Administrative Program.

**Personnel Expenses**

- Salaries, Payroll Taxes, Benefits, and Retirement Costs for 2015 are budgeted for 3 FTEs for this program area, a decrease of 0.30 FTE from 2014. This change is a result of reallocating staff to the Reliability Assurance and Compliance Monitoring Program to support the reorganization that is necessary to advance the Reliability Assurance initiatives.
- Benefits increased due to a variance in Medical Insurance. Medical Insurance increased due to an estimated 12% increase in the insurance rates.

**Meeting Expenses**

- Meeting and Travel expenses decreased due to the plan to hold one board meeting at an entity facility and three board meetings at the ReliabilityFirst corporate office.

**Operating Expense**

- Office rent increased due to the costs associated with the new office.
- Professional services decreased as a result of budgeting for commercial insurance within the Human Resources program, instead of the General and Administrative program.
- Depreciation expense directly correlates to current and prior year fixed asset activities. As a result of the fixed assets purchased for the 2014 office relocation, depreciation expense is expected to increase.

**Indirect Expenses**

- Expenses related to Administrative Services, including General and Administrative have been allocated proportionately based on FTE count to the direct programs for 2015.

**Other Non-Operating Expenses**

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

**Fixed Assets**

- Fixed assets increased due to the planned purchase of new office furniture.
- Depreciation expense directly correlates to current and prior year fixed asset activities. As a result of the fixed assets purchased for the 2014 office relocation, depreciation expense is expected to increase.

## General and Administrative Program

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

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>General and Administrative</b>					
			Variance		Variance
			2014 Projection		2015 Budget
	2014 Budget	2014 Projection	v 2014 Budget Over(Under)	2015 Budget	v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ (1,545,284)	\$ (1,545,284)	\$ -	\$ 627,134	\$ 2,172,418
Penalty Sanctions				-	
<b>Total ReliabilityFirst Funding</b>	<b>\$ (1,545,284)</b>	<b>\$ (1,545,284)</b>	<b>\$ -</b>	<b>\$ 627,134</b>	<b>\$ 2,172,418</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	0	-	-	-
<b>Total Funding</b>	<b>\$ (1,545,284)</b>	<b>\$ (1,545,284)</b>	<b>\$ -</b>	<b>\$ 627,134</b>	<b>\$ 2,172,418</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,134,062	\$ 1,101,123	\$ (32,939)	\$ 1,104,339	\$ (29,723)
Payroll Taxes	46,893	31,584	(15,309)	32,866	(14,027)
Benefits	68,963	69,952	989	71,682	2,719
Retirement Costs	155,262	170,276	15,014	149,943	(5,319)
<b>Total Personnel Expenses</b>	<b>\$ 1,405,180</b>	<b>\$ 1,372,935</b>	<b>\$ (32,245)</b>	<b>\$ 1,358,830</b>	<b>\$ (46,350)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 47,500	\$ 45,552	\$ (1,948)	\$ 32,800	\$ (14,700)
Travel	57,500	53,314	(4,186)	46,500	(11,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 105,000</b>	<b>\$ 98,866</b>	<b>\$ (6,134)</b>	<b>\$ 79,300</b>	<b>\$ (25,700)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 59,500	\$ 58,644	\$ (856)	\$ 56,000	\$ (3,500)
Office Rent	404,952	770,017	365,065	477,530	72,578
Office Costs	71,057	146,077	75,020	65,614	(5,443)
Professional Services	302,400	306,177	3,777	227,750	(74,650)
Miscellaneous	11,876	12,061	185	9,966	(1,910)
Depreciation	41,920	164,918	122,998	161,003	119,083
<b>Total Operating Expenses</b>	<b>\$ 891,705</b>	<b>\$ 1,457,894</b>	<b>\$ 566,189</b>	<b>\$ 997,863</b>	<b>\$ 106,158</b>
<b>Total Direct Expenses</b>	<b>\$ 2,401,885</b>	<b>\$ 2,929,695</b>	<b>\$ 527,810</b>	<b>\$ 2,435,993</b>	<b>\$ 34,108</b>
<b>Indirect Expenses</b>	<b>\$ (2,401,885)</b>	<b>\$ (2,971,127)</b>	<b>\$ (569,242)</b>	<b>\$ (2,435,993)</b>	<b>\$ (34,108)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ 41,431</b>	<b>\$ 41,431</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ (1,545,284)</b>	<b>\$ (1,545,284)</b>	<b>\$ -</b>	<b>\$ 627,134</b>	<b>\$ 2,172,418</b>
<b>Fixed Assets</b>					
Depreciation	\$ (41,920)	\$ (164,918)	\$ (122,998)	\$ (161,003)	\$ (119,083)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	123,701	123,701	40,000	40,000
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	1,337,374	1,337,374	-	-
	\$ (41,920)	\$ 1,296,157	\$ 1,338,077	\$ (121,003)	\$ (79,083)
Allocation of Fixed Assets	\$ 41,920	\$ (1,296,157)	(1,338,077)	\$ 121,003	\$ 79,083
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Total Change in Working Capital</b>	<b>\$ (1,545,284)</b>	<b>\$ (1,545,284)</b>	<b>\$ -</b>	<b>\$ 627,134</b>	<b>\$ 2,172,418</b>

## Legal and Regulatory Affairs

<b>Legal and Regulatory Affairs</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.00	2.00	0.00
Total Direct Expenses	\$ 634,132	\$ 708,440	\$ 74,308
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; Corporate Secretary; working with FERC, NERC, industry, and other entities or individuals on specific issues relating to ReliabilityFirst and/or the 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.

### 2015 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Legal and Regulatory Affairs Program includes the following unique regional assumption:

1. The Legal and Regulatory Affairs Program will provide legal support and perform the Corporate Secretary function for the Board of Directors and support the governance needs of the organization.
2. The Legal and Regulatory Affairs Program provides legal support to all other programs to ensure those programs and their actions are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.
3. 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.

4. The Legal and Regulatory Affairs Program will continue to lead interactions with the Commission, NERC, state utility commissions, and other governmental agencies, as well as public external communications, regarding ReliabilityFirst and its mission.

**2015 Key Deliverables**

- Support all legal and regulatory needs of the corporation.

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

- Salaries, Payroll Taxes, Benefits, and Retirement Costs for 2015 are budgeted for 2 FTEs for this program area, consistent with 2014. Therefore, with no change in FTEs the increase is mainly due to the additional expenses to retain qualified staff, and a promotion that was received in 2014, that was not included in the 2014 budget.

**Meeting Expenses**

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

**Operating Expense**

- Operating expenses remained consistent.

