

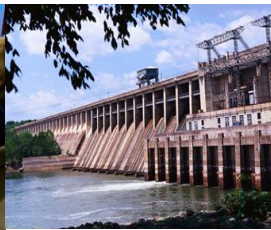


RELIABILITY FIRST

2015 Business Plan & Budget

May 21, 2014

Jill S. Lewton
Controller



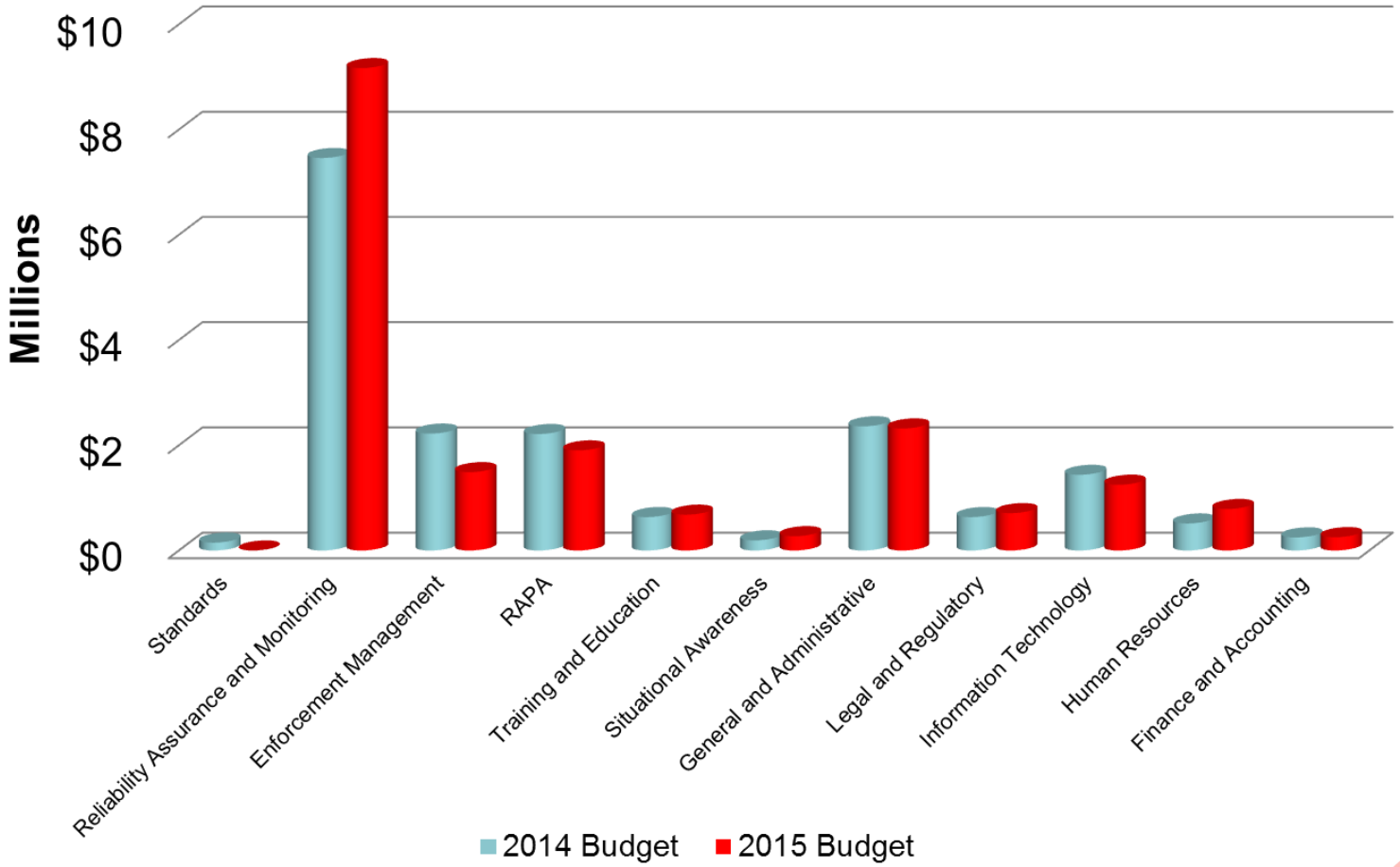
2015 Budget Overview

Total Budget:		\$18,756,763
Budget	3.84%	\$693,563
Personnel Expense	5.48%	\$789,132
Operating and Fixed Asset	(2.6%)	(\$95,569)

