



2018 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: May 24, 2017

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
Total FTEs	65.00			
Statutory Expenses	\$ 12,795,453			
Non-Statutory Expenses	\$ 1,091,743			
Total Expenses	\$ 13,887,196			
Statutory Inc(Dec) in Fixed Assets	\$ (138,500)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (138,500)			
Statutory Working Capital Requirement	\$ (1,107,967)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (1,107,967)			
Total Statutory Funding Requirement	\$ 11,548,986			
Total Non-Statutory Funding Requirement	\$ 1,091,743			
Total Funding Requirement	\$ 12,640,729			
Statutory Funding Assessments	\$ 11,271,986			
Non-Statutory Fees	\$ 1,091,743			
NEL	353,021,556	353,021,556		
NEL%	100.00%	100.00%		

*Refer to Table B-1 Reserve Analysis on page 38 in Section B.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity 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) effective January 1, 2016. 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, on behalf of the Public Utility Commission of Texas (PUCT). As the Reliability Monitor, Texas RE 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 90% 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 as a member and complies with the Texas RE Bylaws requirements. There is no charge for membership with Texas RE. 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 one stakeholder committee, the Member Representatives Committee (MRC). 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, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC 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 MRC, the NERC Standards Review Forum (NSRF), 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 individuals:

- The Texas RE President and Chief Executive Officer (CEO)
- Four Independent Directors (elected by membership)
- Two Affiliated 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 CEO 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, 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 and business expense reimbursement. 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.

2018 Overview of Cost Impacts

In developing the Texas RE 2018 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 (2018-2020) and Key Focus Areas (2018), which is provided as Exhibit A to the NERC 2018 Business Plan and Budget. Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2018 Business Plan and Budget. Texas RE also seeks input from its MRC. Prior to obtaining final approval from its Board, 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 2018 statutory expenses (\$12,795,453) increased by 3.2% from the 2017 statutory expenses (\$12,394,535).

The 2018 statutory assessment (\$11,271,986) represents an increase of 17.5% from the 2017 assessment (\$9,595,256).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 6.2%. Salaries expense is increasing 6.1%, which includes an allowance for 3% salary increases and reflects a 3.1% increase due to market adjustments and promotions in 2016 that were not included in the 2017 budget. Payroll taxes are increasing 7.3% to better align with actual experience. Total Benefits expense is increasing 2.9%. Health-plan expense is projected to increase 15% in 2018. Employee Benefits also include education reimbursement and relocation expenses, which has been reduced 22% based on the past two years of actual costs. Training and professional development costs have increased 5.7%; these costs are included in Employee Benefits. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are increasing 11.3% due to aligning actual employee participation and salary increases. Retirement Plan expense is included in this category for the first time.
- Total Meeting and Travel expenses are decreasing 3.5% primarily due to a 51.5% decrease in meeting expenses. These expenses are decreasing due to the cost for one workshop hosted offsite being removed from the 2018 budget. Travel expense is increasing 1.9% due to employees attending more NERC-led meetings. Conference calls are increasing 13.5% due to holding more on-site meetings and working to reduce travel costs.

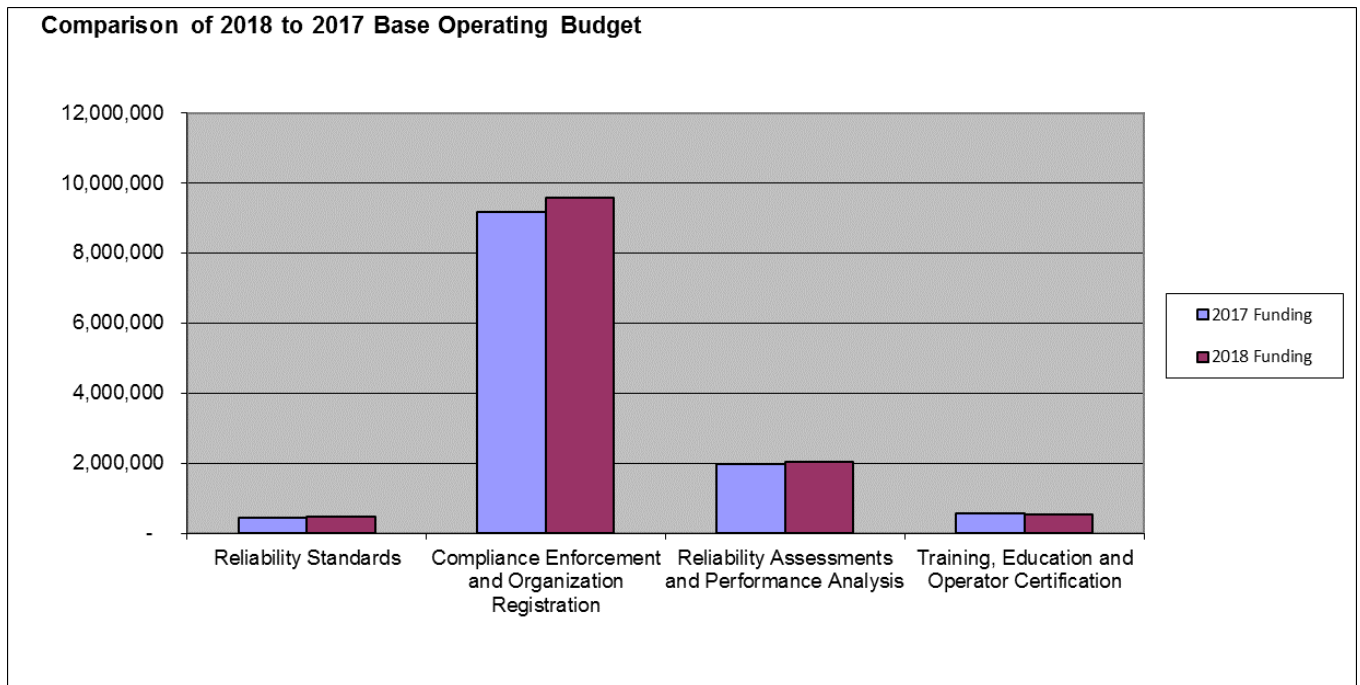
Total Operating Expenses are decreasing by 6.5%. The Consultants and Contracts category is decreasing 18.9% due to reducing the executive coaching program expenses in 2018. Rent cost is increasing 11.1% due to an escalation in utilities and maintenance. Office cost is decreasing 13% primarily due to the lower costs for renewal of the IT Leased equipment. Professional Services costs are increasing 7.1% due to increased security testing and SOCII audit. Depreciation expense is decreasing 37% due to assets fully depreciating.

All statutory activity in the 2018 Business Plan and Budget aligns with the NERC Enterprise Strategic Plan.

Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ 446,168	\$ 446,168	\$ 462,175	\$ 16,007	3.6%
Compliance Enforcement and Organization Registration	9,171,887	9,171,887	9,593,152	421,265	4.6%
Reliability Assessments and Performance Analysis	1,984,476	1,984,476	2,053,795	69,318	3.5%
Training, Education and Operator Certification	564,725	564,725	547,832	(16,893)	-3.0%
Total by Program	\$ 12,167,256	\$12,167,256	\$ 12,656,953	\$ 489,697	4.0%



FTEs by Program Area

Personnel Analysis

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2017	2017	2018 Budget	FTEs 2018 Budget	2018 Budget	from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.50	1.50	1.50	-	1.50	-
Compliance and Organization Registration and Certificat	36.25	36.25	36.25	-	36.25	-
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.25	6.25	6.25	-	6.25	-
Total FTEs Operational Programs	46.25	46.25	46.25	-	46.25	-
Administrative Programs						
General & Administrative	3.00	3.00	3.00	-	3.00	-
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	5.00	-	5.00	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
Total FTEs Administrative Programs	13.75	13.75	13.75	-	13.75	-
Total FTEs	60.00	60.00	60.00	-	60.00	-