**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 2015.

**Other Non-Operating Expenses**

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

**Fixed Assets**

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

## Legal and Regulatory Program

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

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Legal and Regulatory Affairs</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 399,449	\$ 424,395	\$ 24,946	\$ 461,191	\$ 61,742
Payroll Taxes	20,114	20,757	643	21,115	1,001
Benefits	28,452	27,044	(1,408)	32,017	3,565
Retirement Costs	62,462	72,712	10,250	67,743	5,281
<b>Total Personnel Expenses</b>	<b>\$ 510,477</b>	<b>\$ 544,908</b>	<b>\$ 34,431</b>	<b>\$ 582,066</b>	<b>\$ 71,589</b>
<b>Meeting Expenses</b>					
Meetings	-	501	501	750	750
Travel	38,000	30,000	(8,000)	42,000	4,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 38,000</b>	<b>\$ 30,501</b>	<b>\$ (7,499)</b>	<b>\$ 42,750</b>	<b>\$ 4,750</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 5,000	\$ 8,000	\$ 3,000	\$ 5,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	15,655	10,896	(4,759)	13,624	(2,031)
Professional Services	65,000	65,000	-	65,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 85,655</b>	<b>\$ 83,896</b>	<b>\$ (1,759)</b>	<b>\$ 83,624</b>	<b>\$ (2,031)</b>
<b>Total Direct Expenses</b>	<b>\$ 634,132</b>	<b>\$ 659,305</b>	<b>\$ 25,173</b>	<b>\$ 708,440</b>	<b>\$ 74,308</b>
<b>Indirect Expenses</b>	<b>\$ (634,132)</b>	<b>\$ (659,305)</b>	<b>\$ (25,173)</b>	<b>\$ (708,440)</b>	<b>\$ (74,308)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.00	5.00	0.00
Total Direct Expenses	\$ 1,513,858	\$ 1,367,130	\$ (146,728)
Inc(Dec) in Fixed Assets	\$ (75,583)	\$ (115,835)	\$ (40,252)

### 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 (Local/Remote)
- Website Hosting
- VOIP Phone System
- Voice Conferencing (outsource)
- Web Conferencing (outsource)
- Email
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management
- Desktop Support
- Telecommuter Support
- Application Support and Development
- Business Analysis
- Information Security Awareness and Monitoring
- Business Continuity and Disaster Recovery

ReliabilityFirst will continue to support NERC in the implementation of centralized enterprise IT applications, from refining existing strategies, governance and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, and the development of software and data systems that support both NERC and Regional Entity operations. NERC's business plan and budget will



include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise application funding will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. ReliabilityFirst has included appropriate funding for applications and supporting systems necessary to satisfy our business needs that are not within the mutually agreed upon scope of the ERO Enterprise applications funded by NERC.

### **2015 Key Assumptions**

The IT Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document, specifically the support for building and implementing centralized enterprise applications for the ERO. 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. Maintain lower fixed asset costs (infrastructure servers) by extending useful life of these systems, therefore minimizing replacement costs.
4. Continue to improve departmental processes and efficiencies where automation is needed.
5. Continue departmental training exercises for implemented technologies in order to maintain proficiency.

### **2015 Key Deliverables**

- Perform necessary software upgrades including, but not limited to, the upgrade of various workstation and server applications and targeted server operating systems.
- Continue hardware preventative maintenance program to replace aging hardware before end-of-life affects organizational productivity. In 2015, a portion of the infrastructure servers are scheduled to be replaced. Warranty coverage on remaining 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 workplace vulnerabilities. Vulnerability Assessment is scheduled to occur in 2015.
- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

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

- Salaries, Payroll Taxes, Benefits, and Retirement Costs for 2015 are budgeted for 5 FTEs for this program area, consistent with 2014. Therefore, with no change in FTEs the decrease is due to a vacant position that is budgeted at a lower compensation level.
- Benefits increased due to an increase in employee training in 2015.

**Meeting Expenses**

- Meeting expenses remained consistent.

**Operating Expense**

- Office Rent decreased due to the actual cost of outsourcing the data center being lower than originally expected.
- Office Costs decreased due to the termination of the large capacity phone line and the completion of the contract relating to the high bandwidth data line.
- Depreciation expense directly correlates to current and prior year fixed asset activities. As a result of the fixed assets purchased for the 2014 office and data center relocation, depreciation expense is expected to increase.

**Indirect Expenses**

- Expenses related to Administrative Services, including Information Technology, have been allocated proportionately based on FTE count to the direct programs for 2015.

**Other Non-Operating Expenses**

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

**Fixed Assets**

- Fixed Assets increased due to the scheduled replacement of aging servers and the purchase of the latest version of software to be installed on these new servers.
- Depreciation expense directly correlates to current and prior year fixed asset activities. As a result of the fixed assets purchased for the 2014 office and data center relocation, depreciation expense is expected to increase.

## Information Technology Program

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

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Information Technology</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 541,390	\$ 477,098	\$ (64,292)	\$ 504,653	\$ (36,737)
Payroll Taxes	38,462	35,103	(3,359)	37,227	(1,235)
Benefits	89,227	72,139	(17,088)	106,396	17,169
Retirement Costs	86,074	83,916	(2,158)	80,521	(5,553)
<b>Total Personnel Expenses</b>	<b>\$ 755,153</b>	<b>\$ 668,256</b>	<b>\$ (86,897)</b>	<b>\$ 728,797</b>	<b>\$ (26,356)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 720	\$ 720	\$ -	\$ 1,200	\$ 480
Travel	11,000	6,632	(4,368)	10,000	(1,000)
Conference Calls	38,400	38,400	0	40,800	2,400
<b>Total Meeting Expenses</b>	<b>\$ 50,120</b>	<b>\$ 45,752</b>	<b>\$ (4,368)</b>	<b>\$ 52,000</b>	<b>\$ 1,880</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 22,000	\$ 22,000	\$ (0)	\$ 26,000	\$ 4,000
Office Rent	100,000	41,031	(58,969)	70,800	(29,200)
Office Costs	432,002	419,065	(12,937)	261,898	(170,104)
Professional Services	-	-	-	-	-
Miscellaneous	-	2,479	2,479	1,800	1,800
Depreciation	154,583	239,948	85,365	225,835	71,252
<b>Total Operating Expenses</b>	<b>\$ 708,585</b>	<b>\$ 724,523</b>	<b>\$ 15,938</b>	<b>\$ 586,333</b>	<b>\$ (122,252)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,513,858</b>	<b>\$ 1,438,531</b>	<b>\$ (75,327)</b>	<b>\$ 1,367,130</b>	<b>\$ (146,728)</b>
<b>Indirect Expenses</b>	<b>\$ (1,513,858)</b>	<b>\$ (1,438,531)</b>	<b>\$ 75,327</b>	<b>\$ (1,367,130)</b>	<b>\$ 146,728</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Depreciation	\$ (154,583)	\$ (239,948)	\$ (85,365)	\$ (225,835)	\$ (71,252)
Computer & Software CapEx	79,000	159,122	80,122	110,000	31,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<b>\$ (75,583)</b>	<b>\$ (80,826)</b>	<b>\$ (5,243)</b>	<b>\$ (115,835)</b>	<b>\$ (40,252)</b>
Allocation of Fixed Assets	\$ 75,583	\$ 80,826	5,243	115,835	\$ 40,252
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

## Human Resources

<b>Human Resources</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.00	3.00	0.00
Total Direct Expenses	\$ 514,231	\$ 763,728	\$ 249,497
Inc(Dec) in Fixed Assets	\$ (799)	\$ 23,201	\$ 24,000

### 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 with federal and state employment laws covering five (5) states and the respective reporting requirements for each.

