



## **2015 Business Plan and Budget**

**Texas Reliability Entity, Inc.**

**Approved by Texas RE Board of Directors**

**Date**

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## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	2015 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
<b>Total FTEs</b>	65.00			
Statutory Expenses	\$ 12,152,761			
Non-Statutory Expenses	\$ 999,100			
<b>Total Expenses</b>	\$ 13,151,861			
Statutory Inc(Dec) in Fixed Assets	\$ (169,060)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (169,060)			
Statutory Working Capital Requirement	\$ (966,210)			
Non-Statutory Working Capital Requirement				
<b>Total Working Capital Requirement</b>	\$ (966,210)			
Total Statutory Funding Requirement	\$ 11,017,491			
Total Non-Statutory Funding Requirement	\$ 999,100			
<b>Total Funding Requirement</b>	\$ 12,016,591			
<b>Statutory Funding Assessments</b>	\$ 10,500,446			
<b>Non-Statutory Fees</b>	\$ 999,100			
NEL	332,698,379	332,698,379		
NEL%	100.00%	100.00%		

\*Refer to Table B-1 Reserve Analysis on page 51 in Section B.

## Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity and Reliability Monitor for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC). Texas RE's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC) in October 2010 for a five-year period beginning January 1, 2011. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, pursuant to its Agreement with the Public Utility Commission of Texas (PUCT) and Electric Reliability Council of Texas, Inc. (ERCOT) (the independent system operator for the ERCOT region), dated July 1, 2010 and subsequently amended. As the Reliability Monitor, Texas RE

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monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols, Operating Guides, and Texas rules (ERCOT Regional Rules).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the PUCT and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 85% of Texas load and 75% of the Texas land area.

## **Membership and Governance**

### **Members**

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE and complies with the Texas RE Bylaws requirements. Texas RE charges a nominal fee for membership, but the membership fee can be waived upon good cause shown. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has two stakeholder committees, the Member Representatives Committee (MRC) and the Reliability Standards Committee (RSC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, except for standards development issues, through its elected Chair and Vice Chair, who serve as directors. The RSC includes representatives from the six sectors described above, whether or not members of Texas RE, which may include any entity with a direct and material interest in the ERCOT region BPS. The RSC facilitates the Regional Standards Development Process, and coordinates the development of regional standards and variances with the development of national standards. A subcommittee of the RSC, the NERC Standards Review Subcommittee (NSRS), monitors, reviews, and discusses NERC (continent-wide) standards under development and standards interpretation requests.

### **Board of Directors**

Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine directors:

- The Texas RE President & Chief Executive Officer

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- Four Independent Directors (elected by membership)
  - Two Member Directors (the Chair and Vice-Chair of the Member Representatives Committee)
  - Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an ex officio non-voting member
  - Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an ex officio non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a chief executive officer to manage and be responsible for the day-to-day on-going activities of Texas RE.

### **Statutory Functional Scope**

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards (Standards), or modifications thereof, and facilitation of developing needed regional standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved Standards and regional standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promotion of effective training and education of personnel, and assistance in the certification of operating personnel.
- Promotion of situation awareness and the protection of critical infrastructure.

### **Financial Policies**

Texas RE has policies and procedures in place that address its overall financial management, including procurement, business expense reimbursement, and line of credit. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

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## 2015 Overview of Cost Impacts

In developing the Texas RE 2015 Business Plan and Budget, Texas RE, NERC, and the other Regional Entities collaborated and agreed upon common foundational and program assumptions which are contained in the [Shared Business Plan and Budget Assumptions for the 2014-2017 Planning Period \(2015 Budget Cycle\)](#). Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2015 Business Plan and Budget. Prior to obtaining final approval from its Board of Directors, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiative for the Electric Reliability Organization (ERO) Enterprise.

Overall, the Texas RE 2015 statutory expenses (\$12,152,761) increased by 1.3% over the 2014 statutory expenses (\$11,992,461).

The 2015 statutory assessment (\$10,500,466) represents a decrease from the 2014 assessment (\$10,509,308).

Significant statutory expense changes (including capital expenditures) include:

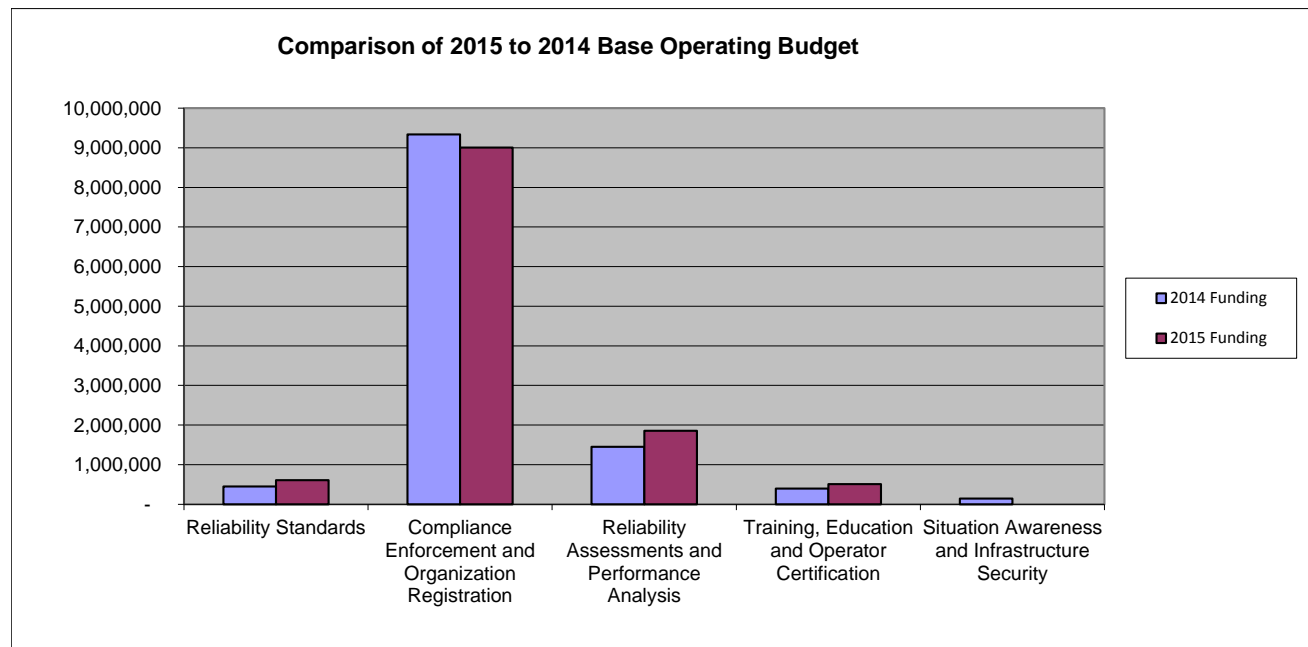
- Total Personnel expenses are increasing by 5.7%. Salaries are increasing 7.3% due to anticipated annual merit increases and promotions and to reflect the reassignment of certain full-time equivalents (FTEs) to higher-salary positions. However, Benefits expense is decreasing to better align with actual experience. Employee benefits also include training and professional development costs consistent with the NERC budget guidelines.
- Reallocation of FTEs assigned to various departments caused variances from 2014 in most programs. This FTE Reallocation is explained on page 8.
- Total Meeting and Travel expenses are increasing by 2.5%. Meeting expense is decreasing 54% while travel expense is increasing 13.5%. The increase in travel expense is due in part to activities related to implementation of the Reliability Assurance Initiative (RAI).
- Total Operating Expenses are decreasing 11.4%. The Consultants and Contracts category is decreasing due to work previously assumed to be completed by consultants being performed by in-house personnel. Rent cost previously included a contract with a security services provider, which will not be renewed in 2015. The Professional Services costs are remaining constant primarily due to contingency for the anticipated cost of outside legal counsel for one contested enforcement case, based upon actual experience.

All statutory activity in the 2015 Business Plan and Budget aligns with the NERC Enterprise Strategic Plan.

## Summary of Costs

A summary of funding requirement for Texas RE's primary statutory functional areas is shown in the following table and graphs. The SAIS department has been rolled in to the RAPA department for 2015.

Base Operating Budget	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Reliability Standards	450,487	450,487	606,806	156,320	34.7%
Compliance Enforcement and Organization Registration	9,336,233	9,336,233	9,008,548	(327,685)	-3.5%
Reliability Assessments and Performance Analysis	1,448,152	1,448,152	1,857,017	408,865	28.2%
Training, Education and Operator Certification	392,456	392,456	511,329	118,874	30.3%
Total Situation Awareness and Infrastructure Security	143,920	143,920	-	(143,920)	-100.0%
<b>Total by Program</b>	<b>11,771,248</b>	<b>11,771,248</b>	<b>11,983,701</b>	<b>212,453</b>	<b>1.8%</b>



## FTEs by Program Area

### Personnel Analysis

The number of FTEs is remaining constant for 2015. The 2015 budget reflects a reallocation of personnel among departments and programs to ensure consistency and to more appropriately classify costs based on the work being performed (FTE Reallocation). Previously, FTEs in the various Administrative Programs were directly allocated to various Operational Programs. Beginning in 2015, Administrative Program FTEs will be consolidated in General and Administrative and then indirectly allocated to the Operational Programs.

	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs 2015 Budget	Total FTEs 2015 Budget	Change from 2014 Budget
<b>Total FTEs by Program Area</b>						
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	2.00	2.00	2.25	-	2.25	0.25
Compliance and Organization Registration and Certification	40.00	40.00	33.50	-	33.50	(6.50)
Training and Education	1.75	1.75	2.25	-	2.25	0.50
Reliability Assessment and Performance Analysis	4.75	4.75	6.50	-	6.50	1.75
Situation Awareness and Infrastructure Security	0.75	0.75	-	-	-	(0.75)
<b>Total FTEs Operational Programs</b>	<b>49.25</b>	<b>49.25</b>	<b>44.50</b>	<b>-</b>	<b>44.50</b>	<b>(4.75)</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0.50	0.50	-	-	-	(0.50)
General & Administrative	1.75	1.75	-	2.00	2.00	0.25
Legal and Regulatory	3.00	3.00	-	4.50	4.50	1.50
Information Technology	2.50	2.50	-	4.00	4.00	1.50
Human Resources	1.00	1.00	-	1.00	1.00	-
Finance and Accounting	2.00	2.00	-	4.00	4.00	2.00
<b>Total FTEs Administrative Programs</b>	<b>10.75</b>	<b>10.75</b>	<b>-</b>	<b>15.50</b>	<b>15.50</b>	<b>4.75</b>
<b>Total FTEs</b>	<b>60.00</b>	<b>60.00</b>	<b>44.50</b>	<b>15.50</b>	<b>60.00</b>	<b>-</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.