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

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2017 Budget and Projection and 2018 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2017 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,595,256	\$ 9,595,256	\$ -	\$ 11,271,986	\$ 1,676,730
Penalty Sanctions	50,000	50,000	-	275,000	225,000
Total NERC Funding	\$ 9,645,256	\$ 9,645,256	\$ -	\$ 11,546,986	\$ 1,901,730
Interest	2,000	2,000	-	2,000	-
Total Funding (A)	\$ 9,647,256	\$ 9,647,256	\$ -	\$ 11,548,986	\$ 1,901,730
Expenses					
Personnel Expenses					
Salaries	\$ 6,739,715	\$ 6,739,715	\$ -	\$ 7,151,136	\$ 411,422
Payroll Taxes	438,778	438,778	-	470,791	32,013
Benefits	1,283,357	1,283,357	-	1,321,116	37,760
Retirement Costs	912,670	912,670	-	1,015,772	103,102
Total Personnel Expenses	\$ 9,374,519	\$ 9,374,519	\$ -	\$ 9,958,815	\$ 584,296
Meeting & Travel Expenses					
Meetings	\$ 49,080	\$ 49,080	\$ -	\$ 23,800	\$ (25,280)
Travel	366,045	366,045	-	372,900	6,855
Conference Calls	23,750	23,750	-	26,950	3,200
Total Meeting & Travel Expenses	\$ 438,875	\$ 438,875	\$ -	\$ 423,650	\$ (15,225)
Operating Expenses					
Consultants & Contracts	\$ 433,200	\$ 433,200	\$ -	\$ 351,200	\$ (82,000)
Office Rent	617,212	617,212	-	689,648	72,436
Office Costs	744,000	744,000	-	647,440	(96,560)
Professional Services	519,450	519,450	-	556,200	36,750
Depreciation	267,279	267,279	-	168,500	(98,779)
Total Operating Expenses	\$ 2,581,141	\$ 2,581,141	\$ -	\$ 2,412,988	\$ (168,153)
Total Direct Expenses	\$ 12,394,535	\$ 12,394,535	\$ -	\$ 12,795,453	\$ 400,918
Indirect Expenses	\$ -	\$ -	\$ -	\$ (0)	\$ (0)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 12,394,535	\$ 12,394,535	\$ -	\$ 12,795,453	\$ 400,918
Change in Assets	\$ (2,747,279)	\$ (2,747,279)	\$ -	\$ (1,246,467)	\$ 1,500,812
Fixed Assets					
Depreciation	\$ (267,279)	\$ (267,279)	\$ -	\$ (168,500)	\$ 98,779
Computer & Software CapEx	40,000	40,000	-	30,000	(10,000)
Inc(Dec) in Fixed Assets (C)	(227,279)	(227,279)	-	(138,500)	88,779
TOTAL BUDGET (=B + C)	12,167,256	\$ 12,167,256	\$ -	\$ 12,656,953	\$ 489,697
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (2,520,000)	\$ (2,520,000)	\$ -	\$ (1,107,967)	\$ 1,412,033

Section A – Statutory Programs 2018 Business Plan and Budget



Section A — 2018 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.50	1.50	-
Direct Expenses	\$ 294,520	\$ 311,392	\$ 16,872
Indirect Expenses	\$ 159,019	\$ 155,275	\$ (3,744)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,371)	\$ (4,492)	\$ 2,879
Total Funding Requirement	\$ 446,168	\$ 462,175	\$ 16,007

Program Scope and Functional Description

Texas RE's 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. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE MRC's standards development activities, the NSRF, 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. 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 regional standards. This Program area supports and facilitates standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRF 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.

2018 Key Assumptions

- It is expected that the number of continent-wide standards development projects will remain relatively stable, except as required to address any new FERC directives to create or modify Reliability Standards, or industry submittals of standard authorization requests.
- Continent-wide standards projects will consist primarily of conducting enhanced periodic reviews on existing standards to improve the content and, respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and addressing FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- During the enhanced periodic review of ERO standards, any associated regional standards will be reviewed for potential incorporation as variances or as improvements to the continent-wide requirements. Regional and NERC standards development processes may require modification to accomplish efficiently this task. Each Regional Entity will work with NERC and possibly other Regional Entities on projects where there is a regional standard/variance. Regional standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Regional standards development activity is expected to remain low.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations are expected to remain low. However, guidance requests associated with the implementation of standards may increase.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

2018 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.
- Participate in and provide outreach to regional stakeholders regarding nationwide standards development to help ensure that the ERCOT region perspective is represented in continent-wide Reliability 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.
- 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), and receive feedback for future standards development.
- 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.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2018.

Consultants and Contracts

No consulting support and contracts are budgeted for 2018, which is consistent with the 2017 budget.

Section A — 2018 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY STANDARDS					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2017 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 311,198	\$ 311,198	\$ -	\$ 365,578	\$ 54,380
Penalty Sanctions	1,622	1,622	-	8,919	7,297
Total NERC Funding	\$ 312,819	\$ 312,819	\$ -	\$ 374,497	\$ 61,678
Interest	65	65	-	65	-
Total Funding	\$ 312,884	\$ 312,884	\$ -	\$ 374,562	\$ 61,678
Expenses					
Personnel Expenses					
Salaries	\$ 198,994	\$ 198,994	\$ -	\$ 209,027	\$ 10,033
Payroll Taxes	12,372	12,372	-	13,666	1,294
Benefits	39,470	39,470	-	43,131	3,661
Retirement Costs	27,935	27,935	-	29,268	1,333
Total Personnel Expenses	\$ 278,770	\$ 278,770	\$ -	\$ 295,092	\$ 16,322
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	13,950	13,950	-	14,500	550
Conference Calls	1,700	1,700	-	1,700	-
Total Meeting & Travel Expenses	\$ 15,650	\$ 15,650	\$ -	\$ 16,200	\$ 550
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	100	100	-	100	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 100	\$ 100	\$ -	\$ 100	\$ -
Total Direct Expenses	\$ 294,520	\$ 294,520	\$ -	\$ 311,392	\$ 16,872
Indirect Expenses	\$ 159,019	\$ 159,019	\$ -	\$ 155,275	\$ (3,744)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 453,539	\$ 453,539	\$ -	\$ 466,667	\$ 13,128
Change in Assets	\$ (140,655)	\$ (140,655)	\$ -	\$ (92,105)	\$ 48,550
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(7,371)	(7,371)	-	(4,492)	2,879
Inc(Dec) in Fixed Assets (C)	\$ (7,371)	\$ (7,371)	\$ -	\$ (4,492)	\$ 2,879
TOTAL BUDGET	\$ 446,168	\$ 446,168	\$ -	\$ 462,175	\$ 16,007
TOTAL CHANGE IN WORKING CAPITAL	\$ (133,284)	\$ (133,284)	\$ -	\$ (87,613)	\$ 45,671

Approved by the Texas RE Board of Directors May 24, 2017

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	36.25	36.25	-
Direct Expenses	\$ 5,507,068	\$ 5,949,230	\$ 442,162
Indirect Expenses	\$ 3,842,957	\$ 3,752,476	\$ (90,481)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (178,138)	\$ (108,554)	\$ 69,584
Total Funding Requirement	\$ 9,171,887	\$ 9,593,152	\$ 421,265

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 registered entities. The risk-based Compliance and Enforcement Program (risk-based CMEP) formerly known as the Reliability Assurance Initiative (RAI), is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. Risk-based CMEP is designed to improve BES reliability by refocusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. In addition, NERC, the Regional Entities, and registered entities will continue the transition to apply Critical Infrastructure Protection (CIP) Version 5, which adopted new cybersecurity controls and extended the scope of the systems that the CIP standards protect.

Two elements of risk-based CMEP—continued CIP Version 5 transition and Coordinated Oversight of Multi-Region Registered Entities—are expected to be major activities for Texas RE in 2018. Risk-based CMEP will require Texas RE to appropriately allocate resources to provide continuous improvement in the processes necessary to implement risk-based CMEP for both compliance and enforcement. Based on the high level of coordination between Regional Entities that is necessary for an efficient and effective program, the Coordinated Oversight program will increase workload levels for the Lead Regional Entity, which Texas RE is serving as for several nationwide registered entities. Additionally, increased resources may be required to meet the training requirements for the compliance and enforcement staff associated with risk-based CMEP 2018 Key Assumptions. Because resource demands are not fully known, consideration will be given to reallocating existing staff or using available reserves to provide the resource support, if

Texas RE determines this to be necessary to support the successful execution of these major activities.