In 2015, ReliabilityFirst will maintain its staff of 73 individuals including two part-time positions equaling one (1) FTE, which brings the total to an equivalent of 72.2 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.

### 2015 Key Assumptions

The Human Resource Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Human Resource Program.

### 2015 Key Deliverables

- Recruit highly skilled and excellent employees.
- Provide training programs and career development.
  - Beginning in 2013, ReliabilityFirst began conducting an entire week of training for staff directed at providing cost-effective training. ReliabilityFirst will continue this training in 2015. The training topics are selected to

improve the knowledge of staff in areas relevant to staff members' functions and strategic business initiatives as specified in our Strategic Plan.

- Review and manage employee benefits.
- Review succession plans.

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## Funding Sources and Requirements — Explanation of Variance

### Personnel Expenses

- Salaries, Payroll Taxes, Benefits, and Retirement Costs for 2015 are budgeted for 3 FTEs for this program area, consistent with 2014. Therefore, with no change in FTEs the increase is due to a promotion that was received in 2014, that was not included in the 2014 budget; and budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.
- Benefits increased due to the training costs associated with the annual week of corporate training and education for the entire staff, along with workers compensation insurance now being budgeted in the Human Resources Program instead of allocating it to the individual programs.
- Retirement costs increased due to administrative costs relating to the management of the company's retirement plans.

### Meeting Expenses

- Travel expenses decreased due to the plan to hold one board meeting at an entity facility and three board meetings at the ReliabilityFirst corporate office.

### Operating Expense

- Consultants & Contracts increased due to a compensation and benefits analysis that is planned to be performed, along with budgeting for recruitment services to assist with filling the vacant technical positions.
- Professional Services increased due to the addition of the commercial insurance premiums that were previously budgeted for in the General & Administrative Program.
- Depreciation expense directly correlates to current and prior year fixed asset activities. As a result of the increase in budgeted fixed asset purchases depreciation expense is increasing.

### Indirect Expenses

- Expenses related to Administrative Services, including Human Resources, have been allocated proportionately based on FTE count to the direct programs for 2015.

### Other Non-Operating Expenses

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

### Fixed Assets

- Fixed Assets increased due to budgeting for a Human Resources Information System.
- Depreciation expense directly correlates to current and prior year fixed asset activities. As a result of the increase in budgeted fixed asset purchases depreciation expense is increasing.



## Human Resources Program

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

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Human Resources</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 250,049	\$ 276,968	\$ 26,919	\$ 274,648	\$ 24,599
Payroll Taxes	18,989	20,536	1,547	20,019	1,030
Benefits	103,512	117,857	14,345	181,893	78,381
Retirement Costs	46,682	98,326	51,644	101,388	54,706
<b>Total Personnel Expenses</b>	<b>\$ 419,232</b>	<b>\$ 513,687</b>	<b>\$ 94,455</b>	<b>\$ 577,948</b>	<b>\$ 158,716</b>
<b>Meeting Expenses</b>					
Meetings	\$ 17,030	\$ 25,806	\$ 8,776	\$ 17,800	\$ 770
Travel	9,000	9,000	-	5,400	(3,600)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 26,030</b>	<b>\$ 34,806</b>	<b>\$ 8,776</b>	<b>\$ 23,200</b>	<b>\$ (2,830)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 10,000	\$ 91,891	\$ 81,891	\$ 18,000	\$ 8,000
Office Rent	-	-	-	-	-
Office Costs	4,428	4,522	94	3,660	(768)
Professional Services	34,832	34,634	(198)	117,721	82,889
Miscellaneous	18,910	18,223	(687)	16,400	(2,510)
Depreciation	799	799	(0)	6,799	6,000
<b>Total Operating Expenses</b>	<b>\$ 68,969</b>	<b>\$ 150,069</b>	<b>\$ 81,100</b>	<b>\$ 162,580</b>	<b>\$ 93,611</b>
<b>Total Direct Expenses</b>	<b>\$ 514,231</b>	<b>\$ 698,561</b>	<b>\$ 184,330</b>	<b>\$ 763,728</b>	<b>\$ 249,497</b>
<b>Indirect Expenses</b>	<b>\$ (514,231)</b>	<b>\$ (698,561)</b>	<b>\$ (184,330)</b>	<b>\$ (763,728)</b>	<b>\$ (249,497)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (799)	\$ (799)	\$ 0	\$ (6,799)	\$ (6,000)
Computer & Software CapEx	-	-	-	30,000	30,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<b>\$ (799)</b>	<b>\$ (799)</b>	<b>\$ 0</b>	<b>\$ 23,201</b>	<b>\$ 24,000</b>
Allocation of Fixed Assets	\$ 799	\$ 799	\$ (0)	\$ (23,201)	\$ (24,000)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Finance and Accounting

<b>Finance and Accounting</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.50	1.60	0.10
Total Direct Expenses	\$ 250,029	\$ 253,887	\$ 3,858
Inc(Dec) in Fixed Assets	\$ (1,797)	\$ (898)	\$ 899

### 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 Generally Accepted Accounting Principles;
- 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.

### 2015 Key Assumptions

The Accounting and Finance Program incorporates the regional specific common business planning assumptions as described in the ERO Enterprise 2014 – 2017 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the Finance and Accounting Program.

**2015 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 will 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 2015 are budgeted for 1.60 FTEs for this program area, consistent with 2014. 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**

- Travel expenses decreased due to the plan to hold one board meeting at an entity facility and three board meetings at the ReliabilityFirst corporate office.

### **Operating Expense**

- Operating Expenses remained consistent.

### **Indirect Expenses**

- Expenses related to Administrative Services, including Finance and Accounting, have been allocated proportionately based on FTE count to the direct programs for 2015.