## 2014 Budget and Projection and 2015 Budget Comparisons

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>STATUTORY</b>					
	<b>2014 Budget</b>	<b>2014 Projection</b>	<b>Variance 2014 Projection v 2014 Budget Over(Under)</b>	<b>2015 Budget</b>	<b>Variance 2015 Budget v 2014 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 10,509,308	\$ 10,509,308	\$ -	\$ 10,500,446	\$ (8,862)
Penalty Sanctions	402,833	402,833	-	483,500	80,667
<b>Total NERC Funding</b>	<b>\$ 10,912,141</b>	<b>\$ 10,912,141</b>	<b>\$ -</b>	<b>\$ 10,983,946</b>	<b>\$ 71,805</b>
Membership Dues	18,250	18,250	-	18,500	\$ 250
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	14,466	14,466	-	15,045	579
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 10,944,857</b>	<b>\$ 10,944,857</b>	<b>\$ -</b>	<b>\$ 11,017,491</b>	<b>\$ 72,634</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 6,087,779	\$ 6,087,779	\$ -	\$ 6,531,781	\$ 444,002
Payroll Taxes	571,040	571,040	-	617,840	46,799
Benefits	971,875	971,875	-	917,129	(54,746)
Retirement Costs	882,728	882,728	-	935,450	52,722
<b>Total Personnel Expenses</b>	<b>\$ 8,513,423</b>	<b>\$ 8,513,424</b>	<b>\$ -</b>	<b>\$ 9,002,199</b>	<b>\$ 488,777</b>
<b>Meeting Expenses</b>					
Meetings	\$ 95,213	\$ 95,213	\$ -	\$ 43,726	\$ (51,487)
Travel	397,591	397,591	-	451,108	53,517
Conference Calls	3,500	3,500	-	13,640	10,140
<b>Total Meeting Expenses</b>	<b>\$ 496,304</b>	<b>\$ 496,304</b>	<b>\$ -</b>	<b>\$ 508,474</b>	<b>\$ 12,170</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 496,072	\$ 496,072	\$ -	\$ 288,070	\$ (208,002)
Office Rent	510,864	510,864	-	427,080	(83,784)
Office Costs	639,498	639,498	-	636,958	(2,540)
Professional Services	1,073,088	1,073,088	-	1,077,240	4,152
Miscellaneous	-	-	-	-	-
Depreciation	263,213	263,213	-	212,740	(50,473)
<b>Total Operating Expenses</b>	<b>\$ 2,982,735</b>	<b>\$ 2,982,735</b>	<b>\$ -</b>	<b>\$ 2,642,088</b>	<b>\$ (340,647)</b>
<b>Total Direct Expenses</b>	<b>\$ 11,992,461</b>	<b>\$ 11,992,462</b>	<b>\$ -</b>	<b>\$ 12,152,761</b>	<b>\$ 160,300</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,992,461</b>	<b>\$ 11,992,462</b>	<b>\$ -</b>	<b>\$ 12,152,761</b>	<b>\$ 160,300</b>
<b>Change in Assets</b>	<b>\$ (1,047,604)</b>	<b>\$ (1,047,605)</b>	<b>\$ -</b>	<b>\$ (1,135,270)</b>	<b>\$ (87,666)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (263,213)	\$ (263,213)	\$ -	\$ (212,740)	\$ 50,473
Computer & Software CapEx	42,000	42,000	-	43,680	1,680
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (0)	\$ (0)	\$ -	\$ -	\$ 0
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(221,213)</b>	<b>(221,213)</b>	<b>-</b>	<b>(169,060)</b>	<b>52,153</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>11,771,248</b>	<b>\$ 11,771,249</b>	<b>\$ -</b>	<b>\$ 11,983,701</b>	<b>\$ 212,453</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (826,391)</b>	<b>\$ (826,392)</b>	<b>\$ -</b>	<b>\$ (966,210)</b>	<b>\$ (139,819)</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

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## Section A – Statutory Programs 2015 Business Plan and Budget

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## Section A — 2015 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.00	2.25	0.25
Direct Expenses	\$ 283,258	\$ 394,711	\$ 111,454
Indirect Expenses	\$ 176,009	\$ 220,643	\$ 44,634
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,780)	\$ (8,548)	\$ 232
Total Funding Requirement	\$ 450,487	\$ 606,806	\$ 156,320

#### Program Scope and Functional Description

The Texas RE Reliability Standards Program supports the NERC Reliability Standards program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process, which was approved as Exhibit C to the Delegation Agreement. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC), NERC Standards Review Subcommittee (NSRS) and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. In addition, all proposed regional standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The Tracking Site allows all interested parties to access materials related to regional standards and to submit comments on Standard Authorization Requests (SARs) and draft standards during designated commenting periods. The Tracking Site allows members of the Registered Ballot Body to join any open Registered Ballot Pool and to vote online. The Standards Development Process includes an appeals process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

In addition, Texas RE reviews proposed reliability standards from NERC and other regions, and staff from NERC and other Regional Entities have the opportunity to review proposed Texas RE

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regional standards. This Program area supports and facilitates meetings of the Texas RE RSC and the NSRS. The RSC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRS provides a regional stakeholder forum for education and discussion of NERC standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

When developing regional Reliability Standards, Texas RE is responsible for adhering to the approved Regional Reliability Standards development processes, and for assisting NERC as needed with obtaining Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

### **2015 Key Assumptions**

The Reliability Standards Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### **2015 Goals and Key Deliverables**

- Encourage stakeholder awareness and participation in the NERC standards development process through educational outreach efforts and participation in Standard Drafting Teams, the NERC Standards Committee and related subcommittees.
- Educate and train their staff regarding new or revised Reliability Standards in concert with the training provided by NERC.
- Coordinate with each other and NERC on standards development activities to establish clear, results-based reliability standards in concert with NERC reliability standards across the interconnected bulk-power systems of North America.
- In accordance with the approved regional standard development process, submit to NERC requests to approve, revise, or withdraw a regional Reliability Standard.
- Participate in and provide outreach to regional stakeholders regarding nation-wide Standard development (including through announcements, meetings and webinars, enhancement to the Texas RE website, and expansion of the NSRS), to help ensure that ERCOT region perspective is represented in continent-wide Standards.
- Facilitate Texas RE participation in NERC standards development activities, including preparation of recommendations for voting and comments on NERC ballots, and provide standards-related expertise to other Program areas.
- Meet all FERC and NERC directives with regard to regional standards development and procedures and maintain effective relationships and communications with the standards staff at NERC and the other Regional Entities.

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- Work closely with other Texas RE departments to ensure that staff is appropriately educated and informed regarding proper application and interpretation of standards and requirements while performing functions under the Compliance Monitoring and Enforcement Program (CMEP).
  - Work closely with NERC and registered entities within the ERCOT region to, when required, develop regional standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain regional variances; and otherwise address issues that are not adequately addressed in NERC Reliability Standards (such as improving fill-in-the-blank requirements).
  - Continue to enhance communication to and education of the registered entities in the ERCOT region to increase awareness of regional standards development activities and to ensure adequate representation on the Registered Ballot Body.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

#### Personnel Expenses

- FTEs are increasing by 0.25 and personnel expenses for this Program are 47.5% higher than 2014 due to anticipated annual merit increases and promotions and an organization-wide FTE reallocation of personnel among programs.

#### Meeting Expenses and Travel Expenses

- Meeting and travel expenses and travel decreased 15.5% for 2015 due to less travel required for the department, based on actual experience.

#### Operating Expenses

- Operating Expenses decrease by approximately 86.6% due to no cost being budgeted to Consultants and Contracts in 2015.

#### Indirect Expenses

- Administrative expenses are allocated based on FTEs in this department.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A
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## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>RELIABILITY STANDARDS</b>					
	<b>2014</b>	<b>2014</b>	<b>Variance</b>	<b>2015</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2014 Projection</b>	<b>Budget</b>	<b>2015 Budget</b>
			<b>v 2014 Budget</b>		<b>v 2014 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 430,111	\$ 430,111	\$ -	\$ 530,921	\$ 100,811
Penalty Sanctions	19,635	19,635	-	24,447	4,812
<b>Total NERC Funding</b>	<b>\$ 449,745</b>	<b>\$ 449,745</b>	<b>\$ -</b>	<b>\$ 555,368</b>	<b>\$ 105,623</b>
Membership Dues	741	741	-	935	194
Interest	-	-	-	761	761
<b>Total Funding</b>	<b>\$ 450,487</b>	<b>\$ 450,487</b>	<b>\$ -</b>	<b>\$ 557,064</b>	<b>\$ 106,578</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 184,058	\$ 184,058	\$ -	287,955	\$ 103,897
Payroll Taxes	20,720	20,720	-	27,208	6,488
Benefits	28,527	28,527	-	26,670	(1,857)
Retirement Costs	26,688	26,688	-	41,754	15,065
<b>Total Personnel Expenses</b>	<b>\$ 259,993</b>	<b>\$ 259,993</b>	<b>\$ -</b>	<b>\$ 383,586</b>	<b>\$ 123,593</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ -	\$ -	\$ -	-	\$ -
Travel	11,268	11,268	-	9,521	(1,747)
Conference Calls	-	-	-	-	-
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 11,268</b>	<b>\$ 11,268</b>	<b>\$ -</b>	<b>\$ 9,521</b>	<b>\$ (1,747)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 10,992	\$ 10,992	\$ -	-	\$ (10,992)
Office Rent	-	-	-	-	-
Office Costs	1,004	1,004	-	1,604	600
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 11,996</b>	<b>\$ 11,996</b>	<b>\$ -</b>	<b>\$ 1,604</b>	<b>\$ (10,392)</b>
<b>Total Direct Expenses</b>	<b>\$ 283,258</b>	<b>\$ 283,258</b>	<b>\$ -</b>	<b>\$ 394,711</b>	<b>\$ 111,454</b>
<b>Indirect Expenses</b>	<b>\$ 176,009</b>	<b>\$ 176,009</b>	<b>\$ -</b>	<b>\$ 220,643</b>	<b>\$ 44,634</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 459,267</b>	<b>\$ 459,267</b>	<b>\$ -</b>	<b>\$ 615,354</b>	<b>\$ 156,087</b>
<b>Change in Assets</b>	<b>\$ (8,780)</b>	<b>\$ (8,780)</b>	<b>\$ -</b>	<b>\$ (58,290)</b>	<b>\$ (49,510)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(8,780)	(8,780)	-	(8,548)	232
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (8,780)</b>	<b>\$ (8,780)</b>	<b>\$ -</b>	<b>\$ (8,548)</b>	<b>\$ 232</b>
<b>TOTAL BUDGET</b>	<b>\$ 450,487</b>	<b>\$ 450,487</b>	<b>\$ -</b>	<b>\$ 606,806</b>	<b>\$ 156,320</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (49,742)</b>	<b>\$ (49,742)</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

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

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	40.00	33.50	(6.5)
Direct Expenses	\$ 5,991,654	\$ 5,850,689	\$ (140,964)
Indirect Expenses	\$ 3,520,184	\$ 3,285,129	\$ (235,055)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (175,605)	\$ (127,270)	\$ 48,335
Total Funding Requirement	\$ 9,336,233	\$ 9,008,548	\$ (327,685)

### Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and regional standards, and enforcing and ensuring mitigation of violations of Standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, exception reporting, and data submittals.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and the Registered Entities. The Reliability Assurance Initiative (RAI) a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. RAI is designed to improve BES reliability by refocusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. The Risk-Based Registration Initiative (RBR), is a project that is assessing the current registration criteria and practices to ensure the right entities are subject to the right set of applicable Reliability Standards, using a consistent and common approach to risk assessment and registration across the ERO Enterprise. Critical Infrastructure Protection Version 5 (CIP Version 5) is a significant improvement over the current CIP Version 3 standards. CIP Version 5 adopts new cybersecurity controls and extends the scope of the systems that the CIP standards protect, and the transition to CIP Version 5 will be a major activity in 2015.

Many elements of RAI, which will affect the overall CMEP, RBR, and the CIP Version 5 transition are expected to be implemented major activities in 2015. RAI, for example, will require Texas RE to allocate resources to complete the design and to begin developing the processes necessary to implement RAI for both compliance and enforcement. Additionally, increased resources may be required to meet the training requirements for the compliance and enforcement staff associated with the implementation of RAI 2015 Key Assumptions. Because resource demands are unknown, consideration will be given to reallocating existing staff or using available reserves to

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provide the resource support, if Texas RE determines this to be necessary to support the successful implementation(or transition) of these major activities.

CMEP Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

## 2015 Goals and Key Deliverables

### COMPLIANCE MONITORING

- Perform formal, in depth, risk-based compliance audits for the functions posing risk to the BPS. The frequency of audits will vary as a result of new RAI process implementation. The number of anticipated audits provided below are similar to the current cyclic approach, but may increase or decrease.
- For 2015, perform:
  - Approximately 8 Critical Infrastructure Protection (CIP) audits of entities that have identified Critical Cyber Assets (CCAs) (on-site)
  - Approximately 25 CIP audits of entities required to be CIP-compliant that have identified no CCAs (off-site)
  - Approximately 40 non-CIP (693) audits per the updated 2015 schedule
- Perform spot checks where warranted due to system events, complaints, or other reliability concerns.
- Perform no more than one compliance investigation triggered by a significant system event, if warranted, and no more than 15 compliance reviews regarding lesser events or disturbances.
- Continue to work with NERC and other Regional Entities to improve consistency of audits and spot checks of registered entities.
- Conduct self-certifications of registered entities as needed.
- Increase coordination with Enforcement regarding all compliance monitoring engagements.
- Enhance registered entities' understanding of standard requirements by capturing lessons learned from compliance monitoring engagements and distributing to registered entities via training programs, newsletters, and announcements.
- Incorporate Reliability Assurance Initiative (RAI) processes and tools.
- Participation in the RSAW development process.
- Implementation of a common methodology for determining the scope of monitoring activities.



- Training related to transition to a risk-based monitoring approach.

#### ENFORCEMENT

- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Review, validate, and process or dismiss all possible violations in a more timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible. This budget anticipates one contested enforcement matter will occur during the year.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Support the Find, Fix, Track and Report (FFT) process and any other streamlined mechanisms implemented to expedite possible violations which pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promotion of timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging and mitigation aging metrics,
- Promotion of self-identification of noncompliance and implementation of discretion, including increased utilization of streamlined tracks such as FFT and discretion in connection with self-identified noncompliance.