2018 Key Assumptions

- The implementation of the risk-based CMEP will continue to require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement. Regional Entities created a plan that will require resources to complete Inherent Risk Assessments (IRAs) for all registered entities in 2017-2019. In addition, Regional Entities will require resources to update previously done IRAs based on identified triggers, and focus on creating compliance oversight plans that include compliance monitoring tools, the frequency of compliance monitoring, and the standards that are to be monitored as well as the depth of testing of those standards.
- An assessment project was completed to evaluate software systems used for compliance, registration, analysis and tracking, which has resulted in the approval the Compliance Monitoring and Enforcement Process Tool project by the ERO Executives. This project will unify processes and systems across the ERO, promoting greater efficiencies in work and use of resources. Additional resources will be needed to incorporate the system being developed. As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.
- Planning and operating Reliability Standard violations are expected to remain constant as most registered entities have been audited and, thus, have a greater understanding of compliance expectations. A modest increase may also occur as revisions of certain standards or new Reliability Standards become effective.
- NERC and the Regional Entities will continue to evaluate business practices, implementation, and consistency within the risk-based compliance monitoring and enforcement program.
- CIP compliance personnel will need to support implementation and evaluation of CIP Requirements for “low impact” entities and any updated CIP Standards.
- NERC will continue to lead the CIP V5 training development, coordination, and facilitation for the CMEP staff and industry outreach. Texas RE will support these activities in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood, and administered.
- NERC and the Regional Entities are planning to support the training and education requirements and guidelines necessary to meet the criteria set forth by the ERO

Enterprise Compliance Monitoring and Enforcement Manual and the Competency Guide.

- A potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Standards in 2018 and 2019.
- Additional resource considerations should be given to managing the increased amount of registered entities applicable to the CIP Standards due to the addition of “low impact” requirements that will come into effect in 2018.
- Additional resource allocation may be necessary for increased Physical Security compliance monitoring activities for CIP-014 and the compliance monitoring activities related to the Supply Chain Risk Management Reliability Standard (CIP-013).
- ERO Enterprise CMEP staff, particularly staff with visibility into risks existing in the field, will provide feedback to the ERO Enterprise. This feedback may include information on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad. ERO Enterprise CMEP staff will participate in the development of a solution, regardless of whether the risk is addressed through a new or modified Reliability Standard, or other means.
- ERO Enterprise CMEP staff will provide input for standards development teams on the risks seen in the field relating to a standard under development, as well as for how a Reliability Standard would be monitored.
- As the depth of focused analysis of reliability performance and events across NERC improves, any identification of possible gaps in standards and compliance monitoring could potentially influence this program area.
- The certification program will be assessed in 2017, which may result in modifications to the program in 2018.
- Planned oversight activities for 2018 will be aligned with the ERO Enterprise Operating Model and may affect 2018 resource allocation, but they should have little effect on overall NERC resource requirements. NERC understands that each Regional Entity will need to evaluate its individual resource needs and allocations.
- Two central reforms have been identified as a result of the completion of the risk-based registration activity in 2015:
 1. Modifications to the NERC Registry Criteria have been approved, including the elimination of three functional entities (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), modifications to the threshold criteria for Distribution Providers, and alignment of five registration categories with the BES definition.
 2. The NERC-led review panel, which vets requests for Deactivation or decisions not to register an entity that does not meet the Registry Criteria, as well as disputes regarding the application of the Registration Criteria and requests for

a sub-set list of applicable Reliability Standards (which may specify the Requirements/sub-Requirements), has been incorporated into the rules.

These reforms strengthen the registration process and are important milestones in NERC's approach to managing risks to reliability. Deployment and implementation of these revisions began in 2015, with continued work in 2017 and 2018.

- No further enhancements are anticipated to support the ongoing next phases of the risk-based registration activity.
- The results from the 2016 registration program review will result in modifications to the program in 2018. The recommendations from the Organization Registration Program review are summarized below and will be prioritized by the Organization Registration and Certification Group (ORCG) for work to be conducted in 2017 and 2018:
 - NERC and the Regional Entities should develop and conduct outreach for industry to inform how the NERC-led review panel is conducted and how a submittal is processed.
 - The Regional Entities will assist NERC with compiling a list of possible ROP enhancements related to the NERC-led review panel processes and procedures.
 - NERC and the Regional Entities should conduct an in-depth review on Joint Registration Organizations (JROs)/Coordinated Functional Registrations (CFRs). This may include how a JRO/CFR works, what the obligations are, different models implemented across the ERO Enterprise, forms/formats and communication, and examples of how to document the agreements.
 - NERC and the Regional Entities should prioritize any current or future identified issues and focus to resolve the higher priority issues in a timely manner and report progress to the ORCG.
- The activities associated with the implementation of the BES definition have decreased and, therefore, no additional resource demands are expected in the registration area. However, with applications for Self-Determined Notifications no longer being accepted through the ERO Enterprise BESnet application, Regional Entities will need to validate, with NERC oversight, submittals to determine complete and proper application of the BES definition.
- Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects.

2018 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, risk-based compliance engagements for the functions posing risk to the BES. The frequency of engagements will vary as a result of the risk-based CMEP process. The number of anticipated engagements provided below are similar to the current cyclic approach, but may increase or decrease.
- Perform approximately 35-40 engagements, including all aspects of 693 and CIP risks identified through risk-based CMEP processes.
- Perform spot checks where warranted due to identified risks, system events, complaints, or other reliability concerns.
- Continue to work with NERC and other Regional Entities to improve consistency of engagements of registered entities.
- Conduct self-certifications of registered entities as needed.
- Increase coordination with Enforcement regarding all compliance monitoring engagements.
- Enhance feedback loops to the standard development process.
- 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.
- Review and re-validate risk-based CMEP processes and tools.
- Participation in the RSAW development process.
- Training related to enhancements to the risk-based monitoring approach.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- 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 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.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- 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.
- Enhanced feedback loops to the standard development process.

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 2017.
- Continue to work with NERC and other Regional Entities to improve efficiency and consistency in performing registration and certification functions. 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.
- Participate on the NERC-led panel as required.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this program is remaining constant in 2018. Salaries expense is increasing 9.6% for 2018. The 2018 budget allows for 3% salary increases. The additional increase in that category is due to market adjustments and promotions in 2016 that were not included in the 2017 budget. The increase for payroll taxes, benefits and retirement costs are in line with the Salaries increase.

Travel Expense is decreasing by 1.5% due to cost-saving efforts.

Consultants and Contracts

There is a decrease of 17.6% in contracts and consulting services for this department. The decrease is based on projected operating costs for webCDMS.

Section A — 2018 Business Plan and Budget – Statutory Programs

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2017 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,520,606	\$ 7,520,606	\$ -	\$ 8,834,800	\$ 1,314,194
Penalty Sanctions	39,189	39,189		215,541	176,351
Total NERC Funding	<u>\$ 7,559,795</u>	<u>\$ 7,559,795</u>	<u>\$ -</u>	<u>\$ 9,050,341</u>	<u>\$ 1,490,545</u>
Interest	1,568	1,568	-	1,568	-
Total Funding	<u>\$ 7,561,363</u>	<u>\$ 7,561,363</u>	<u>\$ -</u>	<u>\$ 9,051,908</u>	<u>\$ 1,490,545</u>
Expenses					
Personnel Expenses					
Salaries	\$ 3,653,924	\$ 3,653,924	\$ -	\$ 4,004,351	\$ 350,428
Payroll Taxes	257,246	257,246	-	280,612	23,367
Benefits	693,090	693,090	-	752,590	59,500
Retirement Costs	513,071	513,071	-	560,596	47,525
Total Personnel Expenses	<u>\$ 5,117,331</u>	<u>\$ 5,117,331</u>	<u>\$ -</u>	<u>\$ 5,598,150</u>	<u>\$ 480,819</u>
Meeting & Travel Expenses					
Meetings	\$ 2,080	\$ 2,080	\$ -	\$ -	\$ (2,080)
Travel	165,587	165,587	-	160,900	(4,687)
Conference Calls	300	300	-	4,600	4,300
Total Meeting& Travel Expenses	<u>\$ 167,967</u>	<u>\$ 167,967</u>	<u>\$ -</u>	<u>\$ 165,500</u>	<u>\$ (2,467)</u>
Operating Expenses					
Consultants & Contracts	\$ 205,000	\$ 205,000	\$ -	\$ 169,000	\$ (36,000)
Office Rent	-	-	-	-	-
Office Costs	16,770	16,770	-	16,580	(190)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 221,770</u>	<u>\$ 221,770</u>	<u>\$ -</u>	<u>\$ 185,580</u>	<u>\$ (36,190)</u>
Total Direct Expenses	<u>\$ 5,507,068</u>	<u>\$ 5,507,068</u>	<u>\$ -</u>	<u>\$ 5,949,230</u>	<u>\$ 442,162</u>
Indirect Expenses	<u>\$ 3,842,957</u>	<u>\$ 3,842,957</u>	<u>\$ -</u>	<u>\$ 3,752,476</u>	<u>\$ (90,481)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 9,350,025</u>	<u>\$ 9,350,025</u>	<u>\$ -</u>	<u>\$ 9,701,706</u>	<u>\$ 351,681</u>
Change in Assets	<u>\$ (1,788,662)</u>	<u>\$ (1,788,662)</u>	<u>\$ -</u>	<u>\$ (649,798)</u>	<u>\$ 1,138,864</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(178,138)	(178,138)	-	(108,554)	69,584
Inc(Dec) in Fixed Assets	<u>\$ (178,138)</u>	<u>\$ (178,138)</u>	<u>\$ -</u>	<u>\$ (108,554)</u>	<u>\$ 69,584</u>
TOTAL BUDGET	<u>\$ 9,171,887</u>	<u>\$ 9,171,887</u>	<u>\$ -</u>	<u>\$ 9,593,152</u>	<u>\$ 421,265</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ (1,610,524)</u>	<u>\$ (1,610,524)</u>	<u>\$ -</u>	<u>\$ (541,244)</u>	<u>\$ 1,069,281</u>