### **Other Non-Operating Expenses**

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

### **Fixed Assets**

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

## Finance and Accounting Program

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

<b>Statement of Activities and Capital Expenditures</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Finance and Accounting</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 128,182	\$ 165,225	\$ 37,043	\$ 131,783	\$ 3,601
Payroll Taxes	10,136	12,951	2,815	10,549	413
Benefits	23,850	19,726	(4,124)	25,535	1,685
Retirement Costs	20,461	27,778	7,317	21,083	622
<b>Total Personnel Expenses</b>	<b>\$ 182,629</b>	<b>\$ 225,680</b>	<b>\$ 43,051</b>	<b>\$ 188,950</b>	<b>\$ 6,321</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	6,000	4,338	(1,662)	4,000	(2,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 6,000</b>	<b>\$ 4,338</b>	<b>\$ (1,662)</b>	<b>\$ 4,000</b>	<b>\$ (2,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	16,103	10,025	(6,078)	14,939	(1,164)
Professional Services	43,500	50,625	7,125	45,100	1,600
Miscellaneous	-	-	-	-	-
Depreciation	1,797	\$ 1,797	(0)	898	(899)
<b>Total Operating Expenses</b>	<b>\$ 61,400</b>	<b>\$ 62,447</b>	<b>\$ 1,047</b>	<b>\$ 60,937</b>	<b>\$ (463)</b>
<b>Total Direct Expenses</b>	<b>\$ 250,029</b>	<b>\$ 292,465</b>	<b>\$ 42,436</b>	<b>\$ 253,887</b>	<b>\$ 3,858</b>
<b>Indirect Expenses</b>	<b>\$ (250,029)</b>	<b>\$ (292,465)</b>	<b>\$ (42,436)</b>	<b>\$ (253,887)</b>	<b>\$ (3,858)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Depreciation	\$ (1,797)	\$ (1,797)	\$ 0	\$ (898)	\$ 899
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<b>\$ (1,797)</b>	<b>\$ (1,797)</b>	<b>\$ 0</b>	<b>\$ (898)</b>	<b>\$ 899</b>
Allocation of Fixed Assets	\$ 1,797	\$ 1,797	(0)	\$ 898	\$ (899)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

## **Section B – Supplemental Financial Information**

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

Working Capital Reserve Analysis 2014-2015	
STATUTORY	
<b>Beginning Working Capital Reserve, December 31, 2013 Per Audited Financial Statements</b>	4,010,315
Less: Temporarily Restricted Funds as of December 31, 2013	(1,843,133)
Plus: Penalty Funds Released from Restriction January 1, 2014	1,358,133
Plus: 2014 ReliabilityFirst Funding (from LSEs or designees)	15,159,785
Plus: 2014 Other funding sources <sup>1</sup>	1,446,172
Less: 2014 Projected expenses & capital expenditures <sup>2</sup>	(19,718,605)
Other Adjustments to Reserves <sup>3</sup>	(131,728)
<b>Projected Working Capital Reserve, December 31, 2014</b>	<b>280,940</b>
Desired Operating Reserve, December 31, 2015 <sup>4</sup>	750,000
Less: Projected Working Capital Reserve, December 31, 2014	(280,940)
<b>Increase/(Decrease) in Assessments to Achieve Desired Operating Reserve</b>	<b>469,060</b>
2015 Expenses and Capital Expenditures	18,756,763
Less: Penalty Sanctions <sup>5</sup>	(570,000)
Less: Other Funding Sources <sup>6</sup>	(100,000)
Adjustment to achieve desired Operating Reserve	469,060
Other Adjustments to Reserve <sup>3</sup>	158,074
<b>2015 ReliabilityFirst Assessment</b>	<b>18,713,897</b>

<sup>1</sup> Includes relocation grant money from the City of Independence and lease incentives received from landlord.

<sup>2</sup> Includes 2014 budgeted expenses and expenditures associated with the office and data center relocation.

<sup>3</sup>

Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

<sup>4</sup> On April 25, 2014, the ReliabilityFirst Board of Directors approved a desired operating reserve of \$750,000.

<sup>5</sup> Represents penalty sanctions collected from July 1, 2013 to June 30, 2014.

<sup>6</sup> Includes relocation grant money from the City of Independence.

## 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. During the 2015 budgeting process, it was determined that the operating reserve fund would be \$750,000 for the year, with the intent to elevate it back to the historical \$1,000,000 in 2016, believed to be appropriate for our organization.

### Breakdown of Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures Tables (as seen on page 10) 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, 2013 and June 30, 2014	
Dates Received	Amount Received
Collected July 1, 2013 to December 31, 2013	420,000
Collected January 1, 2014 to June 30, 2014	150,000
<b>Total</b>	<b>570,000</b>

Penalty monies received between July 1, 2013 and June 30, 2014, are totaled above and are to be used to offset assessments in the 2015 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, 2014 through June 30, 2015 will be used to offset assessments in the 2016 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;
- Reliability Assurance and Compliance Monitoring;
- Enforcement Management;
- 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 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget
Interest Income	\$ -	\$ -	\$ -	\$ -
Miscellaneous Income	-	1,446,172	100,000	100,000
<b>Total Outside Funding</b>	<b>\$ -</b>	<b>\$ 1,446,172</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

**Explanation of Significant Variances – 2015 Budget versus 2014 Budget**

- The board has directed staff to invest in a low risk, low return cash portfolio to assure capital preservation, therefore no interest income has been budgeted in 2015.
- Miscellaneous Income includes relocation grant money that will be received from the City of Independence.