#### REGISTRATION AND CERTIFICATION

- Continue to monitor activity in the region and to register and certify entities in accordance with Texas RE procedures and the NERC ROP, including revisions to registrations and annual maintenance to reflect new and revised NERC standards. The level of activity is expected to be consistent with 2014.
  - Continue to work with NERC and other Regional Entities to improve efficiency and consistency in performing registration and certification functions.
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- Register new entities associated with generation and transmission facilities that may be planned and constructed during the applicable period, and conduct any required certifications.
  - Continue to implement the revised Bulk Electric System definition, including execution of the exception process, handling exclusion notices, tracking the status of exclusions and exceptions, and dealing with related issues.
  - Implementation of risk-based registration criteria, including development of business processes and tools. There is some uncertainty regarding the amount of resources that will be required to support this process.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues which fully fund total expenses and fixed asset requirements.

#### Personnel Expenses

- FTEs are decreasing from 40 FTEs in 2014 to 33.5 FTEs in 2015 due to an organization-wide FTE reallocation as described on page 8. The total number of personnel directly working on this Program remains constant, as the 2015 FTE count now reflects directly assigned FTEs only. There is a slight decrease in costs as a result of a prior direct allocation of FTEs from Administrative Programs to this Program.

#### Meeting and Travel Expenses

- Meetings and travel for this Program is consistent with 2014.

#### Operating Expenses

- Operating expenses for this Program will decrease by 14% primarily due to decrease in Consultant and Contracts because work previously expected to be completed by consultants is being performed by in-house personnel

#### Indirect Expenses

- Administrative expenses are allocated based on FTEs in this department.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A
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## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</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>ERO Funding</b>					
NERC Assessments	\$ 8,928,721	\$ 8,928,721	\$ -	\$ 7,904,830	\$ (1,023,890)
Penalty Sanctions	392,690	392,690	-	363,983	(28,707)
<b>Total NERC Funding</b>	<b>\$ 9,321,411</b>	<b>\$ 9,321,411</b>	<b>\$ -</b>	<b>\$ 8,268,813</b>	<b>\$ (1,052,598)</b>
Membership Dues	14,822	14,822	-	13,927	(895)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	11,326	11,326
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 9,336,233</b>	<b>\$ 9,336,233</b>	<b>\$ -</b>	<b>\$ 8,294,066</b>	<b>\$ (1,042,167)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,520,283	\$ 3,520,283	\$ -	\$ 3,664,126	\$ 143,843
Payroll Taxes	357,639	357,639	-	352,833	(4,807)
Benefits	640,999	640,999	-	442,593	(198,407)
Retirement Costs	510,441	510,441	-	531,298	20,857
<b>Total Personnel Expenses</b>	<b>\$ 5,029,363</b>	<b>\$ 5,029,363</b>	<b>\$ -</b>	<b>\$ 4,990,849</b>	<b>\$ (38,514)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	236,385	236,385	-	236,096	(289)
Conference Calls	-	-	-	-	-
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 236,385</b>	<b>\$ 236,385</b>	<b>\$ -</b>	<b>\$ 236,096</b>	<b>\$ (289)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 287,280	\$ 287,280	\$ -	\$ 176,820	\$ (110,460)
Office Rent	-	-	-	-	-
Office Costs	13,626	13,626	-	4,924	(8,702)
Professional Services	425,000	425,000	-	442,000	17,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 725,906</b>	<b>\$ 725,906</b>	<b>\$ -</b>	<b>\$ 623,744</b>	<b>\$ (102,162)</b>
<b>Total Direct Expenses</b>	<b>\$ 5,991,654</b>	<b>\$ 5,991,654</b>	<b>\$ -</b>	<b>\$ 5,850,689</b>	<b>\$ (140,964)</b>
<b>Indirect Expenses</b>	<b>\$ 3,520,184</b>	<b>\$ 3,520,184</b>	<b>\$ -</b>	<b>\$ 3,285,129</b>	<b>\$ (235,055)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 9,511,838</b>	<b>\$ 9,511,838</b>	<b>\$ -</b>	<b>\$ 9,135,818</b>	<b>\$ (376,020)</b>
<b>Change in Assets</b>	<b>\$ (175,605)</b>	<b>\$ (175,605)</b>	<b>\$ -</b>	<b>\$ (841,752)</b>	<b>\$ (666,147)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	(175,605)	(175,605)	-	(127,270)	48,335
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (175,605)</b>	<b>\$ (175,605)</b>	<b>\$ -</b>	<b>\$ (127,270)</b>	<b>\$ 48,335</b>
<b>TOTAL BUDGET</b>	<b>\$ 9,336,233</b>	<b>\$ 9,336,233</b>	<b>\$ -</b>	<b>\$ 9,008,548</b>	<b>\$ (327,685)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (714,482)</b>	<b>\$ (714,482)</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

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## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	4.75	6.50	1.75
Direct Expenses	\$ 1,055,983	\$ 1,244,298	\$ 188,315
Indirect Expenses	\$ 418,022	\$ 637,413	\$ 219,391
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (25,853)	\$ (24,694)	\$ 1,159
Total Funding Requirement	\$ 1,448,151	\$ 1,857,017	\$ 408,865

### Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, industry trends, or proposed public policy measures. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. Most of the Texas RE CIP resources functionally reside in the Compliance, Enforcement and Organizational Registration and Certification Program, and much of situation awareness involves initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

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## 2015 Key Assumptions

The RAPA Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. Current staffing levels are expected to meet known and predicted program needs; however, as many RAPA tasks are presently in preliminary stages of definition, potential additional program staffing demands are not known. Additionally, there is some uncertainty regarding the amount of resources that will be required to support joint Enterprise-wide modeling and data collection systems. Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for seasonal, long-term and probabilistic risk assessments as well as events analysis and performance metrics.

## 2015 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews.
- Provide independent review of the two anticipated special reliability assessments in 2015, involving topics such as the impact of physical security, new technologies and environmental regulations, changes in resource mix, gas dependency, or delays in transmission development.
- Oversee collection of reliability data for the ERCOT Region, provide analysis and validation, and support stakeholders as enhancements for databases and portals are added or as new systems are developed. Systems include:
  - Transmission Availability Data System (TADS),
  - Generation Availability Data System (GADS),
  - Demand Response Availability Data System (DADS)
  - Spare Equipment Database (SED)
- Participate in ERO development of an outcome-based approach to achieve measurable improvements in reliability, utilizing the data above and NERC's adequate level of reliability (ALR) metrics. Collect data and perform analysis as needed to evaluate the ALR metrics. The number of metrics and level of analysis is expected to remain consistent in 2015.
- Provide regional data collection and analysis to meet NERC or FERC initiatives, orders or directives. These may include continuing review of high impact/low frequency events (such as geomagnetic disturbances), physical security, protection system mis-operations, system frequency response, human performance, drought, environmental regulations, single point of failure in protection systems, characterization of contingent load loss and new technology integration. Additional topics are likely to develop based on emerging reliability concerns.
- Review NERC Standards and process developments.
- Review proposed Regional criteria and processes for reliability.

- Continue to implement the NERC event analysis process within the ERCOT Region, expecting a similar volume of events as 2014, estimated at 12 Category 1 (minor), three Category 2 or 3 (moderate impact) and 1 Category 4 or 5 event (significant impact). Conduct follow-up on recommendations from past major events within ERCOT and other Regions and event trends associated with events across the ERO.
- Review approximately 100 lesser system events, such as special protection system mis-operations, communications issues, and frequency disturbances, which do not meet the threshold for NERC events analysis, in order to monitor trends and system impacts in these areas.
- Contribute to the implementation of the BES Definition exception process by providing technical review of exception requests and coordination internally and with other Regions and NERC for consistent application. At this time, the number of such requests is uncertain but is expected to be handled by existing staff.
- Engage ERCOT stakeholders to identify system issues that lead to reliability concerns, including those identified and prioritized by the NERC Reliability Issues Steering Committee.
- Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.
- Texas RE staff will continue ongoing monitoring of system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long term horizon.
- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool.
- Texas RE will support utilization of data for Situation Awareness, including regular weekly reporting to NERC along with providing current information on on-going events in the ERCOT Region.
- Texas RE will continue to monitor and follow up on NERC alerts and anticipates that the volume of alerts will be similar to 2014, or approximately 4, with one the alert expected to require responses and analysis.
- Texas RE's cyber security staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely NERC cyber security staff. An example is participation in the NERC Grid-X Security exercise.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

## Personnel Expenses

- FTEs are increasing by 1.75 to reflect the inclusion of Situation Awareness in RAPA beginning in 2015 and due to the organization-wide FTE reallocation described on page 8. As a result, personnel expenses are increasing by 24%. No additional staffing is anticipated as a result of the BES Exception Process.

## Meeting and Travel Expenses

- Meeting and travel expenses are increasing by 38.2% due to increased travel required for NERC and stakeholder meetings.

## Operating Expenses

- Operating Expenses for the RAPA Program will decrease by 92%. The maintenance agreement for the PI Software will be charged through General and Administrative costs and allocated among departments based on FTE count.

## Indirect Expenses

- Administrative expenses are allocated based on FTEs in this department.

## Other Non-Operating Expenses

- N/A

## Fixed Asset Additions

- N/A

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>RELIABILITY ASSESSMENTS 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>ERO Funding</b>					
NERC Assessments	\$ 1,399,760	\$ 1,399,760	\$ -	\$ 1,533,773	\$ 134,013
Penalty Sanctions	46,632	46,632	-	70,624	23,992
<b>Total NERC Funding</b>	<b>\$ 1,446,392</b>	<b>\$ 1,446,392</b>	<b>\$ -</b>	<b>\$ 1,604,397</b>	<b>\$ 158,005</b>
Membership Dues	\$ 1,760	1,760	-	\$ 2,702	942
Testing Fees	-	-	-	-	-
Services & Software	\$ -	-	-	\$ -	-
Workshops	-	-	-	-	-
Interest	\$ -	-	-	\$ 2,198	2,198
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,448,152</b>	<b>\$ 1,448,152</b>	<b>\$ -</b>	<b>\$ 1,609,296</b>	<b>\$ 161,145</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 689,636	\$ 689,636	\$ -	\$ 836,623	\$ 146,987
Payroll Taxes	52,409	52,409	-	79,049	26,640
Benefits	95,813	95,813	-	129,673	33,860
Retirement Costs	99,997	99,997	-	121,310	21,313
<b>Total Personnel Expenses</b>	<b>\$ 937,855</b>	<b>\$ 937,855</b>	<b>\$ -</b>	<b>\$ 1,166,654</b>	<b>\$ 228,799</b>
<b>Meeting &amp; Travel Expenses</b>					
Travel	52,288	52,288	-	72,284	19,996
Conference Calls	-	-	-	-	-
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 52,288</b>	<b>\$ 52,288</b>	<b>\$ -</b>	<b>\$ 72,284</b>	<b>\$ 19,996</b>
<b>Operating Expenses</b>					
Office Costs	60,840	60,840	-	5,360	(55,480)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	5,000	5,000	-	-	(5,000)
<b>Total Operating Expenses</b>	<b>\$ 65,840</b>	<b>\$ 65,840</b>	<b>\$ -</b>	<b>\$ 5,360</b>	<b>\$ (60,480)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,055,983</b>	<b>\$ 1,055,983</b>	<b>\$ -</b>	<b>\$ 1,244,298</b>	<b>\$ 188,315</b>
<b>Indirect Expenses</b>	<b>\$ 418,022</b>	<b>\$ 418,022</b>	<b>\$ -</b>	<b>\$ 637,413</b>	<b>\$ 219,391</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,474,005</b>	<b>\$ 1,474,005</b>	<b>\$ -</b>	<b>\$ 1,881,711</b>	<b>\$ 407,706</b>
<b>Change in Assets</b>	<b>\$ (25,853)</b>	<b>\$ (25,853)</b>	<b>\$ -</b>	<b>\$ (272,415)</b>	<b>\$ (246,562)</b>
<b>Fixed Assets</b>					
Depreciation	(5,000)	(5,000)	-	-	5,000
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(20,853)	(20,853)	-	(24,694)	(3,841)
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (25,853)</b>	<b>\$ (25,853)</b>	<b>\$ -</b>	<b>\$ (24,694)</b>	<b>\$ 1,159</b>
<b>TOTAL BUDGET</b>	<b>\$ 1,448,152</b>	<b>\$ 1,448,152</b>	<b>\$ -</b>	<b>\$ 1,857,017</b>	<b>\$ 408,865</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (247,721)</b>	<b>\$ (247,721)</b>

To be Approved by the Texas RE Board of Directors June 25, 2014



## 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	1.75	2.25	0.50
Direct Expenses	\$ 246,130	\$ 299,234	\$ 53,104
Indirect Expenses	\$ 154,008	\$ 220,643	\$ 66,635
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,683)	\$ (8,548)	\$ (865)
Total Funding Requirement	\$ 392,455	\$ 511,329	\$ 118,874

### Program Scope and Functional Description

The Texas RE Training, Education, and Operator Certification Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Standards, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other Programs provide expertise for educational materials, meetings, and workshops. In addition, Texas RE provides assistance for the annual ERCOT Operations Training Seminar. The Training, Education, and Operator Certification Program coordinates with NERC and the other Regional Entities to identify training needs of the industry and Regional Entity staff and to ensure consistency in training and education through its participation on the NERC Training and Education Group.