Approved by the Texas RE Board of Directors May 24, 2017

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	6.25	6.25	-
Direct Expenses	\$ 1,352,611	\$ 1,425,532	\$ 72,922
Indirect Expenses	\$ 662,579	\$ 646,979	\$ (15,600)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (30,713)	\$ (18,716)	\$ 11,997
Total Funding Requirement	\$ 1,984,476	\$ 2,053,795	\$ 69,318

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program supports assessment of system adequacy and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system disturbances in the ERCOT region. In addition to these assessments and analyses, Texas RE participates with NERC and stakeholders in ongoing work to evaluate system 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, and technology trends. Event analyses will determine causative factors for system disturbances as well as "lessons learned" upon 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 for the CIP program, and aid the NERC-led efforts to develop industry alerts and guidance in support of the Electricity – Information Sharing and Analysis Center (E-ISAC). Most of the Texas RE Infrastructure Security effort is handled by CIP resources within the Compliance, Monitoring, Enforcement and Organizational Registration and Certification Program, while Situation Awareness is closely tied to initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

2018 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs. However, as many RAPA tasks are presently in preliminary stages of definition, particularly those involving support of NERC's System Analysis functions, potential for additional program resource needs including staffing demands are not

established. 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 the various proposed reliability assessments and Interconnection study case model building activities.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

2018 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the annual long-term reliability assessment, along with continuing support for winter and summer seasonal assessments and with post-seasonal reviews.
- Contribute to two anticipated NERC short-term special reliability assessments in 2018 that focus on specific risk concerns in a six-to-eighteen month horizon, including scope development, data collection, analysis and review. These assessments may involve topics such as fuel supply risk, new technologies and environmental regulations, changes in resource mix, or delays in transmission development.
- Support NERC-wide modelling improvement efforts, particularly those related to dynamic loads, inverter-based resources, and generator model validation. As the Interconnection model designee associated with MOD-032 and MOD-033 standards, Texas RE will continue to work with stakeholders to integrate fidelity and quality tests into Regional study-case development processes.
- Contribute to Reliability Guidelines and Technical Reference documents developed through technical working groups under the NERC Planning and Operating Committees, including special reports on emerging issues as may be assigned to these groups to address high-priority risks.
- Provide regional data collection and analysis to meet NERC System Analysis initiatives or FERC Order directives. These may include continuing review of risks associated with geomagnetic disturbances, system strength, and reactive issues, protection system mis-operations, system frequency response, human performance, drought, environmental regulations, oscillation analysis, phasor measurement unit (PMU) application, distributed energy resources, and new technology integration.
- Oversee NERC Rules of Procedure Section 1600 collection of reliability data for the ERCOT region, provide analysis and validation, respond to FERC inquiries, and support stakeholders as enhancements are commissioned. In 2018, Texas

RE will assist in development of application requirements and testing to support development NERC's Enterprise Reporting data warehouse. Systems include:

- Transmission Availability Data System (TADS)
 - Generation Availability Data System (GADS)
 - WindGADS, a similar but separate system from GADS for wind generation, becoming mandatory for larger facilities in 2018.
 - Demand Response Availability Data System (DADS)
 - Protection System Mis-operations (MIDAS)
-
- 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 and contribute to NERC's annual State of Reliability report along with a Region-specific annual reports and quarterly reviews. While content may change, the number of metrics and level of analysis is expected to remain essentially consistent in 2018 as in 2017.
 - Review NERC Standards and process developments. Evaluate against existing and proposed Regional criteria and processes for reliability concerns.
 - Continue to implement the NERC event analysis and cause-coding process within the ERCOT region, expecting a similar volume of events as 2017, estimated at 12 Category 1 (minor), and three Category 2 or 3 (moderate impact) events. No Category 4 or 5 events (significant impact) are anticipated but processes and procedures to address this possibility will be maintained. Conduct follow-up on recommendations and trends from past major events within ERCOT and other power systems.
 - Review approximately 80 lesser system events, such as remedial action scheme 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.
 - Support the BES Definition exception process and NERC-led panels as needed 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 limited to one or two issues handled by existing staff.
 - Promote the work of NERC Reliability Issues Steering Committee (RISC) to identify the most significant system risks and incorporate into RAPA activities and projects. Tailor RISC observations and Regional information to identify impacts within the Region and means to mitigate them.
 - 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 day-to-day monitoring for Situation Awareness, including system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long-term horizon.
- Utilize software applications and data from ERCOT ISO, NERC, and other sources for Regional Situation Awareness, and support use by other departments in Texas RE. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time visualization tools. Texas RE uses these tools to provide regular reporting to NERC along with information on current events in the ERCOT region.
- Continue joint activities with ERCOT ISO to host winter preparation workshops for generators and conduct site visits to promote best practices. There may be 20-30 generator sites included, with the number depending on results from 2017.
- Texas RE will continue to monitor and follow up on NERC Alerts and anticipates that the volume will be similar to 2017, or approximately four, with one alert expected to require response coordination and analysis.
- Texas RE staff will continue to support training initiatives in the Situation Awareness area that concern system resiliency and recovery. Planning with NERC and E-ISAC staff for the fifth NERC Grid-X Security exercise will commence in 2019. Texas RE will participate in Regional exercises for blackstart and severe weather operations.

Resource Requirements

Personnel Expenses

FTEs are remaining constant for this department in 2018. Salaries expense allows for 3% salary increases for 2018. Payroll taxes and Benefit costs are increasing to more accurately reflect actual costs based on experience.

Consultants and Contracts

No consulting support and contracts are budgeted for 2018, which is consistent with the 2017 budget. No task assignments have been identified that require consulting or contractor support.