**Table B-4: Personnel Expenses**

Personnel Expenses	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 10,565,531	\$ 10,591,715	\$ 11,039,403	\$ 473,872	4.49%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	109,022	45,876	45,876	(63,146)	-57.92%
<b>Total Salaries</b>	<b>\$ 10,674,553</b>	<b>\$ 10,637,591</b>	<b>\$ 11,085,279</b>	<b>\$ 410,726</b>	<b>3.85%</b>
<b>Total Payroll Taxes</b>	<b>\$ 646,319</b>	<b>\$ 631,387</b>	<b>\$ 646,939</b>	<b>\$ 620</b>	<b>0.10%</b>
<b>Benefits</b>					
Workers Compensation	\$ 19,492	\$ 25,580	\$ 26,000	\$ 6,508	33.39%
Medical Insurance	1,096,713	1,018,220	1,277,315	180,602	16.47%
Life-LTD Insurance	88,706	88,302	93,328	4,622	5.21%
Education	184,750	188,698	249,910	65,160	35.27%
Relocation	16,000	6,000	20,000	4,000	25.00%
<b>Total Benefits</b>	<b>\$ 1,405,661</b>	<b>\$ 1,326,800</b>	<b>\$ 1,666,553</b>	<b>\$ 260,892</b>	<b>18.56%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 1,032,854	\$ 1,124,851	\$ 1,074,351	\$ 41,497	4.02%
Savings Plan	619,713	643,361	644,610	24,897	4.02%
Pension & Savings Admin	7,000	50,843	57,500	50,500	721.43%
<b>Total Retirement</b>	<b>\$ 1,659,567</b>	<b>\$ 1,819,055</b>	<b>\$ 1,776,461</b>	<b>\$ 116,894</b>	<b>7.04%</b>
<b>Total Personnel Costs</b>	<b>\$ 14,386,100</b>	<b>\$ 14,414,833</b>	<b>\$ 15,175,232</b>	<b>\$ 789,132</b>	<b>5.49%</b>
<b>FTEs</b>	<b>72.00</b>	<b>72.20</b>	<b>72.20</b>	<b>0.20</b>	<b>0.28%</b>
<b>Cost per FTE</b>					
Salaries	\$ 148,258	\$ 147,335	\$ 153,536	5,278	3.56%
Payroll Taxes	8,977	8,745	8,960	(16)	-0.18%
Benefits	19,523	18,377	23,082	3,559	18.23%
Retirement	23,050	25,195	24,605	1,555	6.75%
<b>Total Cost per FTE</b>	<b>\$ 199,807</b>	<b>\$ 199,651</b>	<b>\$ 210,183</b>	<b>\$ 10,376</b>	<b>5.19%</b>

**Explanation of Significant Variances – 2015 Budget versus 2014 Budget**

- The decrease in **Vacation Expense** is due the change in the company's vacation policy regarding the maximum annual carryover and the banked vacation.
- The increase in **Medical Insurance** is due to an estimated 12% increase in the insurance rates, along with updating budget numbers to accurately represent what medical packages employees are selecting (family, single, dual, etc.).
- The increase in **Education** is due to the increase costs associated with the annual week of corporate training and education for the entire staff.
- The increase in **Pension & Savings Admin** is due to administrative costs relating to the management of the company's retirement plans.

**Table B-5: Consultants and Contracts**

Consultants	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring	425,000	186,079	375,000	(50,000)	-11.76%
Enforcement Management	29,000	3,500	-	(29,000)	-100.00%
Reliability Assessment and Performance Analysis	77,097	91,155	80,734	3,637	4.72%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	8,000	60,000	60,000	
General and Administrative	59,500	58,644	56,000	(3,500)	-5.88%
Legal and Regulatory	5,000	8,000	5,000	-	0.00%
Information Technology	22,000	22,000	26,000	4,000	18.18%
Human Resources	10,000	91,891	18,000	8,000	80.00%
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 627,597</b>	<b>\$ 469,269</b>	<b>\$ 620,734</b>	<b>\$ (6,863)</b>	<b>-1.09%</b>

**Explanation of Significant Variances – 2015 Budget versus 2014 Budget**

- The decrease in **Reliability Assurance and Compliance Monitoring** is due to the process improvements and efficiency gains that are being achieved
- The decrease in **Enforcement Management** is due to not expecting to utilize contractors this budget year.
- The increase in **Situation Awareness and Infrastructure Security** is due to the planned vulnerability and penetration testing of ReliabilityFirst's electronic infrastructure to ensure the company's compliance with CIP Standards.
- The increase in **Human Resources** is due to a compensation and benefits analysis that is planned to be performed, along with budgeting for recruitment services to assist with filling the vacant technical positions.

**Table B-6: Office Rent**

Office Rent	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Office Rent	\$ 347,634	\$ 705,118	\$ 437,530	\$ 89,896	25.86%
Data Center Rent	100,000	41,031	70,800	(29,200)	-29.20%
Utilities	57,318	64,899	40,000	(17,318)	-30.21%
	-	-	-	-	-
<b>Total Office Rent</b>	<b>\$ 504,952</b>	<b>\$ 811,048</b>	<b>\$ 548,330</b>	<b>\$ 43,378</b>	<b>8.59%</b>

**Explanation of Significant Variances – 2015 Budget versus 2014 Budget**

- The increase in **Office Rent** is due to the costs associated with the new office.
- The decrease in the **Data Center Rent** is due to the actual cost of outsourcing the data center being lower than originally expected.
- The decrease in **Utilities** is due to the savings recognized by outsourcing the data center.

**Table B-7: Office Costs**

Office Costs	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Telephone	\$ 156,534	\$ 105,559	\$ 75,587	\$ (80,947)	-51.71%
Internet	168,124	134,888	36,545	(131,579)	-78.26%
Office Supplies	31,925	107,674	25,575	(6,350)	-19.89%
Computer Supplies and Maintenance	568,310	524,155	555,634	(12,676)	-2.23%
Publications & Subscriptions	17,903	7,319	14,691	(3,212)	-17.94%
Dues	16,712	10,968	18,617	1,905	11.40%
Postage	2,946	2,480	2,263	(683)	-23.19%
Express Shipping	2,830	1,083	1,540	(1,290)	-45.58%
Copying	14,000	14,379	13,680	(320)	-2.29%
Reports	-	-	600	600	
Stationary Forms	540	344	40	(500)	-92.59%
Equipment Repair/Service Contracts	960	1,816	1,704	744	77.50%
Bank Charges	500	165	-	(500)	-100.00%
<b>Total Office Costs</b>	<b>\$ 981,284</b>	<b>\$ 910,830</b>	<b>\$ 746,476</b>	<b>\$ (234,808)</b>	<b>-23.93%</b>

**Explanation of Significant Variances – 2015 Budget versus 2014 Budget**

- The decrease in **Telephone** is due to the termination of the large capacity phone line.
- The decrease in **Internet** is due to the completion of the contract relating to the high bandwidth data line.

**Table B-8: Professional Services**

Professional Services	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Independent Trustee Fees	\$ 225,900	\$ 223,331	\$ 227,750	\$ 1,850	0.82%
Outside Legal	80,000	85,259	65,000	(15,000)	-18.75%
Accounting & Auditing Fees	78,332	65,000	80,821	2,489	3.18%
Insurance Commercial	76,500	82,846	82,000	5,500	7.19%
				-	
<b>Total Services</b>	<b>\$ 460,732</b>	<b>\$ 456,436</b>	<b>\$ 455,571</b>	<b>\$ (5,161)</b>	<b>-1.12%</b>

**Explanation of Significant Variances – 2015 Budget versus 2014 Budget**

- The decrease in **Outside Legal** is due to the expiration and non-renewal of a retainer agreement for a hearing officer.