Texas RE will continue to coordinate Standards and Compliance workshops and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2015. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other industry meetings.

### 2015 Key Assumptions

The Training, Education, and Operator Certification Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2015 Goals and Key Deliverables

- Develop technical materials for and present Standards and Compliance workshops for registered entities.

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- Present) additional workshops, webinars, meetings or other industry outreach, including *Talk with Texas RE* meetings supporting CMEP implementation and any new or modified NERC standards, procedures, or programs.
  - Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
  - Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance working groups.
  - Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

#### Personnel Expenses

- The number of FTEs assigned to this Program are increasing by 0.5 due to the organization-wide FTE reallocation. This results in a 37.6% increase in personnel expenses. Personnel expenses also include professional development and training costs for employees assigned to this Program.

#### Meeting and Travel Expenses

- Total meeting and travel expenses are decreasing by 30.2%. The meeting costs are less than 2014 due to cooperation with registered entities, who often host training and workshops in their facilities with minimal or no charge to Texas RE. Travel expenses include costs incurred by Texas RE employees that present or facilitate workshops for registered entities. The increase in conference calls reflects a reallocation of online meeting hosting and call-in costs, which had previously been allocated to meeting costs.

#### Operating Expenses

- N/A

#### Indirect Expenses

- N/A

#### Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>TRAINING, EDUCATION and OPERATOR CERTIFICATION</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>ERO Funding</b>					
NERC Assessments	\$ 374,627	\$ 374,627	\$ -	\$ 530,921	\$ 156,294
Penalty Sanctions	17,180	17,180	-	24,447	7,266
<b>Total NERC Funding</b>	<b>\$ 391,807</b>	<b>\$ 391,807</b>	<b>\$ -</b>	<b>\$ 555,368</b>	<b>\$ 163,561</b>
Membership Dues	648	648	-	935	287
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	761	761
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 392,456</b>	<b>\$ 392,456</b>	<b>\$ -</b>	<b>\$ 557,064</b>	<b>\$ 164,608</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 121,945	\$ 121,945	\$ -	\$ 180,683	\$ 58,739
Payroll Taxes	14,985	14,985	-	17,072	2,087
Benefits	28,111	28,111	-	27,385	(726)
Retirement Costs	17,682	17,682	-	26,199	8,517
<b>Total Personnel Expenses</b>	<b>\$ 182,722</b>	<b>\$ 182,722</b>	<b>\$ -</b>	<b>\$ 251,339</b>	<b>\$ 68,617</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 62,136	\$ 62,136	\$ -	\$ 30,900	\$ (31,236)
Travel	312	312	-	2,705	2,393
Conference Calls	-	-	-	10,000	10,000
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 62,448</b>	<b>\$ 62,448</b>	<b>\$ -</b>	<b>\$ 43,605</b>	<b>\$ (18,843)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 2,250	\$ 2,250
Office Rent	-	-	-	-	-
Office Costs	960	960	-	2,040	1,080
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 960</b>	<b>\$ 960</b>	<b>\$ -</b>	<b>\$ 4,290</b>	<b>\$ 3,330</b>
<b>Total Direct Expenses</b>	<b>\$ 246,130</b>	<b>\$ 246,130</b>	<b>\$ -</b>	<b>\$ 299,234</b>	<b>\$ 53,104</b>
<b>Indirect Expenses</b>	<b>\$ 154,008</b>	<b>\$ 154,008</b>	<b>\$ -</b>	<b>\$ 220,643</b>	<b>\$ 66,635</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 400,138</b>	<b>\$ 400,138</b>	<b>\$ -</b>	<b>\$ 519,877</b>	<b>\$ 119,739</b>
<b>Change in Assets</b>	<b>\$ (7,683)</b>	<b>\$ (7,683)</b>	<b>\$ -</b>	<b>\$ 37,187</b>	<b>\$ 44,869</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(7,683)	(7,683)	-	(8,548)	(865)
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (7,683)</b>	<b>\$ (7,683)</b>	<b>\$ -</b>	<b>\$ (8,548)</b>	<b>\$ (865)</b>
<b>TOTAL BUDGET</b>	<b>\$ 392,456</b>	<b>\$ 392,456</b>	<b>\$ -</b>	<b>\$ 511,329</b>	<b>\$ 118,874</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,735</b>	<b>\$ 45,735</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

## **Situation Awareness and Infrastructure Security Program**

Included in RAPA Program beginning in 2015.

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	10.75	15.50	4.75
Total Direct Expenses	\$ 4,334,227	\$ 4,363,828	\$ 29,601
Inc(Dec) in Fixed Assets	\$ (216,213)	\$ (169,060)	\$ 47,153
Less: Other Funding Sources	\$ (67,260)	\$ -	\$ 67,260
Total Allocation to Statutory Programs as Indirect Expenses	\$ 4,050,754	\$ 4,194,768	\$ 144,014
Funding Requirement for Working Capital	\$ (826,390)	\$ -	\$ 826,390

### Assumptions

The Administrative Services Program is comprised of the following programs: Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.

This program incorporates the Shared NERC and the Regional Entities' Methodology for Allocation of Administrative Services Expenses to Programs.

- Texas RE allocates its indirect expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.
- Texas RE maintains the Fines and Penalty money collected and it is used to reduce the amount of the assessments to the region.
- Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

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## Technical Committees and Member Forums

<b>Technical Committees and Member Forums</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.50	-	(0.50)
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

This Texas RE Program supports all membership activities, including membership registration and voting, and will continue to facilitate and provide limited administrative support for the Texas RE Member Representatives Committee (MRC) and its subcommittees. This support includes the scheduling and coordinating of MRC and MRC subcommittee meetings, distributing and posting of meeting materials and minutes, maintaining applicable information on the Texas RE website, and facilitating MRC and MRC subcommittee announcements and communications.

The MRC meets approximately eight times per year to discuss Texas RE business plans, budgets, funding, metrics, and other matters relevant to Texas RE's operations and purpose, including compliance and the reliability of the BPS. The MRC also discusses proposed new or modified NERC processes, procedures, and initiatives. The MRC normally meets prior to the Texas RE Board meetings and provides feedback and input to Texas RE staff and the Board of Directors. The Chair and Vice Chair of MRC are also on the Texas RE Board.

### 2015 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. In addition, regionally specific assumptions include:

- Texas RE will hold approximately six MRC meetings per year.
- The MRC will have several active subcommittees.
- Support of the RSC is included in the Reliability Standards Program.
- Meetings will be held at the Texas RE office or, in the case of regional stakeholder meetings, at stakeholder offices, or by conference call, so no outside meeting space will normally be required.

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## 2015 Goals and Key Deliverables

The goal of the Technical Committee and Member Forums Program is to coordinate MRC and MRC subcommittee meetings, voting, and communications, and to provide and facilitate efficient mechanisms for owners, users, and operators of the BPS to communicate, coordinate and share procedural, reliability and compliance best practices, and to provide input to Texas RE staff and the Texas RE Board of Directors.

Texas RE employees will continue to work with MRC and its subcommittees in 2015 to help define ways to improve reliability in the region. Texas RE will also continue to provide requested support, including coordination of subject matter experts and materials, to other regional stakeholder groups that are focused on reliability, events, or compliance with Standards.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources

- N/A.

### Personnel Expenses

- Personnel expenses are accounted for under General and Administrative.

### Meeting Expenses

- The meeting expenses associated with MRC and committees are reflected under General and Administrative.

### Operating Expenses

- There are no significant operating expenses for this area.

### Indirect Expenses

- N/A

### Other Non-Operating Expenses

- N/A

### Fixed Asset Additions

- N/A



## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2015 business plan are included in General & Administrative.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	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>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<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 (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

To be Approved by the Texas RE Board of Directors June 25, 2014

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## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	1.75	2.00	0.25
Total Direct Expenses	\$ 1,960,223	\$ 1,706,001	\$ (254,222)
Inc(Dec) in Fixed Assets	\$ (258,213)	\$ (172,740)	\$ 85,473
Working Capital Requirement	\$ (826,390)	\$ -	\$ 826,390

### Program Scope and Functional Description

This Program includes the President and CEO who carries out the general affairs of Texas RE, including administrative and corporate facilities support, and includes the time and expenses of the Texas RE Board. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The CEO's time is expended for and charged to other operational Program activities.

### 2015 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources

- N/A

#### Personnel Expenses

- Personnel expenses are decreasing 31%. This decrease is due in part to the Vice President position being reallocated from General and Administrative to the statutory Program areas.

#### Meeting and Travel Expenses

- Meeting expenses are decreasing by 98% because off-site Board of Directors meetings are not anticipated.
- Travel expenses for this program are increasing by 54% due to the expected increases in travel costs for independent Board members. Increased travel costs also reflect the attendance of the CEO at more committee meetings and NERC meetings.

#### Operating Expenses

- Total operating expenses are decreasing 4.9%. This reflects a 16.4% decrease resulting from the termination of a security services contract, which was previously charged to office rent.
- Office Costs are increasing by 100% because certain items including property taxes, commercial insurance, Board-related software were previously included in Finance and Accounting and are now included in General and Administrative.
- Depreciation is decreasing by 33% because certain assets have fully depreciated.

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

## General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>GENERAL and ADMINISTRATIVE</b>					
	2014	2014	Variance	2015	Variance
	Budget	Projection	2014 Projection v 2014 Budget Over(Under)	Budget	2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (840,856)	\$ (840,856)	\$ -	\$ -	\$ 840,856
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (840,856)</b>	<b>\$ (840,856)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 840,856</b>
Membership Dues	\$ -	\$ -	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	14,466	14,466	-	-	(14,466)
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (826,390)</b>	<b>\$ (826,390)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 826,390</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 539,315	\$ 539,315	\$ -	\$ 369,448	\$ (169,866)
Payroll Taxes	33,225	33,225	-	28,963	(4,262)
Benefits	7,906	7,906	-	13,635	5,730
Retirement Costs	78,201	78,201	-	41,912	(36,289)
<b>Total Personnel Expenses</b>	<b>\$ 658,645</b>	<b>\$ 658,645</b>	<b>\$ -</b>	<b>\$ 453,958</b>	<b>\$ (204,687)</b>
<b>Meeting and Travel Expenses</b>					
Meetings	\$ 21,427	\$ 21,427	\$ -	\$ 510	\$ (20,917)
Travel	57,045	57,045	-	87,944	30,899
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 78,472</b>	<b>\$ 78,472</b>	<b>\$ -</b>	<b>\$ 88,454</b>	<b>\$ 9,982</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 42,600	\$ 42,600	\$ -	\$ 47,004	\$ 4,404
Office Rent	510,864	510,864	-	427,080	(83,784)
Office Costs	27,427	27,427	-	84,164	56,737
Professional Services	384,000	384,000	-	432,600	48,600
Depreciation	258,213	258,213	-	172,740	(85,473)
<b>Total Operating Expenses</b>	<b>\$ 1,223,105</b>	<b>\$ 1,223,105</b>	<b>\$ -</b>	<b>\$ 1,163,588</b>	<b>\$ (59,517)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,960,223</b>	<b>\$ 1,960,223</b>	<b>\$ -</b>	<b>\$ 1,706,001</b>	<b>\$ (254,222)</b>
<b>Indirect Expenses</b>	<b>\$ (1,960,223)</b>	<b>\$ (1,960,223)</b>	<b>\$ -</b>	<b>\$ (1,706,001)</b>	<b>\$ 254,222</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>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ (826,390)</b>	<b>\$ (826,390)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 826,390</b>
<b>Fixed Assets</b>					
Depreciation	(258,213)	(258,213)	-	(172,740)	85,473
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	258,213	258,213	-	172,740	(85,473)
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (826,390)</b>	<b>\$ (826,390)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 826,390</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.00	4.50	1.50
Total Direct Expenses	\$ 455,706	\$ 641,648	\$ 185,943
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Legal and Regulatory area provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings and voting; (2) Board meetings, minutes, support, training and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

Previously, a significant portion of the time of Legal and Regulatory employees was allocated to other activities including primarily enforcement, but also compliance monitoring, registration, standards, event analysis, training, and technical committees. Due to personnel shifts and organizational changes, a majority of the Legal and regulatory employees are allocated to this department in 2015.