Section A — 2018 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2017 Budget
			v 2017 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,296,656	\$ 1,296,656	\$ -	\$ 1,523,241	\$ 226,585
Penalty Sanctions	6,757	6,757		37,162	30,405
Total NERC Funding	<u>\$ 1,303,413</u>	<u>\$ 1,303,413</u>	<u>\$ -</u>	<u>\$ 1,560,404</u>	<u>\$ 256,991</u>
Interest	270	270	-	270	-
Total Funding	<u>\$ 1,303,682</u>	<u>\$ 1,303,682</u>	<u>\$ -</u>	<u>\$ 1,560,674</u>	<u>\$ 256,991</u>
Expenses					
Personnel Expenses					
Salaries	\$ 888,746	\$ 888,746	\$ -	\$ 916,115	\$ 27,368
Payroll Taxes	56,290	56,290	-	62,693	6,403
Benefits	162,569	162,569	-	173,029	10,459
Retirement Costs	124,787	124,787	-	128,256	3,469
Total Personnel Expenses	<u>\$ 1,232,393</u>	<u>\$ 1,232,393</u>	<u>\$ -</u>	<u>\$ 1,280,092</u>	<u>\$ 47,700</u>
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Travel	78,858	78,858	-	82,000	3,142
Conference Calls	-	-	-	-	-
Total Meeting & Travel Expenses	<u>\$ 78,858</u>	<u>\$ 78,858</u>	<u>\$ -</u>	<u>\$ 83,000</u>	<u>\$ 4,142</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	41,360	41,360	-	62,440	21,080
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 41,360</u>	<u>\$ 41,360</u>	<u>\$ -</u>	<u>\$ 62,440</u>	<u>\$ 21,080</u>
Total Direct Expenses	<u>\$ 1,352,611</u>	<u>\$ 1,352,611</u>	<u>\$ -</u>	<u>\$ 1,425,532</u>	<u>\$ 72,922</u>
Indirect Expenses	<u>\$ 662,579</u>	<u>\$ 662,579</u>	<u>\$ -</u>	<u>\$ 646,979</u>	<u>\$ (15,600)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 2,015,189</u>	<u>\$ 2,015,189</u>	<u>\$ -</u>	<u>\$ 2,072,511</u>	<u>\$ 57,321</u>
Change in Assets	<u>\$ (711,506)</u>	<u>\$ (711,506)</u>	<u>\$ -</u>	<u>\$ (511,837)</u>	<u>\$ 199,669</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(30,713)	(30,713)	\$ -	\$ (18,716)	\$ 11,997
Inc(Dec) in Fixed Assets	<u>\$ (30,713)</u>	<u>\$ (30,713)</u>	<u>\$ -</u>	<u>\$ (18,716)</u>	<u>\$ 11,997</u>
TOTAL BUDGET	<u>\$ 1,984,476</u>	<u>\$ 1,984,476</u>	<u>\$ -</u>	<u>\$ 2,053,795</u>	<u>\$ 69,318</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ (680,793)</u>	<u>\$ (680,793)</u>	<u>\$ -</u>	<u>\$ (493,121)</u>	<u>\$ 187,672</u>

Approved by the Texas RE Board of Directors May 24, 2017

Training, Education, and Continuing Education Program

Training, Education and Operator Certification (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 337,253	\$ 321,657	\$ (15,596)
Indirect Expenses	\$ 238,528	\$ 232,912	\$ (5,616)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (11,057)	\$ (6,738)	\$ 4,319
Total Funding Requirement	\$ 564,725	\$ 547,832	\$ (16,893)

Program Scope and Functional Description

Texas RE's Training, Education, and Continuing Education Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Reliability 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 Operator Training Seminar.

Texas RE will continue to coordinate Standards and Compliance workshops and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2018. 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.

2018 Key Assumptions

- Additional resources may be required to support training related to ERO initiatives that are difficult to ascertain at this time.
- The Personnel Certification Program is expected to remain at a steady state with no additional resources required from Texas RE.

2018 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials for and present Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support 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.
- Develop an Annual Report summarizing the prior year's accomplishments.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability 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.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2018. The 2018 budget allows for 3% salary increases. Benefits are increasing 7.3% due to higher participation in the medical plan.

Consultants and Contracts

Consulting support and contracts costs are decreasing 40% based on actual costs.

Workshop expense is decreasing by 80%. The cost for an outside workshop has been removed. Workshops are planned to be conducted in the Texas RE Conference Center.

Section A — 2018 Business Plan and Budget – Statutory Programs

Training, Education, and Continuing Education Program

The following table shows the funding sources and related expenses for the Training, Education, and Continuing Education Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2017 Budget
			v 2017 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 466,796	\$ 466,796	\$ -	\$ 548,367	\$ 81,571
Penalty Sanctions	2,432	2,432	\$ -	13,378	10,946
Total NERC Funding	\$ 469,229	\$ 469,229	\$ -	\$ 561,745	\$ 92,517
Interest	97	97	-	97	-
Total Funding	\$ 469,325	\$ 469,325	\$ -	\$ 561,843	\$ 92,517
Expenses					
Personnel Expenses					
Salaries	\$ 188,474	\$ 188,474	\$ -	\$ 194,818	\$ 6,344
Payroll Taxes	12,788	12,788	-	13,676	888
Benefits	43,494	43,494	-	46,679	3,186
Retirement Costs	26,467	26,467	-	27,264	797
Total Personnel Expenses	\$ 271,223	\$ 271,223	\$ -	\$ 282,437	\$ 11,214
Meeting & Travel Expenses					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 6,000	\$ (24,000)
Travel	3,270	3,270	-	3,280	10
Conference Calls	20,000	20,000	-	20,000	-
Total Meeting & Travel Expenses	\$ 53,270	\$ 53,270	\$ -	\$ 29,280	\$ (23,990)
Operating Expenses					
Consultants & Contracts	\$ 5,000	\$ 5,000	\$ -	\$ 3,000	\$ (2,000)
Office Rent	-	-	-	-	-
Office Costs	6,760	6,760	-	6,940	180
Professional Services	1,000	1,000	-	-	(1,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 12,760	\$ 12,760	\$ -	\$ 9,940	\$ (2,820)
Total Direct Expenses	\$ 337,253	\$ 337,253	\$ -	\$ 321,657	\$ (15,596)
Indirect Expenses	\$ 238,528	\$ 238,528	\$ -	\$ 232,912	\$ (5,616)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 575,782	\$ 575,782	\$ -	\$ 554,570	\$ (21,212)
Change in Assets	\$ (106,456)	\$ (106,456)	\$ -	\$ 7,273	\$ 113,728
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(11,057)	(11,057)	-	(6,738)	4,319
Inc(Dec) in Fixed Assets	\$ (11,057)	\$ (11,057)	\$ -	\$ (6,738)	\$ 4,319
TOTAL BUDGET	\$ 564,725	\$ 564,725	\$ -	\$ 547,832	\$ (16,893)
TOTAL CHANGE IN WORKING CAPITAL	\$ (95,399)	\$ (95,399)	\$ -	\$ 14,011	\$ 109,410

Approved by the Texas RE Board of Directors May 24, 2017

Administrative Services

Administrative Services						
	Direct Expenses & Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Inc (Dec)	2017 Budget	2018 Budget	Inc (Dec)
General and Administrative	2,134,504	2,233,989	99,485	3.00	3.00	-
Legal and Regulatory	501,860	544,767	42,906	2.75	2.75	-
Information Technology	1,427,635	1,341,604	(86,031)	5.00	5.00	-
Human Resources	108,345	96,640	(11,705)	-	-	-
Finance and Accounting	503,460	432,142	(71,318)	3.00	3.00	-
Total Administrative Services	4,675,805	4,649,142	(26,662)	13.75	13.75	-

Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its general and administrative 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.

Fixed asset additions 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.

General and Administrative

This Program includes the President and CEO and the personnel costs for the HR Department. The President and CEO 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.

Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

Consulting fees and contracts are decreasing 23.1% due reducing costs for executive coaching.

Legal and Regulatory

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.

2018 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

2018 Key Deliverables and Goals

- 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.
- 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.
- Review contracts and corporate documents.
- Update and maintain corporate policies and procedures.
- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.

The budgeted number of FTEs for Legal and Regulatory is remaining constant in 2018.

Consulting support and contracts are consistent with the 2017 budget.

Legal Fees are increasing by 66.7% to reflect actual cost experience.

Information Technology

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware, systems, software, and applications: physical security, electronic security, data center operations, IT and security-related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training; and planning for improvement and efficiency of business processes 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.

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations which have been approved by the ERO Executive Management Group (ERO-EMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2018 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

2018 Key Assumptions

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

2018 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 develop knowledge of systems through training and experience to reduce the reliance on external vendors.
 - Continue to utilize third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's Internal Controls Program and security posture.
 - 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.
 - 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.

- Develop internal applications to increase consistency, efficiency, and assist users in business processes.
- 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.
- Continue the Security Awareness Program that addresses, through education and training, social media 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.

The budgeted number of FTEs for IT are remaining constant in 2017.

Consulting support and contracts are decreasing to reflect actual costs.

Human Resources

The Texas RE Human Resources (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 HRIS products and ensures compliance with all federal and state requirements.

2018 Key Assumptions

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

2018 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.

Personnel expenses are reported under G&A.

Consulting services and contracts are decreasing by 20.5% in 2018. The 2017 budget planned for three compensation studies, whereas the 2018 budget plans for two studies: an all-staff compensation study and a potential custom Regional Entity salary survey.

Finance and Accounting

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.

2018 Key Assumptions

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to Directors, the Audit, Governance, and Finance Committee, and the Board of Directors.

2018 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.

The budgeted number of FTEs for Finance and Accounting are remaining constant in 2017.

No consulting support and contracts are budgeted for 2018, which is consistent with the 2017 budget.