Total 2015 Assessment:		\$18,679,666
Assessment	23.22%	\$3,519,882



2015 Versus 2014 Cost Allocation by Program



2014 – 2015 Budget Comparison

	2015	2014	Variance	% Variance
Funding				
Assessments	18,521,592	15,159,785	3,361,807	22.18%
Penalties	495,000	1,358,133	(863,133)	-63.55%
Total Funding	19,016,592	16,517,918	2,498,674	15.13%
Expenses				
Personnel Expenses	15,175,232	14,386,100	789,132	5.49%
Meetings	177,350	149,980	27,370	18.25%
Travel	781,779	788,600	(6,821)	-0.86%
Conference Calls	40,800	38,400	2,400	6.25%
Consultants and Contracts	620,734	627,597	(6,863)	-1.09%
Office Rent	548,330	504,952	43,378	8.59%
Office Costs	746,476	981,284	(234,808)	-23.93%
Professional Services	455,571	460,732	(5,161)	-1.12%
Miscellaneous	30,491	34,555	(4,064)	-11.76%
Depreciation	-	319,433	(319,433)	-100.00%
Total Expenses	18,576,763	18,291,633	285,130	
Increase(Decrease) in Fixed Assets	180,000	(228,433)	408,433	-178.80%
Total Budget	18,756,763	18,063,200	693,563	3.84%
Change in Working Capital	259,829	(1,545,282)	1,805,111	-116.81%



Resource Adequacy

- **Conducted a manpower analysis**
- **72.2 FTEs are included in the 2015 budget**
- **With the process improvements and efficiency gains that are currently being experienced and expected to achieve, ReliabilityFirst is confident that the level of staffing is adequate to complete necessary tasks and to meet the obligations of the Regional Delegation Agreement.**



Staffing Allocation

2015 Staffing Allocation	2014 Budget Allocation	2015 Budget Allocation	Change
Reliability Standards	0.50	0.00	-0.50
Compliance, Reliability Assurance, and Registration and Certification	31.00	37.50	6.50
Enforcement	12.00	8.25	-3.75
Reliability Assessments and Performance Analysis	10.00	8.35	-1.65
Training & Education	3.10	3.00	-0.10
Situation Awareness & Infrastructure Security	0.60	0.50	-0.10
General & Administrative	3.30	3.00	-0.30
Legal & Regulatory	2.00	2.00	0.00
Information Technology	5.00	5.00	0.00
Human Resources	3.00	3.00	0.00
Finance & Accounting	1.50	1.60	0.10
FTEs	72.00	72.20	0.20
Headcount	73.00	73.20	0.20

- The staffing allocation reflects the reorganization necessary to advance the Reliability Assurance Initiatives
- No additional FTEs are being requested (the .2 increase reflects historical budgeted part time staff hours)



Efficiency & Controlling Costs

- **Improvement of compliance monitoring tools and processes**
 - MKinsight
 - Auditor handbook & checklist
 - Auditor competency guide
- **Developing a formal Configuration Management process**
- **Third party hosting of IT data center**



Process Improvements

- **Enforcement process improvements to enable immediate focus on violations upon identification**
- **Dedicated Risk Analysis and Mitigation Department, with team of dedicated SME's will streamline identification of issues**
- **Use of enforcement discretion to lessen focus on minimal risk issues with more focus on reliability issues**
- **Entity Development Department with information on risks and industry issues will drive outreach programs to be more focused on reliability**



Alignment with ERO

- **Support implementation of RAI concepts**
 - Audit scoping
 - ERO risk assessment methodology
 - Risk based decision making provides more focused monitoring on reliability issues
- **Support BES Definition Implementation**
- **Support CIP v5 implementation**
- **Support risk based registration activities**
- **Support centralized enterprise IT applications**



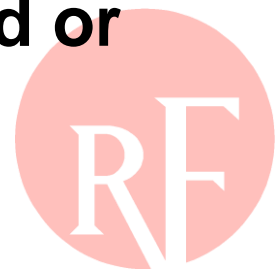
Working Capital

- **ReliabilityFirst's working capital requirement shall be the amount necessary to satisfy projected cash flow for daily operations**
- **Funds from unused budgeted expenditures may be reallocated to offset other expenditures throughout the year in accordance with internal controls**
- **The working capital internal controls are included in the "Statement of Policy and Procedure on the Working Capital and Operating Reserve" approved by the ReliabilityFirst board on May 23, 2013**



Operating Reserve

- It is the policy of ReliabilityFirst to maintain 10% of the budgeted year's expenses, or a minimum of \$1,000,000, as the Operating Reserve.
- This amount is determined and recommended for approval by our Audit Committee during the annual budget process.
- With the significant increase in the 2015 Assessment the ReliabilityFirst Board 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 historical \$1,000,000 in 2016.
- The Operating Reserve Fund is set aside each year with the intention of providing for unbudgeted or unexpected expenditures.





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Questions & Answers