### 2015 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2015 Goals and Key Deliverables

- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.
- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.

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- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- N/A

#### Personnel Expenses

- The budgeted number of FTEs for this Program is 4.50, an increase of 1.5 FTEs over 2014 as a result of the organization-wide FTE reallocation. Personnel expenses are increasing by 46.5%.

#### Meeting and Travel Expenses

- Meetings and travel expenses are increasing slightly by 2.9% to reflect increased air and hotel costs for travel for NERC meetings attended by Legal and Regulatory personnel.

#### Operating Expenses

- Operating expenses are decreasing by 2.9%.
- Professional Services costs include legal fees for corporate-related issues, which remained at \$30,000. Professional Services costs for contested cases are included in the Enforcement budget, but are managed by the Legal Department.

#### Indirect Expenses

- N/A

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>LEGAL and REGULATORY</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>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 278,656	\$ 278,656	\$ -	\$ 427,144	\$ 148,488
Payroll Taxes	29,665	29,665	-	40,359	10,694
Benefits	52,190	52,190	-	58,004	5,814
Retirement Costs	40,405	40,405	-	61,936	21,531
<b>Total Personnel Expenses</b>	<u>\$ 400,916</u>	<u>\$ 400,916</u>	<u>\$ -</u>	<u>\$ 587,442</u>	<u>\$ 186,527</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	17,099	17,099	-	17,591	492
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 17,099</u>	<u>\$ 17,099</u>	<u>\$ -</u>	<u>\$ 17,591</u>	<u>\$ 492</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,299	\$ 2,299	\$ -	\$ 3,000	\$ 701
Office Rent	-	-	-	-	-
Office Costs	5,392	5,392	-	3,615	(1,777)
Professional Services	30,000	30,000	-	30,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 37,691</u>	<u>\$ 37,691</u>	<u>\$ -</u>	<u>\$ 36,615</u>	<u>\$ (1,076)</u>
<b>Total Direct Expenses</b>	<u>\$ 455,706</u>	<u>\$ 455,706</u>	<u>\$ -</u>	<u>\$ 641,648</u>	<u>\$ 185,943</u>
<b>Indirect Expenses</b>	<u>\$ (455,706)</u>	<u>\$ (455,706)</u>	<u>\$ -</u>	<u>\$ (641,648)</u>	<u>\$ (185,943)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<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 ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

To be Approved by the Texas RE Board of Directors June 25, 2014

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.50	4.00	1.50
Total Direct Expenses	\$ 1,071,277	\$ 1,228,708	\$ 157,431
Inc(Dec) in Fixed Assets	\$ 42,000	\$ 3,680	\$ (38,320)
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware (servers, security devices, computers and peripherals), systems (email, storage, backups, networks, electronic security, secure communications, and databases), software, and applications; physical security, electronic security, data center operations, IT & security-related vendor management, strategy, planning, development, and deployment of enterprise systems, application, and training, research, and planning for improvement and efficiency of business process and operations.

Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development to ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with business, federal, and regional requirements.

### 2015 Key Assumptions

- Texas RE's IT staff will continue to focus on better leverage of current technology to support business functions and workflow as well as increasing knowledge of industry best practices for security, data management and system administration.
- This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2015 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including; IT and security budget; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
  - Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.



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- Continue to outsource IT and security services that are not within the core competencies or IT's cost containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
  - Assist business staff with development of webCDMS enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
  - Coordinate and share best practices with other Regional Entities and NERC.
  - Participate in the design, planning and implementation of ERO Centralized Applications.
  - Implement a Security Awareness Program that addresses, through education and training, social vulnerabilities that pose threats to Texas RE systems.
  - Train and support Texas RE staff on software and applications.
  - Continue to develop and test failover and disaster recovery methods for all Texas RE systems.
  - Improve the usability and functionality of Texas RE's website and Extranet site.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- N/A

#### Personnel Expenses

- FTEs are increasing by 1.50, resulting in a personnel expense increase of 17.6%. Benefits include an increase in training for a required security component in IT. Salary expense is decreasing despite higher FTEs and Payroll taxes are increasing despite lower salary costs. This is a result of reviewing costs to more accurately reflect actual experience.

#### Meeting and Travel Expenses

- Meeting and travel expenses for this Program are increasing by 4%, consistent with the 2014 increase.

#### Operating Expenses

- Total Operating Expenses are increasing by 13%. Office costs are increasing 7% to include IT maintenance and support contract costs. Professional services include costs for Penetration Testing and for an external audit of the IT department, resulting in a 4% increase. Depreciation costs are increasing 100% for the cost of an Extranet Site to replace the current Secure FTP server.
- This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. Pursuant to these assumptions, Texas RE will participate in the EROEMG and ERO ITS development of the NERC ERO Enterprise IT applications but no costs are included in this budget for development

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of the applications. NERC and the Regional Entities will collaboratively work to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting 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 in any given year will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. Texas RE's budget includes appropriate funding for applications and supporting systems designed to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise applications and that are funded by NERC.

#### Indirect Expenses

- N/A

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- There is a slight increase of \$1,680.

## Information Technology

Funding sources and related expenses for the information technology section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</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>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 336,221	\$ 336,221	\$ -	\$ 328,978	\$ (7,242)
Payroll Taxes	20,306	20,306	-	31,084	10,778
Benefits	37,002	37,002	-	112,354	75,352
Retirement Costs	48,752	48,752	-	47,702	(1,050)
<b>Total Personnel Expenses</b>	<u>\$ 442,281</u>	<u>\$ 442,281</u>	<u>\$ -</u>	<u>\$ 520,118</u>	<u>\$ 77,837</u>
<b>Meeting Expenses</b>					
Meetings	\$ 2,900	\$ 2,900	\$ -	\$ 3,016	\$ 116
Travel	17,556	17,556	-	18,258	702
Conference Calls	3,500	3,500	-	3,640	140
<b>Total Meeting Expenses</b>	<u>\$ 23,956</u>	<u>\$ 23,956</u>	<u>\$ -</u>	<u>\$ 24,914</u>	<u>\$ 958</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 37,500	\$ 37,500	\$ -	\$ 38,996	\$ 1,496
Office Rent	-	-	-	-	-
Office Costs	486,540	486,540	-	520,440	33,900
Professional Services	81,000	81,000	-	84,240	3,240
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	40,000	40,000
<b>Total Operating Expenses</b>	<u>\$ 605,040</u>	<u>\$ 605,040</u>	<u>\$ -</u>	<u>\$ 683,676</u>	<u>\$ 78,636</u>
<b>Total Direct Expenses</b>	<u>\$ 1,071,277</u>	<u>\$ 1,071,277</u>	<u>\$ -</u>	<u>\$ 1,228,708</u>	<u>\$ 157,431</u>
<b>Indirect Expenses</b>	<u>\$ (1,071,277)</u>	<u>\$ (1,071,277)</u>	<u>\$ -</u>	<u>\$ (1,228,708)</u>	<u>\$ (157,431)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(40,000)	(40,000)
Computer & Software CapEx	42,000	42,000	-	43,680	1,680
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (42,000)	\$ (42,000)	-	\$ (3,680)	\$ 38,320
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

To be Approved by the Texas RE Board of Directors June 25, 2014

## Human Resources

Human Resources (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	-
Total Direct Expenses	\$ 248,306	\$ 193,440	\$ (54,867)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Texas RE Human Resource (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources related databases and ensures compliance with all federal and state requirements.

### 2015 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2015 Goals and Key Deliverables

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.
- Provide harassment training to managers and employees.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources

- N/A

#### Personnel Expenses

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- The total number of FTEs and personnel expenses are remaining consistent with 2014. Personnel expenses includes \$15,000 for employee education reimbursement and \$10,000 for employee relocation. Personnel expenses also include professional development and training costs.

#### Meeting and Travel Expenses

- Total meeting and travel expenses are increasing by 21.9%, which includes team building events. Travel costs include attendance at a professional development conference with related travel.

#### Operating Expenses

- Operating expenses are decreasing 71.8% in 2015 to reflect that only one compensation study will be conducted in 2015.

#### Indirect Expenses

- N/A

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Human Resources

Funding sources and related expenses for the human resources section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>HUMAN RESOURCES</b>					
	<b>2014</b>	<b>2014</b>	<b>Variance</b>	<b>2015</b>	<b>Variance</b>
<b>Funding</b>	<b>Budget</b>	<b>Projection</b>	<b>2014 Projection</b>	<b>Budget</b>	<b>2015 Budget</b>
			<b>v 2014 Budget</b>		<b>v 2014 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 91,052	\$ 91,052	\$ -	\$ 88,066	\$ (2,986)
Payroll Taxes	12,804	12,804	-	8,321	(4,484)
Benefits	36,740	36,740	-	47,840	11,099
Retirement Costs	13,203	13,203	-	12,769	(433)
<b>Total Personnel Expenses</b>	<b>\$ 153,799</b>	<b>\$ 153,799</b>	<b>\$ -</b>	<b>\$ 156,996</b>	<b>\$ 3,196</b>
<b>Meeting Expenses</b>					
Meetings	\$ 8,750	\$ 8,750	\$ -	\$ 9,300	\$ 550
Travel	1,705	1,705	-	3,449	1,744
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 10,455</b>	<b>\$ 10,455</b>	<b>\$ -</b>	<b>\$ 12,749</b>	<b>\$ 2,294</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 80,400	\$ 80,400	\$ -	\$ 20,000	\$ (60,400)
Office Rent	-	-	-	-	-
Office Costs	3,652	3,652	-	3,695	43
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 84,052</b>	<b>\$ 84,052</b>	<b>\$ -</b>	<b>\$ 23,695</b>	<b>\$ (60,357)</b>
<b>Total Direct Expenses</b>	<b>\$ 248,306</b>	<b>\$ 248,306</b>	<b>\$ -</b>	<b>\$ 193,440</b>	<b>\$ (54,867)</b>
<b>Indirect Expenses</b>	<b>\$ (248,306)</b>	<b>\$ (248,306)</b>	<b>\$ -</b>	<b>\$ (193,440)</b>	<b>\$ 54,867</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>	<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 (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

## Finance and Accounting

<b>Accounting and Finance</b> (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.00	4.00	2.00
Total Direct Expenses	\$ 598,716	\$ 594,032	\$ (4,684)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

### 2015 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2015 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, managers and the Texas RE Board.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources

- N/A

#### Personnel Expenses

- FTEs are increasing by 2.0 to reflect an organization-wide FTE Reallocation. Personnel expenses for this Program are increasing by 33.5% increased to reflect this reallocation as well as professional development and training costs.

#### Meeting Expenses

- Travel expenses are increasing 24.4% due to increased travel costs for two finance and budget meetings included in 2015.

## Operating Expenses

- Total Operating expenses are decreasing by 56.4%. A contract accountant was included in the 2014 budget, which will be replaced with in-house personnel in 2015. Office costs are decreasing 72.3% and include software maintenance and professional dues. Professional services are decreasing 42.3% due to commercial insurance and property taxes being charged to General & Administrative in the 2015 budget. Professional services costs also include audit fees for 2015.

## Indirect Expenses

- N/A

## Other Non-Operating Expenses

- N/A

## Fixed Asset Additions

- N/A



## Finance and Accounting

Funding sources and related expenses for the finance and accounting section of the 2015 business plan are shown in the table below.