Section B — 2018 Business Plan and Budget – Supplemental Financial Information

Administrative Services

The following table shows funding sources and related expenses for the Administrative Services section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Department Section and with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
ADMINISTRATIVE SERVICES					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2017 Budget
			v 2017 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,809,577	\$ 1,809,577	\$ -	\$ 1,826,826	\$ 17,249
Payroll Taxes	100,082	100,082	-	100,143	61
Benefits	344,734	344,734	-	305,687	(39,046)
Retirement Costs	220,410	220,410	-	270,388	49,978
Total Personnel Expenses	<u>\$ 2,474,803</u>	<u>\$ 2,474,803</u>	<u>\$ -</u>	<u>\$ 2,503,044</u>	<u>\$ 28,242</u>
Meeting and Travel Expenses					
Meetings	\$ 17,000	\$ 17,000	\$ -	\$ 16,800	\$ (200)
Travel	104,380	104,380	-	112,220	7,840
Conference Calls	1,750	1,750	-	650	(1,100)
Total Meeting & Travel Expenses	<u>\$ 123,130</u>	<u>\$ 123,130</u>	<u>\$ -</u>	<u>\$ 129,670</u>	<u>\$ 6,540</u>
Operating Expenses					
Consultants & Contracts	\$ 223,200	\$ 223,200	\$ -	\$ 179,200	\$ (44,000)
Office Rent	617,212	617,212	-	689,648	72,436
Office Costs	679,010	679,010	-	561,380	(117,630)
Professional Services	518,450	518,450	-	556,200	37,750
Depreciation	267,279	267,279	-	168,500	(98,779)
Total Operating Expenses	<u>\$ 2,305,151</u>	<u>\$ 2,305,151</u>	<u>\$ -</u>	<u>\$ 2,154,928</u>	<u>\$ (150,223)</u>
Total Direct Expenses	<u>\$ 4,903,084</u>	<u>\$ 4,903,084</u>	<u>\$ -</u>	<u>\$ 4,787,642</u>	<u>\$ (115,441)</u>
Indirect Expenses	<u>\$ (4,903,084)</u>	<u>\$ (4,903,084)</u>	<u>\$ -</u>	<u>\$ (4,787,642)</u>	<u>\$ 115,441</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	(267,279)	(267,279)	-	(168,500)	98,779
Computer & Software CapEx	40,000	40,000	-	30,000	(10,000)
Allocation of Fixed Assets	227,279	227,279	-	138,500	(88,779)
Inc(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>

Approved by the Texas RE Board of Directors May 24, 2017

Section B – Supplemental Financial Information

2018 Business Plan and Budget



Section B — Supplemental Financial Information

Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	4,872,967
Plus: 2017 Funding (from LSEs or designees)	9,645,256
Plus: 2017 Other funding sources	2,000
Less: 2017 Projected expenses & capital expenditures	(12,167,256)
Projected Working Capital Reserve (Deficit), December 31, 2017	2,352,967
Desired Working Capital Reserve, December 31, 2018	1,245,000
Minus: Projected Working Capital Reserve, December 31, 2017	(2,352,967)
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(1,107,967)
2018 Expenses and Capital Expenditures	12,656,953
Less: Penalty Sanctions ¹	(275,000)
Less: Other Funding Sources	(2,000)
Adjustment to achieve desired Working Capital Reserve	(1,107,967)
2018 NERC Assessment	11,271,986

¹ Represents collections on or prior to June 30, 2017.

Explanation of Changes in Reserve Policy from Prior Years

The Board-approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators. For the 2018 budget period, the Board of Directors approved a reduction to the Operating Reserve to \$1,245,000 to reduce the amount of increase in assessments. The reserve will be replenished in the 2019 and 2020 budgets.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 9 of the 2018 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 2017. The 2018 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2017 are to be used to offset assessments in the 2018 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, 2017 through June 30, 2018 will be used to offset assessments in the 2019 Budget.

All penalties received by June 30, 2017 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 on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2017	Date Received	Amount Received
	4/17/2017	70,000
	5/8/2017	205,000
Total Penalties Received		<u>\$ 275,000</u>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total Outside Funding	\$ 2,000	\$ 2,000	\$ 2,000	\$ -

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Texas RE anticipates its investments will earn interest of approximately \$2,000 in 2018. This amount reflects historical interest income.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Total Salaries	\$ 6,739,715	\$ 6,739,715	\$ 7,151,136	\$ 411,422	6.1%
Total Payroll Taxes	438,778	438,778	470,791	32,013	7.3%
Total Benefits	1,283,357	1,283,357	1,321,116	37,760	2.9%
Total Retirement	912,670	912,670	1,015,772	103,102	11.3%
Total Personnel Costs	\$ 9,374,519	\$ 9,374,519	\$ 9,958,815	\$ 584,296	6.2%
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 112,329	\$ 112,329	\$ 119,186	6,857	6.1%
Payroll Taxes	7,313	7,313	7,847	534	7.3%
Benefits	21,389	21,389	22,019	629	2.9%
Retirement	15,211	15,211	16,930	1,718	11.3%
Total Cost per FTE	\$ 156,242	\$ 156,242	\$ 165,980	\$ 9,738	6.2%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Total costs for Texas RE personnel expenses are increasing by 6.2%. Salaries expense includes a 3% increase for 2018. An additional 3.1% increase in that category is due to promotions and market adjustments in 2016 that were not included in the 2017 budget. The 7.3% increase in payroll taxes is to more accurately reflect actual tax costs based on experience. Retirement costs reflect the increase in salaries and actual employee participation in the retirement plans.
- Total benefits include employee training, relocation, and employee education reimbursement.
- A vacancy rate of 3.5% is assumed for the 2018 budget.

Table B-5 – Meeting & Travel Expenses

Meeting and Travel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 49,080	\$ 49,080	\$ 23,800	\$ (26,280)	-51.5%
Travel	366,045	366,045	372,900	6,855	1.9%
Conference Calls	23,750	23,750	26,950	3,200	13.5%
	\$ 438,875	\$ 438,875	\$ 423,650	\$ (16,225)	-3.5%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Total Meeting Expense is decreasing due to eliminating the costs of hosting one workshop offsite. Workshops will be hosted in the Texas RE Conference Center.
- The ability to hold meetings on-site is stabilizing Travel Expense.
- Conference Call Expense is increasing primarily due to holding more on-site meetings, webinars, and attending meetings by conference call rather than in person.

Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certificatio	205,000	205,000	169,000	(36,000)	-17.6%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	5,000	5,000	3,000	(2,000)	-40.0%
General and Administrative	104,000	104,000	80,000	(24,000)	-23.1%
Legal and Regulatory	3,200	3,200	3,200	-	0.0%
Information Technology	28,000	28,000	26,000	(2,000)	-7.1%
Human Resources	88,000	88,000	70,000	(18,000)	-20.5%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 433,200	\$ 433,200	\$ 351,200	\$ (82,000)	-18.9%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

Table B-7 – Office Rent

Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 617,212	\$ 617,212	\$ 477,648	\$ (139,564)	-22.6%
Utilities			200,000	200,000	
Maintenance			12,000	12,000	
Total Office Rent & Utilites	\$ 617,212	\$ 617,212	\$ 689,648	\$ 72,436	11.7%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- In 2017, Office Rent included utilities. The utilities amount has been broken out for the 2018 budget causing the decrease in office rent. The actual office rent expense is straight lined and does not vary from year to year.
- Maintenance Expense was recorded under Office Costs in 2017.
- Utilities and maintenance are allocated by the property manager based on the prior year’s usage, price, and square footage.