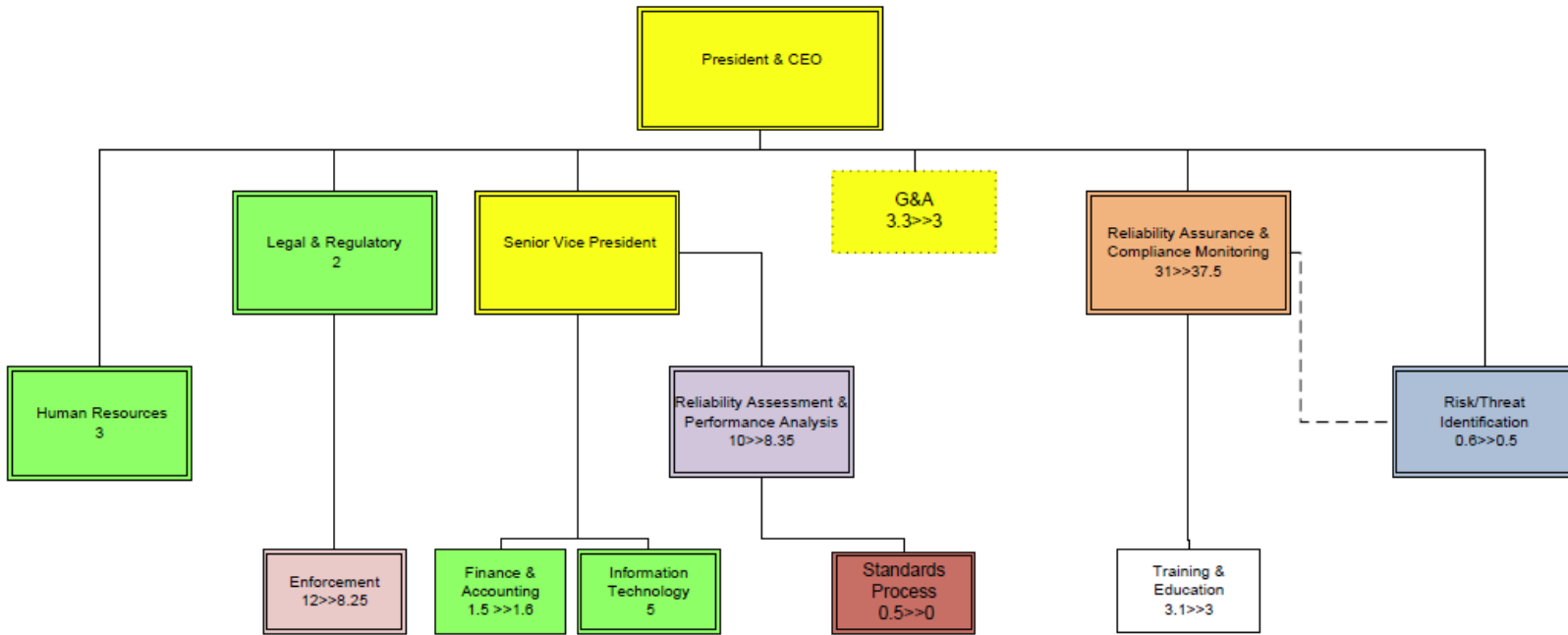
## **Section C – Non-Statutory Activities**

ReliabilityFirst performed only those functions delegated to it by the ERO in 2014 and the organization does not intend to perform any functions outside its ERO delegated activities in 2015, therefore Section C is not applicable.

## **Section D – Supplemental Information**



## Organizational Chart



## Statement of Financial Position

### Statement of Financial Position 2013 Audited, 2014 Projection, and 2015 Budget

#### STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-13	Projected 31-Dec-14	Budget 31-Dec-15
<b>ASSETS</b>			
Cash	7,060,030	4,350,011	4,977,145
Accounts receivable, net of allowance for uncollectible	164,055	-	-
Lease Incentives	855,301	-	-
Prepaid expenses and other current assets	424,736	424,736	424,736
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	1,308,999	2,439,900	2,619,900
Total Assets	<b>9,813,121</b>	<b>7,214,647</b>	<b>8,021,781</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable and accrued expenses	4,265,459	4,265,459	4,265,459
Deferred income	-	-	-
Regional assessments collected in advance	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Total Current Liabilities	<b>4,265,459</b>	<b>4,265,459</b>	<b>4,265,459</b>
Long Term Liabilities			
Accrued expenses	228,348	515,638	531,108
Deferred Rent	855,301	1,923,228	1,765,155
Total Long Term Liabilities	<b>1,083,649</b>	<b>2,438,866</b>	<b>2,296,262</b>
Net Assets - unrestricted	2,620,880	229,381	710,060
Net Assets - restricted	1,843,133	280,940	750,000
Total Liabilities and Net Assets	<b>9,813,121</b>	<b>7,214,646</b>	<b>8,021,781</b>