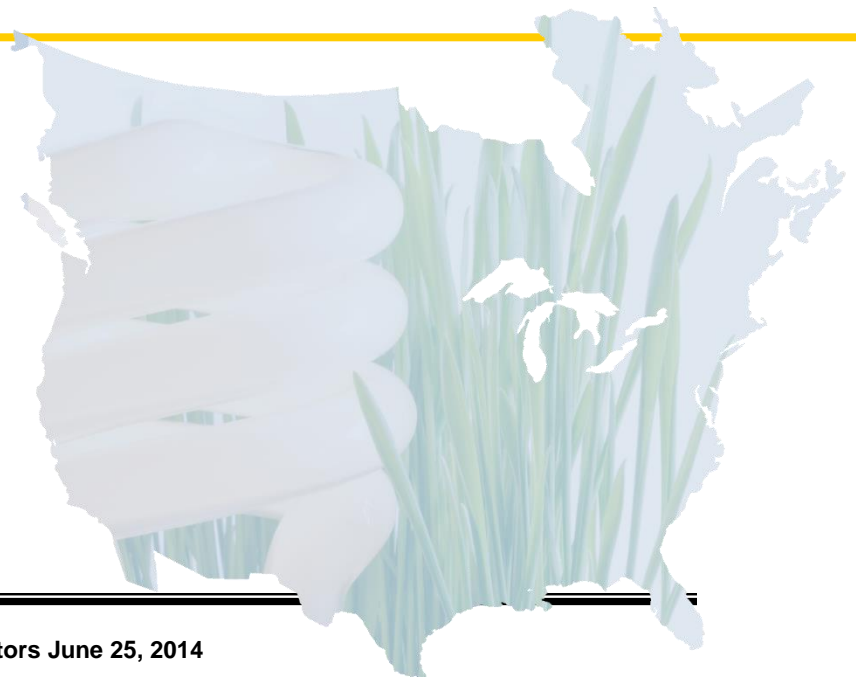
<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>FINANCE and ACCOUNTING</b>					
	<b>2014</b>	<b>2014</b>	<b>Variance</b>	<b>2015</b>	<b>Variance</b>
<b>Funding</b>	<b>Budget</b>	<b>Projection</b>	<b>2014 Projection</b>	<b>Budget</b>	<b>2015 Budget</b>
			<b>v 2014 Budget</b>		<b>v 2014 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 278,344	278,344	\$ -	\$ 348,758	\$ 70,413
Payroll Taxes	18,970	18,970	-	32,953	13,983
Benefits	30,277	30,277	-	58,976	28,699
Retirement Costs	40,360	40,360	-	50,570	10,210
<b>Total Personnel Expenses</b>	<b>\$ 367,951</b>	<b>\$ 367,951</b>	<b>\$ -</b>	<b>\$ 491,256</b>	<b>\$ 123,305</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	-	\$ -	\$ -	\$ -
Travel	2,620	2,620	-	3,260	640
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 2,620</b>	<b>\$ 2,620</b>	<b>\$ -</b>	<b>\$ 3,260</b>	<b>\$ 640</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 35,000	35,000	\$ -	\$ -	\$ (35,000)
Office Rent	-	-	-	-	-
Office Costs	40,057	40,057	-	11,116	(28,941)
Professional Services	153,088	153,088	-	88,400	(64,688)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 228,145</b>	<b>\$ 228,145</b>	<b>\$ -</b>	<b>\$ 99,516</b>	<b>\$ (128,629)</b>
<b>Total Direct Expenses</b>	<b>\$ 598,716</b>	<b>\$ 598,716</b>	<b>\$ -</b>	<b>\$ 594,032</b>	<b>\$ (4,684)</b>
<b>Indirect Expenses</b>	<b>\$ (598,716)</b>	<b>\$ (598,716)</b>	<b>\$ -</b>	<b>\$ (594,032)</b>	<b>\$ 4,684</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>	<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 ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

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## Section B – Supplemental Financial Information 2015 Business Plan and Budget

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## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2014-2015</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2013</b>	3,792,602
Plus: 2014 Funding (from LSEs or designees)	10,912,141
Plus: 2014 Other funding sources	32,716
Less: 2014 Projected expenses & capital expenditures	<b>(11,771,249)</b>
<b>Projected Working Capital Reserve (Deficit), December 31, 2014</b>	<b>2,966,210</b>
<b>Desired Working Capital Reserve, December 31, 2015</b>	<sup>1</sup> 2,000,000 <sup>▼</sup>
Minus: Projected Working Capital Reserve, December 31, 2014	<b>(2,966,210)</b>
Minus: adjustment to Cash Reserve, December 31, 2014	0
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b>(966,210)</b>
2015 Expenses and Capital Expenditures	11,983,701
Less: Penalty Sanctions <sup>2</sup>	<b>(483,500)</b>
Less: Other Funding Sources	<b>(33,545)</b>
Adjustment to achieve desired Working Capital Reserve	(966,210)
<b>2015 NERC Assessment</b>	<b>10,500,446</b>

<sup>1</sup> On XXXXX XX, 2014, the Finance and Audit Committee of the NERC Board of Trustees approved management's proposed 2015 business plan and budget which included a projected year end working capital reserve of approximately \$2M.

<sup>2</sup> Represents collections on or prior to June 30, 2014.

### Explanation of Changes in Reserve Policy from Prior Years

- Consistent with its Working Capital and Operating Reserve Policy, Texas RE is retaining its \$2,000,000 cash reserve requirement and has obtained a \$500,000 line of credit to ensure it has appropriate liquidity for contingencies.

### **Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of the statement of activities on page 10 of the 2015 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2014. The 2015 budget was based on this information.

### **Penalty Sanctions**

Penalty monies received by June 30, 2014 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.

All penalties received by June 30, 2014 are detailed in exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; and Training, Education and Operator Certification. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

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**Table B-2 – Penalty Sanctions**

**999**

<b>Penalty Sanctions Received On or Prior to June 30, 2014</b>	<b>Date Received</b>	<b>Amount Received</b>
	7/10/2013	137,000.00
	7/10/2013	200,000.00
	9/3/2013	9,000.00
	9/6/2013	38,000.00
	10/1/2013	12,000.00
	10/1/2013	4,800.00
	10/1/2013	15,000.00
	10/1/2013	17,200.00
	10/1/2013	12,000.00
	12/19/2013	19,000.00
	1/15/2014	19,500.00
<b>Total Penalties Received</b>		<u>\$ 483,500</u>

**Table B-3 – Supplemental Funding**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget
<b>Reliability Standards</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Workshops	\$ -	\$ -	\$ -	-
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Interest Income	\$ 14,466	\$ 14,466	\$ 15,045	\$ 579
Membership Dues	\$ 18,250	\$ 18,250	\$ 18,500	\$ 250
<b>Total</b>	\$ 32,716	\$ 32,716	\$ 33,545	\$ 829
<b>Total Outside Funding</b>	\$ 32,716	\$ 32,716	\$ 33,545	\$ 829

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

- Texas RE anticipates its investments will earn interest of approximately \$15,045 in 2015. This revenue is allocated to the Statutory programs based on FTEs.

Section B — Supplemental Financial Information

• Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Total Salaries	\$ 6,087,779	\$ 6,087,779	\$ 6,531,781	\$ 444,002	7.3%
Total Payroll Taxes	571,040	571,040	617,840	46,799	8.2%
Total Benefits	971,875	971,875	917,129	(54,746)	-5.6%
Total Retirement	882,728	882,728	935,450	52,722	6.0%
<b>Total Personnel Costs</b>	<b>\$ 8,513,423</b>	<b>\$ 8,513,423</b>	<b>\$ 9,002,199</b>	<b>\$ 488,777</b>	<b>5.7%</b>
FTEs	60.00	60.00	60.00	-	0.0%
<b>Cost per FTE</b>					
Salaries	\$ 101,463	\$ 101,463	\$ 108,863	7,400	7.3%
Payroll Taxes	9,517	9,517	10,297	780	8.2%
Benefits	16,198	16,198	15,285	(912)	-5.6%
Retirement	14,712	14,712	15,591	879	6.0%
<b>Total Cost per FTE</b>	<b>\$ 141,890</b>	<b>\$ 141,890</b>	<b>\$ 150,037</b>	<b>\$ 8,146</b>	<b>5.7%</b>

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

- Total costs for Texas RE personnel expenses are increasing by 5.7%. Salaries are increasing 7.3% due to anticipated promotions and annual merit increases and to reflect the reassignment of certain FTEs to higher-salary positions. Employee benefits are decreasing by 5.6% to more accurately reflect actual expenses.
- Total benefits include employee training, relocation, and employee education reimbursement.

Table B-5 – Consultants and Contracts

Consultants and Contracts	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Reliability Standards	\$ 10,992	\$ 10,992	\$ -	\$ (10,992)	-100%
Compliance and Organization Registration and Certification	287,280	287,280	176,820	(110,460)	-38%
Training and Education	-	-	2,250	2,250	100%
General and Administrative	42,600	42,600	47,004	4,404	10%
Legal and Regulatory	2,299	2,299	3,000	701	30%
Information Technology	37,500	37,500	38,996	1,496	4%
Human Resources	80,400	80,400	20,000	(60,400)	-75%
Accounting and Finance	35,000	35,000	-	(35,000)	-100%
<b>Consultants Total</b>	<b>\$ 496,072</b>	<b>\$ 496,072</b>	<b>\$ 288,070</b>	<b>\$ (208,002)</b>	<b>-42%</b>

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

- The reduction in Consultants and Contracts for the Reliability Standards and Compliance and Organization Registration and Certification Programs is based on the actual 2013 costs. Work previously expected to be performed by consultants is being performed by in-house personnel.
- The 100% increase in Consultants and Contracts costs for the Training and Education Program results from the reallocation of software to this Program from General and Administrative.
- The reduction in costs to the Human Resources department is due to only one compensation study planned for 2015.
- The costs to the Accounting and Finance department in 2014 are being replaced as the work will be completed by in-house personnel.



Section B — Supplemental Financial Information

Table B-6 – Office Rent

Rent	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Office Rent	\$ 510,864	\$ 510,864	\$ 246,660	\$ (264,204)	-51.72%
Utilities			180,420	180,420	
Maintenance			-	-	
<b>Total Office Rent</b>	<b>\$ 510,864</b>	<b>\$ 510,864</b>	<b>\$ 427,080</b>	<b>\$ (83,784)</b>	<b>-16.40%</b>

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

- 2015 rent expense is decreasing by 16.4%. Per the lease agreement, the security deposit has been applied to reduce rent payments for 2015. An adjustment for deferred rent was not considered in the 2014 budget.

Table B-7 – Office Costs

Office Costs	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Telephone/Cell Phone	\$ 23,280	\$ 23,280	\$ 17,280	\$ (6,000)	-25.77%
Internet Expense	142,600	142,600	140,000	(2,600)	-1.82%
Office Supplies	13,232	13,232	28,779	15,547	117.50%
Computer Supplies & Maintenance	133,728	133,728	31,530	(102,198)	-76.42%
Software & Software Maintenance	6,000	6,000	142,080	136,080	2268.00%
Subscriptions & Publications	6,510	6,510	23,300	16,790	257.92%
Dues	8,904	8,904	7,419	(1,486)	-16.69%
Postage	1,660	1,660	535	(1,125)	-67.77%
Express Shipping	4,685	4,685	575	(4,110)	-87.73%
Copying	1,071	1,071	-	(1,071)	-100.00%
Stationary & Office Forms	2,673	2,673	3,910	1,237	46.29%
Equipment Repair/Srv. Contracts	2,000	2,000	2,000	-	0.00%
Bank Charges	643	643	2,100	1,457	226.74%
Property Taxes	25,944	25,944	25,200	(744)	-2.87%
Merchant Credit Card Fee	4,368	4,368	2,250	(2,118)	-48.49%
IT-Leased Equipment	262,200	262,200	210,000	(52,200)	-19.91%
<b>Total Office Costs</b>	<b>\$ 639,498</b>	<b>\$ 639,498</b>	<b>\$ 636,958</b>	<b>\$ (2,540)</b>	<b>-0.40%</b>

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

- All categories in the Office Costs have been adjusted in the 2015 budget to more accurately reflect actual experience.
- Software & Software Maintenance increased to cover the cost of licenses and maintenance agreements for ongoing and new software programs.
- Subscriptions and Publications increased to cover costs for Board of Director meeting package publication software.
- IT-Leased equipment is 19.9% less than in the 2014 budget due to the final cost for leasing computer equipment being less than originally budgeted.

**Table B-8 – Professional Services**

Professional Services	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Board of Director Fees	\$ 338,000	\$ 338,000	\$ 351,600	\$ 13,600	4.02%
Accounting & Auditing Fees	81,328	81,328	88,400	7,072	8.70%
Legal Fees	455,000	455,000	472,000	17,000	3.74%
Insurance - Commercial	71,760	71,760	81,000	9,240	12.88%
Professional Services-Other	81,000	81,000	84,240	3,240	4.00%
Security Services	46,000	46,000	-	(46,000)	-100.00%
<b>Total Professional Services</b>	<b>\$ 1,073,088</b>	<b>\$ 1,073,088</b>	<b>\$ 1,077,240</b>	<b>\$ 4,152</b>	<b>0.39%</b>

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

- Assumes fees paid to the Independent Board of Directors will increase 4%.
- Accounting and Auditing fees are increasing 8% due to increase in fees for the external financial auditor and other personnel-related services.
- Commercial Insurance is projected to increase 12% based on an estimate from the broker.
- Security Services costs are being eliminated because a security services contract will not be renewed for 2015.