Table B-8 – Office Costs

Office Costs	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Telephone/Cell Phone	\$ 26,840	\$ 26,840	\$ 41,760	\$ 14,920	55.6%
Internet Expense	130,000	130,000	130,000	-	0.0%
Office Supplies	55,700	55,700	47,920	(7,780)	-14.0%
Computer Supplies & Maintenance	45,100	45,100	30,650	(14,450)	-32.0%
Software & Software Maintenance	207,400	207,400	189,300	(18,100)	-8.7%
Subscriptions & Publications	23,450	23,450	28,250	4,800	20.5%
Dues	10,935	10,935	7,785	(3,150)	-28.8%
Postage	650	650	425	(225)	-34.6%
Express Shipping	425	425	700	275	64.7%
Stationary & Office Forms	2,600	2,600	2,000	(600)	-23.1%
Equipment Repair/Srv. Contracts	4,000	4,000	2,000	(2,000)	-50.0%
Bank Charges	2,300	2,300	1,500	(800)	-34.8%
Property Taxes	13,000	13,000	10,000	(3,000)	-23.1%
Merchant Credit Card Fee	1,400	1,400	1,400	-	0.0%
IT-Leased Equipment	200,000	200,000	150,000	(50,000)	-25.0%
Maintenance	12,000	12,000	-	-	-100.0%
Office Furniture & Equipment Exp	5,000	5,000	2,500	(2,500)	-50.0%
IT Maintenance	2,000	2,000	-	(2,000)	-100.0%
Employment Related Fees	1,200	1,200	1,250	50	4.2%
Total Office Costs	\$ 744,000	\$ 744,000	\$ 647,440	\$ (84,560)	-12.98%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- All categories in the Office Costs have been adjusted in the 2018 budget to more accurately reflect actual experience.
- Telephone/Cell Phone Costs are increasing due higher costs and more employees being reimbursed for using personal cell phones for Texas RE business.
- Computer Supplies and Maintenance are decreasing primarily due to items being included in the computer lease agreement.
- Software and Software Maintenance decreased due to expiring agreements and lower pricing for those renewed and for new software programs.
- Subscriptions and Publications are increasing for Board of Director meeting package publication software.
- Dues decrease reflects historical costs for employees maintaining professional licenses.
- Property Taxes reflect actual tax expense.
- IT-Leased equipment is decreasing due to the price reduction for leased laptops, servers and equipment.
- Maintenance expense is now reflected under Office Rent.

- Office Furniture & Equipment Expense is being reduced to reflect actual experience.
- IT Maintenance expense is being eliminated due to no charges in the prior year.

Table B-9 – Professional Services

Professional Services	Budget		Projection		Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %	
Board of Director Fees	\$ 283,000	\$ 283,000	\$ 282,500	\$ (500)	-0.2%	
Accounting & Auditing Fees	42,500	42,500	45,000	2,500	5.9%	
Legal Fees	30,000	30,000	50,000	20,000	66.7%	
Insurance - Commercial	69,750	69,750	72,000	2,250	3.2%	
Professional Services-Other	94,200	94,200	106,700	12,500	13.3%	
Total Professional Services	\$ 519,450	\$ 519,450	\$ 556,200	\$ 36,750	7.1%	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Accounting and Auditing Fees are increasing slightly due to annual price adjustment.
- Legal Fees are increasing to reflect actual cost based on experience.
- Commercial Insurance is projected to increase slightly based on an estimate from the broker.
- Professional Services – Other is increasing due to security testing and SOCII audit.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- N/A

Table B-12 – Fixed Assets

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (267,279)	\$ (267,279)	\$ (168,500)	\$ 98,779	-37.0%
Computer & Software CapEx	40,000	40,000	30,000	(10,000)	-25.0%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Total Fix Assets	\$ (227,279)	\$ (227,279)	\$ (138,500)	\$ 88,779	-39.1%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Depreciation is decreasing 37% due to assets fully depreciating.
- Computer and Software CapEx is 25% less than the 2017 budget due to office laptops and servers being leased rather than purchased.

Table B-13 – 2019 and 2020 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projected 2019 and 2020 Budgets							
	2018 Budget	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19
Funding							
ERO Funding							
NERC Assessments	\$ 11,271,986	\$ 13,241,866	\$ 1,969,879	17.5%	\$ 13,771,540	\$ 529,675	3.8%
Penalty Sanctions	275,000	-	(275,000)	-100.00%	-	-	
Total NERC Funding	\$ 11,546,986	\$ 13,241,866	\$ 1,694,879	14.7%	\$ 13,771,540	\$ 529,675	3.8%
Membership Dues	-	\$ -	-		-	-	
Interest	2,000	2,080	80	4.00%	2,163	83	4.0%
Total Funding	\$ 11,548,986	\$ 13,243,946	\$ 1,694,959	14.7%	\$ 13,773,704	\$ 529,758	4.0%
Expenses							
Personnel Expenses							
Salaries	\$ 7,151,136	\$ 7,437,182	\$ 286,045	4.0%	\$ 7,734,669	\$ 297,487	4.0%
Payroll Taxes	470,791	489,622	18,832	4.0%	509,207	19,585	4.0%
Benefits	1,321,116	1,373,961	52,845	4.0%	1,428,919	54,958	4.0%
Retirement Costs	1,015,772	1,056,403	40,631	4.0%	1,098,659	42,256	4.0%
Total Personnel Expenses	\$ 9,958,815	\$ 10,357,168	\$ 398,353	4.0%	\$ 10,771,455	\$ 414,287	4.0%
Meeting & Travel Expenses							
Meetings	\$ 23,800	\$ 24,752	\$ 952	4.0%	\$ 25,742.08	990	4.0%
Travel	372,900	387,816	14,916	4.0%	403,329	15,513	4.0%
Conference Calls	26,950	28,028	1,078	4.0%	29,149	1,121	4.0%
Total Meeting & Travel Expenses	\$ 423,650	\$ 440,596	\$ 16,946	4.0%	\$ 458,220	\$ 17,624	4.0%
Operating Expenses							
Consultants & Contracts	\$ 351,200	\$ 365,248	14,048	4.0%	\$ 379,858	14,610	4.0%
Office Rent	689,648	717,234	27,586	4.0%	745,923	28,689	4.0%
Office Costs	647,440	673,338	25,898	4.0%	700,271	26,934	4.0%
Professional Services	556,200	578,448	22,248	4.0%	601,586	23,138	4.0%
Depreciation	168,500	175,240	6,740	4.0%	182,250	7,010	4.0%
Total Operating Expenses	\$ 2,412,988	\$ 2,509,508	\$ 96,520	4.0%	\$ 2,609,888	\$ 100,380	4.0%
Total Direct Expenses	\$ 12,795,453	\$ 13,307,271	\$ 511,818	4.0%	\$ 13,839,562	\$ 532,291	4.0%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 12,795,453	\$ 13,307,271	\$ 511,818	4.0%	\$ 13,839,562	\$ 532,291	4.0%
Change in Assets	\$ (1,246,467)	\$ (63,326)	\$ 1,183,141	-94.9%	\$ (65,859)	\$ (2,533)	4.0%
Fixed Assets							
Depreciation	\$ (168,500)	\$ (175,240)	\$ (6,740)	4.0%	\$ (182,250)	\$ (7,010)	4.0%
Computer & Software CapEx	30,000	31,200	1,200	4.0%	32,448	1,248	4.0%
Inc(Dec) in Fixed Assets	\$ (138,500)	\$ (144,040)	\$ (5,540)	4.0%	\$ (149,802)	\$ (2,533)	0.0%
TOTAL BUDGET	\$ 12,656,953	\$ 13,163,231	\$ 506,278	4.0%	\$ 13,689,761	\$ 532,291	4.0%
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,107,967)	\$ 80,714	\$ 1,188,681	0.0%	\$ 83,943	3,229	4.0%

2019 and 2020 Projection Analysis

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

Section C – 2018 State (Non-Statutory) Activities 2018 Business Plan and Budget



Section C — 2018 State (Non-Statutory) Business Plan and Budget

State (Non-Statutory) Activities (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	-
Direct Expenses	\$ 1,059,945	\$ 1,091,743	\$ 31,798
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	\$ 1,059,945	\$ 1,091,743	\$ 31,798

State (Non-Statutory) Functional Scope

Texas RE is authorized by the Public Utility Commission of Texas (PUCT), and is permitted by NERC, to serve as the PUCT's Reliability Monitor for the ERCOT region. Under the direction of the 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 ERCOT Regional Rules creation and modification process and provides technical support to the 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 the PUCT for its enforcement cases.

Major 2018 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for the PUCT in 2018.

2018 State (Non-Statutory) Goals and Objectives

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

Funding Sources

- State (Non-Statutory) activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT. Texas RE's total 2018 non-statutory budget and funding is \$1,091,743.
- Total expenses for 2018 are increasing 3.0% over 2017.

Personnel Expenses

- State (Non-statutory) personnel are remaining constant at 5 FTEs. Personnel expenses are consistent with 2017. 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 and Travel Expenses

- Meeting and travel expense is remaining constant in 2018.

Operating Expenses

- Operating expenses are increasing 7.7% due to office costs and professional services.

Indirect Expenses

- Costs are being charged directly to the expense line item in 2018; therefore, no indirect expenses are charged.