# 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)	Reliability Assurance and Compliance Monitoring	Enforcement Management	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
<b>Funding</b>															
<b>ReliabilityFirst Funding</b>															
ReliabilityFirst Assessments	18,713,897	18,713,897	-	18,713,897	(0)	12,289,925	2,050,561	2,561,379	924,202	260,696	627,134	-	-	-	-
Penalty Sanctions	570,000	570,000	-	570,000	-	371,094	81,641	82,630	29,688	4,948	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>19,283,897</b>	<b>19,283,897</b>	<b>-</b>	<b>19,283,897</b>	<b>(0)</b>	<b>12,661,018</b>	<b>2,132,202</b>	<b>2,644,009</b>	<b>953,890</b>	<b>265,644</b>	<b>627,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	100,000	100,000	-	100,000	-	65,104	14,323	14,497	5,208	868	-	-	-	-	-
<b>Total Funding</b>	<b>19,383,897</b>	<b>19,383,897</b>	<b>-</b>	<b>19,383,897</b>	<b>(0)</b>	<b>12,726,123</b>	<b>2,146,525</b>	<b>2,658,505</b>	<b>959,098</b>	<b>266,512</b>	<b>627,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	11,085,279	11,085,279	-	11,085,279	-	5,931,175	902,267	1,242,644	426,419	106,160	1,104,339	461,191	504,653	274,648	131,783
Payroll Taxes	646,939	646,939	-	646,939	-	350,077	64,104	76,842	28,864	5,276	32,866	21,115	37,227	20,019	10,549
Benefits	1,666,553	1,666,553	-	1,666,553	-	837,400	202,968	143,664	57,040	7,958	71,682	32,017	106,396	181,893	25,535
Retirement Costs	1,776,461	1,776,461	-	1,776,461	-	928,260	144,216	198,437	67,971	16,899	149,943	67,743	80,521	101,388	21,083
<b>Total Personnel Expenses</b>	<b>15,175,232</b>	<b>15,175,232</b>	<b>-</b>	<b>15,175,232</b>	<b>-</b>	<b>8,046,912</b>	<b>1,313,555</b>	<b>1,661,587</b>	<b>580,294</b>	<b>136,293</b>	<b>1,358,830</b>	<b>582,066</b>	<b>728,797</b>	<b>577,948</b>	<b>188,950</b>
<b>Meeting Expenses</b>															
Meetings	177,350	177,350	-	177,350	-	9,400	8,000	15,000	90,000	2,400	32,800	750	1,200	17,800	-
Travel	781,779	781,779	-	781,779	-	522,379	40,000	80,000	12,000	19,500	46,500	42,000	10,000	5,400	4,000
Conference Calls	40,800	40,800	-	40,800	-	-	-	-	-	-	-	-	40,800	-	-
<b>Total Meeting Expenses</b>	<b>999,929</b>	<b>999,929</b>	<b>-</b>	<b>999,929</b>	<b>-</b>	<b>531,779</b>	<b>48,000</b>	<b>95,000</b>	<b>102,000</b>	<b>21,900</b>	<b>79,300</b>	<b>42,750</b>	<b>52,000</b>	<b>23,200</b>	<b>4,000</b>
<b>Operating Expenses</b>															
Consultants & Contracts	620,734	620,734	-	620,734	-	375,000	-	80,734	-	60,000	56,000	5,000	26,000	18,000	-
Office Rent	548,330	548,330	-	548,330	-	-	-	-	-	477,530	-	70,800	-	-	-
Office Costs	746,476	746,476	-	746,476	(0)	310,613	23,258	50,686	-	2,185	65,614	13,624	261,898	3,660	14,939
Professional Services	455,571	455,571	-	455,571	-	-	-	-	-	-	227,750	65,000	-	117,721	45,100
Miscellaneous	30,491	30,491	-	30,491	-	1,765	500	60	-	-	9,966	-	1,800	16,400	-
Depreciation	421,106	421,106	-	421,106	-	26,571	-	-	-	-	161,003	-	225,835	6,799	898
<b>Total Operating Expenses</b>	<b>2,822,707</b>	<b>2,822,707</b>	<b>-</b>	<b>2,822,707</b>	<b>(0)</b>	<b>713,949</b>	<b>23,758</b>	<b>131,480</b>	<b>-</b>	<b>62,185</b>	<b>997,863</b>	<b>83,624</b>	<b>586,333</b>	<b>162,580</b>	<b>60,937</b>
<b>Total Direct Expenses</b>	<b>18,997,869</b>	<b>18,997,869</b>	<b>-</b>	<b>18,997,869</b>	<b>(0)</b>	<b>9,292,640</b>	<b>1,385,313</b>	<b>1,888,067</b>	<b>682,294</b>	<b>220,378</b>	<b>2,435,993</b>	<b>708,440</b>	<b>1,367,130</b>	<b>763,728</b>	<b>253,887</b>
Indirect Expenses	(0)	(0)	-	(0)	-	3,599,725	791,939	801,539	287,978	47,996	(2,435,993)	(708,440)	(1,367,130)	(763,728)	(253,887)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>18,997,869</b>	<b>18,997,869</b>	<b>-</b>	<b>18,997,869</b>	<b>(0)</b>	<b>12,892,365</b>	<b>2,177,253</b>	<b>2,689,606</b>	<b>970,272</b>	<b>268,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>386,028</b>	<b>386,028</b>	<b>-</b>	<b>386,028</b>	<b>-</b>	<b>(166,242)</b>	<b>(30,728)</b>	<b>(31,100)</b>	<b>(11,174)</b>	<b>(1,862)</b>	<b>627,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>															
Depreciation	(421,106)	(421,106)	-	(421,106)	-	(26,571)	-	-	-	-	(161,003)	-	(225,835)	(6,799)	(898)
Computer & Software CapEx	140,000	140,000	-	140,000	-	-	-	-	-	-	-	-	110,000	30,000	-
Furniture & Fixtures CapEx	40,000	40,000	-	40,000	-	-	-	-	-	-	40,000	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>(241,106)</b>	<b>(241,106)</b>	<b>-</b>	<b>(241,106)</b>	<b>-</b>	<b>(26,571)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(121,003)</b>	<b>-</b>	<b>(115,835)</b>	<b>23,201</b>	<b>(898)</b>
Allocation of Fixed Assets	-	-	-	-	-	(139,671)	(30,728)	(31,100)	(11,174)	(1,862)	121,003	-	115,835	(23,201)	898
<b>Inc/(Dec) Fixed Assets</b>	<b>(241,106)</b>	<b>(241,106)</b>	<b>-</b>	<b>(241,106)</b>	<b>-</b>	<b>(166,242)</b>	<b>(30,728)</b>	<b>(31,100)</b>	<b>(11,174)</b>	<b>(1,862)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Budget</b>	<b>18,756,763</b>	<b>18,756,763</b>	<b>-</b>	<b>18,756,763</b>	<b>(0)</b>	<b>12,726,123</b>	<b>2,146,525</b>	<b>2,658,505</b>	<b>959,098</b>	<b>266,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Working Capital</b>	<b>627,134</b>	<b>627,134</b>	<b>-</b>	<b>627,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>627,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>72.20</b>	<b>72.20</b>	<b>-</b>	<b>72.20</b>	<b>-</b>	<b>37.50</b>	<b>8.25</b>	<b>8.35</b>	<b>3.00</b>	<b>0.50</b>	<b>3.00</b>	<b>2.00</b>	<b>5.00</b>	<b>3.00</b>	<b>1.60</b>