Section B — Supplemental Financial Information

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

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

- N/A

Section B — Supplemental Financial Information

Table B-10 – 2016 and 2017 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projected 2016 and 2017 Budgets								
	2015 Budget	2016 Projection	\$ Change 16 v 15	% Change 16 v 15	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	
<b>Funding</b>								
<b>ERO Funding</b>								
NERC Assessments	\$ 10,500,446	\$ 10,920,464	\$ 420,018	4.00%	\$ 11,357,282	\$ 436,819	3.8%	
Penalty Sanctions	483,500	502,840	19,340	4.00%	522,954	20,114	3.8%	
<b>Total NERC Funding</b>	<b>\$ 10,983,946</b>	<b>\$ 11,423,304</b>	<b>\$ 439,358</b>	<b>4.0%</b>	<b>\$ 11,880,236</b>	<b>\$ 456,932</b>	<b>3.8%</b>	
Membership Dues	18,500	19,240	740	4.00%	20,010	770	4.0%	
Interest	15,045	15,647	602	4.00%	16,273	626	4.0%	
<b>Total Funding (A)</b>	<b>\$ 11,017,491</b>	<b>\$ 11,458,191</b>	<b>\$ 440,700</b>	<b>4.0%</b>	<b>\$ 11,916,518</b>	<b>\$ 458,328</b>	<b>4.0%</b>	
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 6,531,781	\$ 6,793,052	\$ 261,271	4.0%	\$ 7,064,774	\$ 271,722	4.0%	
Payroll Taxes	617,840	642,553	24,714	4.0%	668,256	25,702	4.0%	
Benefits	917,129	953,814	36,685	4.0%	991,967	38,153	4.0%	
Retirement Costs	935,450	972,868	37,418	4.0%	1,011,782	38,915	4.0%	
<b>Total Personnel Expenses</b>	<b>\$ 9,002,199</b>	<b>\$ 9,362,287</b>	<b>\$ 360,088</b>	<b>4.0%</b>	<b>\$ 9,736,779</b>	<b>\$ 374,492</b>	<b>4.0%</b>	
<b>Meeting Expenses</b>								
Meetings	\$ 43,726	\$ 45,475	\$ 1,749	4.0%	\$ 47,294.04	1,819	4.0%	
Travel	451,108	469,152	18,044	4.0%	487,918	18,766	4.0%	
Conference Calls	13,640	14,186	546	4.0%	14,753	567	4.0%	
<b>Total Meeting Expenses</b>	<b>\$ 508,474</b>	<b>\$ 528,813</b>	<b>\$ 20,339</b>	<b>4.0%</b>	<b>\$ 549,965</b>	<b>\$ 21,153</b>	<b>4.0%</b>	
<b>Operating Expenses</b>								
Consultants & Contracts	\$ 288,070	\$ 299,593	11,523	4.0%	\$ 311,577	11,984	4.0%	
Office Rent	427,080	444,163	17,083	4.0%	461,930	17,767	4.0%	
Office Costs	636,958	662,436	25,478	4.0%	688,934	26,497	4.0%	
Professional Services	1,077,240	1,120,330	43,090	4.0%	1,165,143	44,813	4.0%	
Depreciation	212,740	221,250	8,510	4.0%	230,100	8,850	4.0%	
<b>Total Operating Expenses</b>	<b>\$ 2,642,088</b>	<b>\$ 2,747,772</b>	<b>\$ 105,684</b>	<b>4.0%</b>	<b>\$ 2,857,682</b>	<b>\$ 109,911</b>	<b>4.0%</b>	
<b>Total Direct Expenses</b>	<b>\$ 12,152,761</b>	<b>\$ 12,638,872</b>	<b>\$ 486,110</b>	<b>4.0%</b>	<b>\$ 13,144,427</b>	<b>\$ 505,555</b>	<b>4.0%</b>	
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		
<b>Total Expenses (B)</b>	<b>\$ 12,152,761</b>	<b>\$ 12,638,872</b>	<b>\$ 486,110</b>	<b>4.0%</b>	<b>\$ 13,144,427</b>	<b>\$ 505,555</b>	<b>4.0%</b>	
<b>Change in Assets</b>	<b>\$ (1,135,270)</b>	<b>\$ (1,180,681)</b>	<b>\$ (45,411)</b>	<b>4.0%</b>	<b>\$ (1,227,909)</b>	<b>\$ (47,227)</b>	<b>4.0%</b>	
<b>Fixed Assets</b>								
Depreciation	\$ (212,740)	\$ (221,250)	\$ (8,510)	4.0%	\$ (230,100)	\$ (8,850)	4.0%	
Computer & Software CapEx	43,680	45,427	1,747	4.0%	47,244	1,817	4.0%	
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (169,060)</b>	<b>\$ (175,823)</b>	<b>\$ (6,762)</b>	<b>4.0%</b>	<b>\$ (182,855)</b>	<b>\$ (47,227)</b>	<b>0.0%</b>	
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,983,701</b>	<b>\$ 12,463,049</b>	<b>\$ 479,348</b>	<b>4.0%</b>	<b>\$ 12,961,571</b>	<b>\$ 505,555</b>	<b>4.1%</b>	
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (966,210)</b>	<b>\$ (1,004,859)</b>	<b>\$ (38,648)</b>	<b>4.0%</b>	<b>\$ (1,045,053)</b>	<b>(40,194)</b>	<b>4.0%</b>	
FTEs	60	60	-	0.0%	60	-	-	

2016 and 2017 Projection Analysis

- Assumes overall workload will remain consistent; reflects no additional FTEs and an overall expense increase of approximately 4% per year.

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## Section C – 2015 State (Non-Statutory) Activities 2015 Business Plan and Budget

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## Section C — 2015 State (Non-Statutory) Business Plan and Budget

<b>Non-Statutory Activities</b> (in whole dollars)			
	2014 Budget	2015 Budget	increase (Decrease)
Total FTEs	5.0	5.0	
Direct Expenses	970,000	999,100	29,100
Indirect Expenses	223,856	-	(223,856)
Inc(Dec) in Fixed Assets	-	-	
Total Funding Requirement	1,193,856	999,100	29,100

### State (Non-Statutory) Functional Scope

Texas RE is authorized by Public Utility Commission of Texas (PUCT), and is permitted by NERC, to serve as PUCT's Reliability Monitor for the ERCOT Region. Under the direction of PUCT, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market entities' compliance with the reliability-related ERCOT Protocols, Operating Guides, and PUCT rules (Regional Rules). Texas RE also monitors the stakeholder Regional Rules creation and modification process and provides technical support to PUCT regarding proposed reliability-related changes. Texas RE does not perform any enforcement activities related to Regional Rules, but, when needed, provides testimony and technical support to PUCT for its enforcement cases.

### Major 2015 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform Regional Rules compliance monitoring and reporting for PUCT in 2015.

### 2015 State (Non-Statutory) Goals and Objectives

- Appropriately monitor, investigate, and report to PUCT regarding stakeholder compliance with the Regional Rules.
- Review and assess system disturbances for potential violations of Regional Rules and report all findings to PUCT.
- Provide technical expertise to PUCT for the review and modification of Regional Rules that impact reliability of the BES.
- Provide technical or testimony support as needed to the PUCT for its enforcement of Regional Rules violations.

### Funding Sources

- Funding will be obtained through a contract between Texas RE, the PUCT, and ERCOT, which requires ERCOT to make quarterly fixed fee payments to Texas RE from its PUCT-approved system administration fee. Texas RE's total 2015 non-statutory budget and funding is \$999,100.

### **Personnel Expenses**

- State (Non-statutory) personnel are remaining constant at 5 FTEs, and personnel expenses are consistent with 2014 increasing only 3%. One FTE will continue to represent the composite of time spent on non-statutory activities by employees who report to statutory and G&A program areas.

### **Meeting Expenses**

- Meeting and travel is consistent with 2014.

### **Operating Expenses**

- Operating expenses are consistent with 2014.

### **Indirect Expenses**

- Costs are being charged directly to the expense line item in 2015, rather than the previous practice of indirectly charging expenses.



Section C — 2015 State (Non-Statutory) Business Plan and Budget

2015 Budget and Projection and 2014 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital						
2014 Budget & Projection, and 2015 Budget						
STATE (NON-STATUTORY)						
		2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>						
Total Funding (A)	PUCT	\$ 970,000	\$ 970,000	\$ -	\$ 999,100	\$ 29,100
<b>Expenses</b>						
<b>Personnel Expenses</b>						
	Salaries	\$ 560,604	\$ 560,604		\$ 600,736	\$ 40,131
	Payroll Taxes	48,231	48,231		48,624	393
	Benefits	81,929	81,929		62,841	(19,088)
	Retirement Costs	77,001	77,001		86,607	9,606
	<b>Total Personnel Expenses</b>	<b>\$ 767,765</b>	<b>\$ 767,765</b>	<b>\$ -</b>	<b>\$ 798,807</b>	<b>\$ 31,042</b>
<b>Meeting Expenses</b>						
	Meetings	\$ -			\$ -	-
	Travel	\$ 12,480	\$ 12,480		\$ 1,500	\$ (10,980)
	Conference Calls	\$ -			\$ -	-
	<b>Total Meeting Expenses</b>	<b>\$ 12,480</b>	<b>\$ 12,480</b>	<b>\$ -</b>	<b>\$ 1,500</b>	<b>\$ (10,980)</b>
<b>Operating Expenses</b>						
	Consultants & Contracts	\$ 18,855	\$ 18,855		\$ 99,593	80,738
	Office Rent	44,423	44,423		32,146	(12,277)
	Office Costs	53,747	53,747		41,625	(12,121)
	Professional Services	34,758	34,758		8,640	(26,118)
	Depreciation	37,973	37,973		16,789	(21,184)
	<b>Total Operating Expenses</b>	<b>\$ 189,756</b>	<b>\$ 189,756</b>	<b>\$ -</b>	<b>\$ 198,793</b>	<b>\$ 9,037</b>
	<b>Total Direct Expenses</b>	<b>\$ 970,000</b>	<b>\$ 970,000</b>	<b>\$ -</b>	<b>\$ 999,100</b>	<b>\$ 29,100</b>
	<b>Indirect Expenses</b>	<b>\$ 223,856</b>	<b>\$ 223,856</b>			<b>\$ (223,856)</b>
	<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>		<b>\$ 1,193,856</b>	<b>\$ 1,193,856</b>	<b>\$ -</b>	<b>\$ 999,100</b>	<b>\$ (194,755)</b>
<b>Change in Assets</b>		<b>\$ (223,856)</b>	<b>\$ (223,856)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 223,856</b>
<b>Fixed Assets</b>						
	Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
	Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets ( C )</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>		<b>\$ 1,193,856</b>	<b>\$ 1,193,856</b>	<b>\$ -</b>	<b>\$ 999,100</b>	<b>(194,755)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>		<b>\$ (223,856)</b>	<b>\$ (223,856)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 223,855</b>
FTEs		5	5		5	

To be Approved by the Texas RE Board of Directors June 25, 2014

## Personnel Analysis

Total FTE's by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs 2015 Budget	Total FTEs 2015 Budget	Change from 2014 Budget
<b>STATE (NON-STATUTORY)</b>						
<b>Operational Programs</b>						
Protocol	4.40	4.40	4.00	0.00	4.00	-0.40
<b>Total FTEs Operational Programs</b>	<b>4.40</b>	<b>4.40</b>	<b>4.00</b>	<b>0.00</b>	<b>4.00</b>	<b>-0.40</b>
<b>Administrative Programs</b>						
G&A	0.60	0.60	0.00	1.00	1.00	0.40
<b>Total FTEs Administrative Programs</b>	<b>0.60</b>	<b>0.60</b>	<b>0.00</b>	<b>1.00</b>	<b>1.00</b>	<b>0.40</b>
<b>Total FTEs</b>	<b>5.00</b>	<b>5.00</b>	<b>4.00</b>	<b>1.00</b>	<b>5.00</b>	<b>0.00</b>

A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

### **Reserve Analysis — 2014–2015**

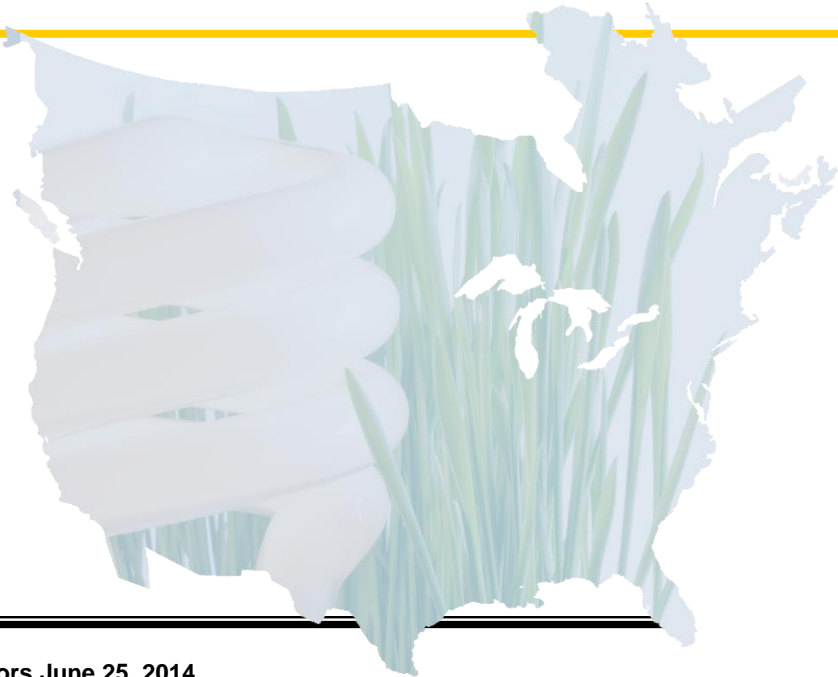
Texas RE does not have reserves for State (non-statutory) activities, due to contractual provisions ensuring minimal risk for this funding.