2018 Budget and Projection and 2017 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
STATE (NON-STATUTORY)					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2016 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	-	-		-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
PUCT	\$ 1,059,945	\$ 1,059,945		\$ 1,091,743	\$ 31,798
Total Funding (A)	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	\$ 31,798
Expenses					
Personnel Expenses					
Salaries	\$ 654,007	\$ 654,007		\$ 673,288	\$ 19,281
Payroll Taxes	34,534	34,534		37,920	3,386
Benefits	146,306	146,306		139,336	(6,971)
Retirement Costs	91,568	91,568		97,624	6,056
Total Personnel Expenses	\$ 926,415	\$ 926,415	\$ -	\$ 948,168	\$ 21,752
Meeting Expenses					
Meetings	\$ -	\$ -		\$ -	-
Travel	1,800	1,800		1,800	-
Conference Calls	1,000	1,000		1,000	-
Total Meeting Expenses	\$ 2,800	\$ 2,800	\$ -	\$ 2,800	\$ -
Operating Expenses					
Consultants & Contracts	\$ 37,852	\$ 37,852		\$ 24,927	(12,924)
Office Rent	56,037	56,037		58,752	2,715
Office Costs	9,060	9,060		19,960	10,900
Professional Services	7,650	7,650		20,900	13,250
Miscellaneous	-	-		-	-
Depreciation	20,131	20,131		16,236	(3,895)
Total Operating Expenses	\$ 130,730	\$ 130,730	\$ -	\$ 140,775	\$ 10,046
Total Direct Expenses	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	\$ 31,798
Indirect Expenses	\$ -	\$ -		\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	\$ 31,798
Change in Assets	\$ 0	\$ 0	\$ -	\$ 0	\$ 0
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx					
Allocation of Fixed Assets	\$ -	-	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	31,798
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 0	\$ 0

Personnel Analysis

Total FTE's by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
STATE (NON-STATUTORY)						
Operational Programs						
State (Non-Statutory)	4.00	4.00	4.00	0.00	4.00	0.00
Total FTEs Operational Programs	4.00	4.00	4.00	0.00	4.00	0.00
Administrative Programs						
G&A	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs Administrative Programs	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs	5.00	5.00	4.00	1.00	5.00	0.00

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

Reserve Analysis — 2017-2018

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

Section D – Supplemental Information

2018 Business Plan and Budget



Section D – Supplemental Information

2018 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)

Statement of Activities and Capital Expenditures by Program 2018 Budget	Total	Statutory Total	State (Non-Statutory) Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 800)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	State (Non-Statutory) Total
Funding														
ERO Funding														
NERC Assessments	11,271,986	11,271,986	-	11,271,986	365,578	8,834,800	1,523,241	548,367	-	-	-	-	-	-
Penalty Sanctions	275,000	275,000	-	275,000	8,919	215,541	37,162	13,378	-	-	-	-	-	-
Total NERC Funding	11,546,986	11,546,986	-	11,546,986	374,497	9,050,341	1,560,404	561,745	-	-	-	-	-	-
PUCT Fees	1,091,743	-	1,091,743	-	-	-	-	-	-	-	-	-	-	1,091,743
Interest	2,000	2,000	-	2,000	65	1,568	270	97	-	-	-	-	-	-
Total Funding (A)	12,640,729	11,548,986	1,091,743	11,548,986	374,562	9,051,908	1,560,674	561,843	-	-	-	-	-	1,091,743
Expenses														
Personnel Expenses														
Salaries	7,824,425	7,151,136	673,288	7,151,136	209,027	4,004,351	916,115	194,818	749,441	351,954	452,018	-	273,412	673,288
Payroll Taxes	508,711	470,791	37,920	470,791	13,666	280,612	62,693	13,676	25,272	21,067	35,158	-	18,646	37,920
Benefits	1,460,452	1,321,116	139,336	1,321,116	43,131	752,590	173,029	46,679	66,262	47,854	151,464	-	40,108	139,336
Retirement Costs	1,113,396	1,015,772	97,624	1,015,772	29,268	560,596	128,256	27,264	114,172	51,036	65,544	-	39,636	97,624
Total Personnel Expenses	10,906,983	9,958,815	948,168	9,958,815	295,092	5,598,150	1,280,092	282,437	955,146	471,912	704,184	-	371,802	948,168
Meeting Expenses														
Meetings	23,800	23,800	-	23,800	-	-	1,000	6,000	2,500	-	800	13,500	-	-
Travel	374,700	372,900	1,800	372,900	14,500	160,900	82,000	3,280	67,750	14,525	20,970	4,865	4,110	1,800
Conference Calls	27,950	26,950	1,000	26,950	1,700	4,600	-	20,000	-	-	650	-	-	1,000
Total Meeting Expenses	426,450	423,650	2,800	423,650	16,200	165,500	83,000	29,280	70,250	14,525	22,420	18,365	4,110	2,800
Operating Expenses														
Consultants & Contracts	376,127	351,200	24,927	351,200	-	169,000	-	3,000	80,000	3,200	26,000	70,000	-	24,927
Office Rent	748,400	689,648	58,752	689,648	-	-	-	-	689,648	-	-	-	-	58,752
Office Costs	667,400	647,440	19,960	647,440	100	16,580	62,440	6,940	83,945	5,130	454,000	7,075	11,230	19,960
Professional Services	577,100	556,200	20,900	556,200	-	-	-	-	355,000	50,000	105,000	1,200	45,000	20,900
Depreciation	184,736	168,500	16,236	168,500	-	-	-	-	168,500	-	-	-	-	16,236
Total Operating Expenses	2,553,763	2,412,988	140,775	2,412,988	100	185,580	62,440	9,940	1,377,093	58,330	585,000	78,275	56,230	140,775
Total Direct Expenses	13,887,196	12,795,453	1,091,743	12,795,453	311,392	5,949,230	1,425,532	321,657	2,402,489	544,767	1,311,604	96,640	432,142	1,091,743
Indirect Expenses	(0)	(0)	-	(0)	155,275	3,752,476	646,979	232,912	(2,402,489)	(544,767)	(1,311,604)	(96,640)	(432,142)	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	13,887,196	12,795,453	1,091,744	12,795,453	466,667	9,701,706	2,072,511	554,570	-	-	-	-	-	1,091,743
Change in Assets	(1,246,467)	(1,246,467)	0	(1,246,467)	(92,105)	(649,798)	(511,837)	7,273	-	-	-	-	-	0
Fixed Assets														
Depreciation	(168,500)	(168,500)	-	(168,500)	-	-	-	-	(168,500)	-	-	-	-	-
Computer & Software CapEx	30,000	30,000	-	30,000	-	-	-	-	-	-	30,000	-	-	-
Allocation of Fixed Assets	-	-	-	-	(4,492)	(108,554)	(18,716)	(6,738)	168,500	-	(30,000)	-	-	-
Inc(Dec) in Fixed Assets (C)	(138,500)	(138,500)	-	(138,500)	(4,492)	(108,554)	(18,716)	(6,738)	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	12,656,953	12,656,953	-	12,656,953	462,175	9,593,152	2,053,795	547,832	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(1,107,967)	(1,107,967)	0	(1,107,967)	(87,613)	(541,244)	(493,121)	14,011	-	-	-	-	-	0
FTEs	65.00	60.00	5.00	60.00	1.50	36.25	6.25	2.25	3.00	2.75	5.00	-	3.00	5.00

Statement of Financial Position

Statement of Financial Position			
STATUTORY and STATE (NON- STATUTORY)			
	(Per Audit) 31-Dec-16	Projected 31-Dec-17	Budget 31-Dec-18
ASSETS			
Cash	5,282,067	2,336,756	1,154,186
Accounts receivable, net of allowance for uncollec	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	323,794	323,794	323,794
Security deposit	39,705	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	656,813	488,313	312,386
Total Assets	6,302,379	3,188,568	1,830,071
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	758,438	758,438	758,438
Deferred income/rent	364,065	335,621	250,240
Deferred penalty income	-	-	-
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities			
Accrued incentive compensation			
Total Liabilities	1,122,503	1,094,059	1,008,678
Unrestricted Net Assets			
Undesignated	5,107,794	1,819,509	821,393
Regulator designated	72,082	275,000	-
Total Net Assets	5,179,876	2,094,509	821,393
Total Liabilities and Net Assets	6,302,379	3,188,568	1,830,071

2018 Texas RE Combined Statutory and Non-Statutory Organization Chart