## 2016 and 2017 Projections

Statement of Activities 2016 and 2017 Projections							
	2015 Budget	2016 Projection	\$ Change 15 v 16	% Change 15 v 16	2017 Projection	\$ Change 16 v 17	% Change 16 v 17
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 18,713,897	\$ 19,418,155	\$ 704,258	3.8%	\$ 20,094,739	\$ 676,584	3.5%
Penalty Sanctions	570,000	-	-570,000	-100%	-	-	
<b>Total ERO Funding</b>	<b>\$ 19,283,897</b>	<b>\$ 19,418,155</b>	<b>\$ 134,258</b>	<b>0.7%</b>	<b>\$ 20,094,739</b>	<b>\$ 676,584</b>	<b>3.5%</b>
Membership Dues	\$ -	\$ -	\$ -		\$ -	\$ -	
Federal Grants	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	-	-	-		-	-	
Miscellaneous	100,000	-	(100,000)	-100.0%	-	-	
<b>Total Funding</b>	<b>\$ 19,383,897</b>	<b>\$ 19,418,155</b>	<b>\$ 34,258</b>	<b>0.2%</b>	<b>\$ 20,094,739</b>	<b>\$ 676,584</b>	<b>3.5%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 11,085,279	\$ 11,425,650	\$ 340,371	3.1%	\$ 11,768,419	\$ 342,769	3.0%
Payroll Taxes	646,939	654,943	8,004	1.2%	662,870	7,927	1.2%
Benefits	1,666,553	1,824,084	157,531	9.5%	1,989,046	164,962	9.0%
Retirement Costs	1,776,461	1,836,779	60,318	3.4%	1,898,933	62,154	3.4%
<b>Total Personnel Expenses</b>	<b>\$ 15,175,232</b>	<b>\$ 15,741,456</b>	<b>\$ 566,224</b>	<b>3.7%</b>	<b>\$ 16,319,268</b>	<b>\$ 577,812</b>	<b>3.7%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 177,350	\$ 179,124	\$ 1,774	1.0%	\$ 180,915	\$ 1,791	1.0%
Travel	781,779	809,141	27,362	3.5%	837,461	28,320	3.5%
Conference Calls	40,800	43,248	2,448	6.0%	45,843	2,595	6.0%
<b>Total Meeting Expenses</b>	<b>\$ 999,929</b>	<b>\$ 1,031,513</b>	<b>\$ 31,584</b>	<b>3.2%</b>	<b>\$ 1,064,219</b>	<b>\$ 32,706</b>	<b>3.2%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 620,734	\$ 639,356	\$ 18,622	3.0%	\$ 658,536	\$ 19,181	3.0%
Office Rent	548,330	553,813	5,483	1.0%	559,351	5,538	1.0%
Office Costs	746,476	776,335	29,859	4.0%	807,388	31,053	4.0%
Professional Services	455,571	464,682	9,111	2.0%	473,976	9,294	2.0%
Miscellaneous	30,491	31,000	509	1.7%	32,000	1,000	3.2%
Depreciation	421,106	421,106	-	0.0%	421,106	-	0.0%
<b>Total Operating Expenses</b>	<b>2,822,707</b>	<b>2,886,292</b>	<b>63,585</b>	<b>2.3%</b>	<b>2,952,358</b>	<b>66,066</b>	<b>2.3%</b>
<b>Total Direct Expenses</b>	<b>\$ 18,997,869</b>	<b>\$ 19,659,261</b>	<b>\$ 661,393</b>	<b>3.5%</b>	<b>\$ 20,335,845</b>	<b>\$ 676,584</b>	<b>3.4%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ 18,997,869</b>	<b>\$ 19,659,261</b>	<b>\$ 661,393</b>	<b>3.5%</b>	<b>\$ 20,335,845</b>	<b>\$ 676,584</b>	<b>3.4%</b>
<b>Change in Assets</b>	<b>\$ 386,028</b>	<b>\$ (241,106)</b>	<b>\$ (627,134)</b>	<b>-162.5%</b>	<b>\$ (241,106)</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (421,106)	\$ (421,106)	\$ -	0.0%	\$ (421,106)	\$ -	0.0%
Computer & Software CapEx	140,000	140,000	-	0.0%	140,000	-	0.0%
Furniture & Fixtures CapEx	40,000	40,000	-	0.0%	40,000	-	0.0%
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	-	-		-	-	
	<b>\$ (241,106)</b>	<b>\$ (241,106)</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ (241,106)</b>	<b>\$ -</b>	<b>0.0%</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -	
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (241,106)</b>	<b>\$ (241,106)</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ (241,106)</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Budget</b>	<b>\$ 18,756,763</b>	<b>\$ 19,418,155</b>	<b>\$ 661,393</b>	<b>3.5%</b>	<b>\$ 20,094,739</b>	<b>\$ 676,584</b>	<b>3.5%</b>
<b>Change in Working Capital</b>	<b>\$ 627,134</b>	<b>\$ -</b>	<b>\$ (627,134)</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	

## Explanation of 2016 and 2017 Projections

ReliabilityFirst identified a range for its projected budget increases for 2016 and 2017. The projected range for 2016 is 3.5% to 6.8%; and for 2017 is 3.5% to 7.2%. (Note that ReliabilityFirst identified the lower end of the range in its “Statement of Activities – 2016 and 2017 Projections” on page 92.) ReliabilityFirst identified a range for its 2016 and 2017 projections to reflect both its baseline projections (the lower end of the range) and its projections of significant at-risk initiatives (the higher end of the range).

These at-risk initiatives primarily concern projected staffing needs to support increased internal work load to implement various initiatives currently under way or in consideration. They also concern the need to mature ReliabilityFirst’s document and data management capability and risk management applications. Below is an overview of each of these at-risk initiatives.

### Additional Staffing

- To effectively implement the Reliability Assurance Initiative, ReliabilityFirst projects that a small investment may be needed to increase regional staffing to yield significant savings for stakeholders. This staffing increase is intended to effectively reduce and otherwise shift the current administrative burden from the stakeholders to ReliabilityFirst. The staffing increase is intended to position ReliabilityFirst to perform meaningful internal control evaluations, entity development, risk management activities, and ensure ReliabilityFirst’s activities are focused on reliability.

### Fixed Asset Additions

- With eight years of accumulating significant amounts of documentation and data, the present documentation management tools need to be updated to assure improved controls, improved configuration management, and advanced data mining capabilities.
- Risk management software will enable more robust risk assessment capability in support of RAI activities.

The following is a breakdown of the projected budget ranges for 2016 and 2017.

### **2016 Lower Range Baseline: 3.5%**

- Personnel Expense: 3.7%
  - Salaries: 3%
  - Medical/Dental: 10%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 2.3%

**2016 Higher Range Increase to Address At-Risk Initiatives: 6.8%**

- Personnel Expense: 6.1%
  - Salaries: 3%
  - Hire 2 FTEs: RAI/Appraisal/Entity Development
  - Medical/Dental: 10%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 2.3%
- Fixed Asset Additions:
  - Document/Data Management Application: \$200,000
  - Risk Management Software: \$50,000

**2017 Lower Range Baseline: 3.5%**

- Personnel Expense: 3.7%
  - Salaries: 3%
  - Medical/Dental/Vision: 10%/8%/8%
  - Life Insurance: 5%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 2.3%

**2017 Higher Range Increase to Address At-Risk Initiatives: 7.2%**

- Personnel Expense: 7.2%
  - Salaries: 3%
  - Hire 3 FTEs: RAI/Appraisal/Entity Development
  - Medical/Dental/Vision: 10%/8%/8%
  - Life Insurance: 5%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 2.3%
- Fixed Asset Additions:
  - Document/Data Management Application: \$100,000
  - Risk Management Software: \$50,000