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# Section D – Additional Consolidated Financial Statements

## 2015 Business Plan and Budget

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## Section D – Supplemental Information

### 2015 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)

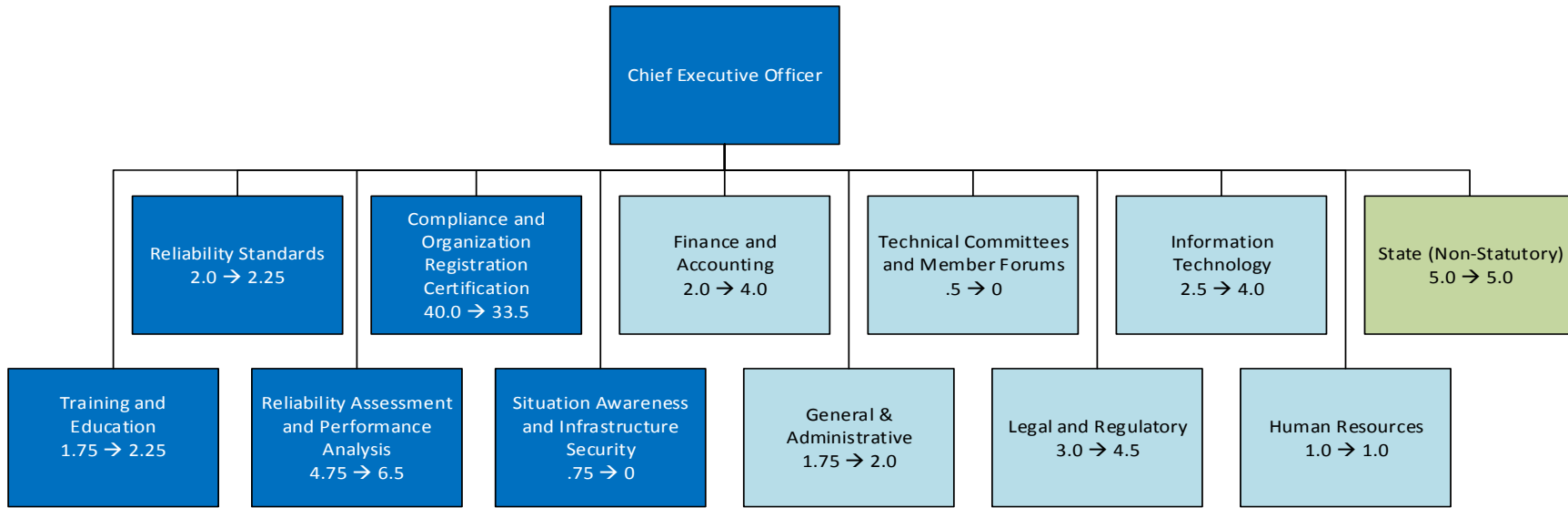
Statement of Activities and Capital Expenditures by Program 2015 Budget	Total	Statutory Total	State (Non-Statutory) Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 401)	Reliability Assessment and Performance Analysis (Section 300)	Training and Education (Section 900)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	State (Non-Statutory) Total
<b>Funding</b>														
<b>ERO Funding</b>														
NERC Assessments	10,500,446	10,500,446	-	10,500,446	530,921	7,904,830	1,533,773	530,921	-	-	-	-	-	-
Penalty Sanctions	483,500	483,500	-	483,500	24,447	363,983	70,624	24,447	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>10,983,946</b>	<b>10,983,946</b>	<b>-</b>	<b>10,983,946</b>	<b>555,368</b>	<b>8,268,813</b>	<b>1,604,397</b>	<b>555,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	18,500	18,500	-	18,500	935	13,927	2,702	935	-	-	-	-	-	-
PUCT Fees	999,100	-	999,100	-	-	-	-	-	-	-	-	-	-	999,100
Interest	15,045	15,045	-	15,045	761	11,326	2,198	761	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>12,016,591</b>	<b>11,017,491</b>	<b>999,100</b>	<b>11,017,491</b>	<b>557,064</b>	<b>8,294,066</b>	<b>1,609,296</b>	<b>557,064</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999,100</b>
<b>Expenses</b>														
<b>Personnel Expenses</b>														
Salaries	7,132,516	6,531,781	600,736	6,531,781	287,955	3,664,126	836,623	180,683	369,448	427,144	328,978	88,066	348,758	600,736
Payroll Taxes	666,464	617,840	48,624	617,840	27,208	352,833	79,049	17,072	28,963	40,359	31,084	8,321	32,953	48,624
Benefits	979,970	917,129	62,841	917,129	26,670	442,593	129,673	27,385	13,635	58,004	112,354	47,840	58,976	62,841
Retirement Costs	1,022,056	935,450	86,607	935,450	41,754	531,298	121,310	26,199	41,912	61,936	47,702	12,769	50,570	86,607
<b>Total Personnel Expenses</b>	<b>9,801,006</b>	<b>9,002,199</b>	<b>798,807</b>	<b>9,002,199</b>	<b>383,586</b>	<b>4,990,849</b>	<b>1,166,654</b>	<b>251,339</b>	<b>453,958</b>	<b>587,442</b>	<b>520,118</b>	<b>156,996</b>	<b>491,256</b>	<b>798,807</b>
<b>Meeting Expenses</b>														
Meetings	43,726	43,726	-	43,726	-	-	-	30,900	510	-	3,016	9,300	-	-
Travel	452,608	451,108	1,500	451,108	9,521	236,096	72,284	2,705	87,944	17,591	18,258	3,449	3,260	1,500
Conference Calls	13,640	13,640	-	13,640	-	-	-	10,000	-	-	3,640	-	-	-
<b>Total Meeting Expenses</b>	<b>509,974</b>	<b>508,474</b>	<b>1,500</b>	<b>508,474</b>	<b>9,521</b>	<b>236,096</b>	<b>72,284</b>	<b>43,605</b>	<b>88,454</b>	<b>17,591</b>	<b>24,914</b>	<b>12,749</b>	<b>3,260</b>	<b>1,500</b>
<b>Operating Expenses</b>														
Consultants & Contracts	387,663	288,070	99,593	288,070	-	176,820	-	2,250	47,004	3,000	38,996	20,000	-	99,593
Office Rent	459,226	427,080	32,146	427,080	-	-	-	-	427,080	-	-	-	-	32,146
Office Costs	678,583	636,958	41,625	636,958	1,604	4,924	5,360	2,040	84,164	3,615	520,440	3,695	11,116	41,625
Professional Services	1,085,880	1,077,240	8,640	1,077,240	-	442,000	-	-	432,600	30,000	84,240	-	88,400	8,640
Depreciation	229,529	212,740	16,789	212,740	-	-	-	-	172,740	-	40,000	-	-	16,789
<b>Total Operating Expenses</b>	<b>2,840,881</b>	<b>2,642,088</b>	<b>198,793</b>	<b>2,642,088</b>	<b>1,604</b>	<b>623,744</b>	<b>5,360</b>	<b>4,290</b>	<b>1,163,588</b>	<b>36,615</b>	<b>683,676</b>	<b>23,695</b>	<b>99,516</b>	<b>198,793</b>
<b>Total Direct Expenses</b>	<b>13,151,861</b>	<b>12,152,761</b>	<b>999,100</b>	<b>12,152,761</b>	<b>394,711</b>	<b>5,850,689</b>	<b>1,244,298</b>	<b>299,234</b>	<b>1,706,001</b>	<b>641,648</b>	<b>1,228,708</b>	<b>193,440</b>	<b>594,032</b>	<b>999,100</b>
<b>Indirect Expenses</b>	<b>(0)</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	<b>220,643</b>	<b>3,285,129</b>	<b>637,413</b>	<b>220,643</b>	<b>(1,706,001)</b>	<b>(641,648)</b>	<b>(1,228,708)</b>	<b>(193,440)</b>	<b>(594,032)</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>13,151,861</b>	<b>12,152,761</b>	<b>999,100</b>	<b>12,152,761</b>	<b>615,354</b>	<b>9,135,818</b>	<b>1,881,711</b>	<b>519,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999,100</b>
<b>Change in Assets</b>	<b>(1,135,270)</b>	<b>(1,135,270)</b>	<b>0</b>	<b>(1,135,270)</b>	<b>(58,290)</b>	<b>(841,752)</b>	<b>(272,415)</b>	<b>37,187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>														
Depreciation	(212,740)	(212,740)	-	(212,740)	-	-	-	-	(172,740)	-	(40,000)	-	-	-
Computer & Software CapEx	43,680	43,680	-	43,680	-	-	-	-	-	-	43,680	-	-	-
Allocation of Fixed Assets	-	-	-	-	(8,548)	(127,270)	(24,694)	(8,548)	172,740	-	(3,680)	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(169,060)</b>	<b>(169,060)</b>	<b>-</b>	<b>(169,060)</b>	<b>(8,548)</b>	<b>(127,270)</b>	<b>(24,694)</b>	<b>(8,548)</b>	<b>172,740</b>	<b>-</b>	<b>(3,680)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>11,983,701</b>	<b>11,983,701</b>	<b>-</b>	<b>11,983,701</b>	<b>606,806</b>	<b>9,008,548</b>	<b>1,857,017</b>	<b>511,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>(966,210)</b>	<b>(966,210)</b>	<b>0</b>	<b>(966,210)</b>	<b>(49,742)</b>	<b>(714,482)</b>	<b>(247,721)</b>	<b>45,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>65.00</b>	<b>60.00</b>	<b>5.00</b>	<b>60.00</b>	<b>2.25</b>	<b>33.50</b>	<b>6.50</b>	<b>2.25</b>	<b>2.00</b>	<b>4.50</b>	<b>4.00</b>	<b>1.00</b>	<b>4.00</b>	<b>5.00</b>

To be Approved by the Texas RE Board of Directors June 25, 2014

## Statement of Financial Position

Statement of Financial Position			
STATUTORY and STATE (NON- STATUTORY)			
	(Per Audit) 31-Dec-13	Projected 31-Dec-14	Budget 31-Dec-15
<b>ASSETS</b>			
Cash	5,584,176	3,869,812	3,869,812
Accounts receivable, net of allowance for uncollecti	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	199,435	199,435	199,435
Security deposit	39,705	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	602,903	430,163	430,163
<b>Total Assets</b>	<b>6,426,219</b>	<b>4,539,115</b>	<b>4,539,115</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	504,035	504,035	504,035
Deferred income/rent	181,440	181,440	181,440
Deferred penalty income	-	-	-
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Accrued incentive compensation	-	-	-
<b>Total Liabilities</b>	<b>685,475</b>	<b>685,475</b>	<b>685,475</b>
Unrestricted Net Assets			
Undesignated	4,853,666	3,370,140	3,370,140
Regulator designated	887,078	483,500	483,500
Total Net Assets	5,740,744	3,853,640	3,853,640
<b>Total Liabilities and Net Assets</b>	<b>6,426,219</b>	<b>4,539,115</b>	<b>4,539,115</b>

2015 Texas RE Combined Statutory and Non-statutory Organization Chart



- Statutory Program Area
- Administrative Services Program Area
- Non-Statutory Program Area

Arrow indicates number of FTEs from 2014 to 2015.

To be Approved by the Texas RE Board of Directors June 25, 2014