



## **2017 Business Plan and Budget**

**Texas Reliability Entity, Inc.**

**Approved by Texas RE Board of Directors**

**Date: \_\_\_\_\_, 2016**

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## Introduction

	TOTAL RESOURCES (in whole dollars)			
	2017 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
<b>Total FTEs</b>	65.00			
Statutory Expenses	\$ 12,394,535			
Non-Statutory Expenses	\$ 1,059,945			
<b>Total Expenses</b>	\$ 13,454,480			
Statutory Inc(Dec) in Fixed Assets	\$ (227,279)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (227,279)			
Statutory Working Capital Requirement	\$ (2,520,000)			
Non-Statutory Working Capital Requirement				
<b>Total Working Capital Requirement</b>	\$ (2,520,000)			
Total Statutory Funding Requirement	\$ 9,647,256			
Total Non-Statutory Funding Requirement	\$ 1,059,945			
<b>Total Funding Requirement</b>	\$ 10,707,201			
<b>Statutory Funding Assessments</b>	\$ 9,595,256			
<b>Non-Statutory Fees</b>	\$ 1,059,945			
NEL	348,274,793	348,274,793		
NEL%	100.00%	100.00%		

\*Refer to Table B-1 Reserve Analysis on page 36 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).

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

### **Board of Directors**

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

- The Texas RE President and Chief Executive Officer
- 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 chief executive officer to manage and be responsible for the day-to-day on-going activities of Texas RE.

### **Statutory Functional Scope**

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

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

### **Financial Policies**

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

## 2017 Overview of Cost Impacts

In developing the Texas RE 2017 Business Plan and Budget, Texas RE, NERC, and the other Regional Entities collaborated and agreed upon common foundational and program assumptions which are contained in the [Shared Business Plan and Budget Assumptions for the 2016-2019 Planning Period \(2017 Budget Cycle\)](#) which is provided as Exhibit A to the NERC 2017 Business Plan and Budget. Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2017 Business Plan and Budget. Prior to obtaining final approval from its Board of Directors, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiative for the Electric Reliability Organization (ERO) Enterprise.

Overall, the Texas RE 2017 statutory expenses (\$12,394,535) increased by 4.2% from the 2016 statutory expenses (\$11,897,248).

The 2017 statutory assessment (\$9,595,256) represents an increase of 0.4% from the 2016 assessment (\$9,560,448).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 0.9%. Salaries are decreasing 0.01%. The 2016 budget allowed for 4% salary increases; the 2017 budget has been reduced to 3% for potential salary increases. Payroll taxes are decreasing 11.7% to better align with actual experience. Benefits expense is increasing 19.3%, which partially offsets the decrease in payroll taxes. Health-plan expense is projected to increase 20% in 2017. Employee benefits also include education reimbursement, relocation, training and professional development costs. This is consistent with the NERC budget guidelines. Retirement costs are decreasing 5.7% due to aligning actual employee participation and the reduction for salary increases.
- Total Meeting and Travel expenses are increasing by \$10,410 primarily due to a \$13,750 increase in conference-call expenses. These expenses are increasing due to more meetings being hosted in the conference center. Meeting Expense is decreasing 2.5% and Travel expense is decreasing 0.6% due to more on-site meetings and cost savings efforts.

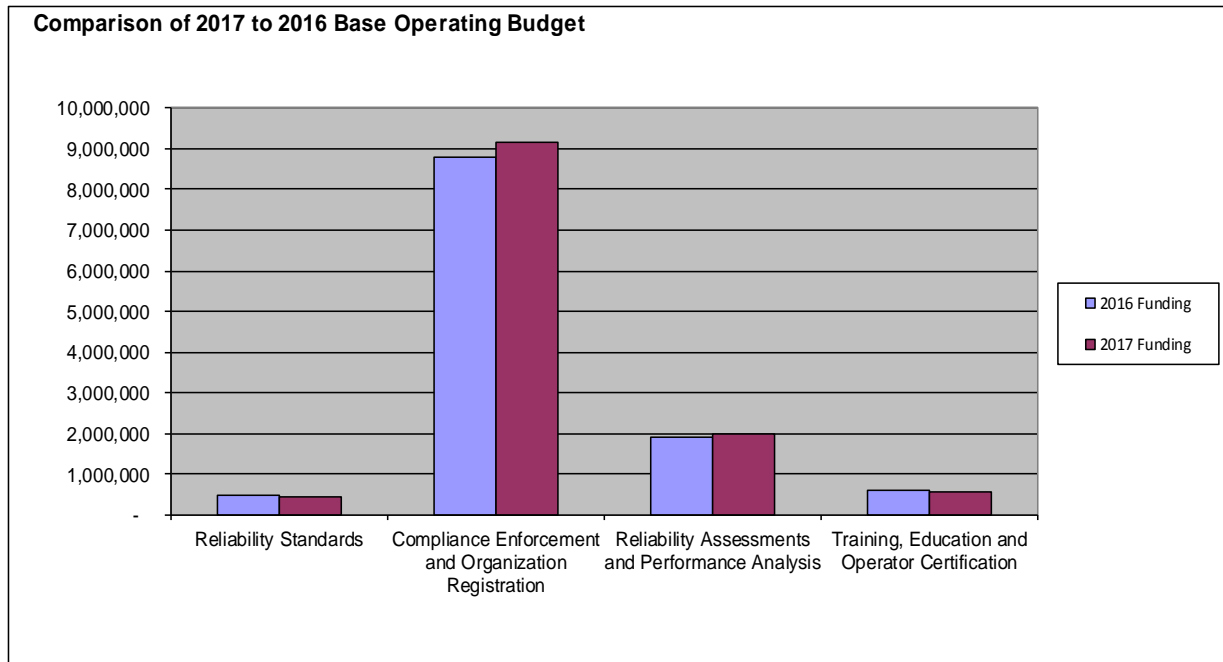
Total Operating Expenses are increasing by 18.5%. The Consultants and Contracts category is increasing 26.6% due to a compensation study, a custom Regional Entity salary survey, and an executive coaching program. Rent cost is increasing 26.1% and office supply cost is increasing 10.7%. Both increases are due to the additional costs associated with the conference center. Professional Services costs are increasing 0.8% primarily due to a potential change in Board of Director fees. Depreciation expense is increasing 68.1% due to Leasehold Improvements, Furniture and Fixtures and Equipment purchased for the conference center.

All statutory activity in the 2017 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	
	2016	2016	2017	2017 Budget v 2016 Budget	Variance %
Reliability Standards	\$ 469,003	\$ 469,003	\$ 446,168	\$ (22,835)	-4.9%
Compliance Enforcement and Organization Registration	8,809,903	8,809,903	9,171,887	361,984	4.1%
Reliability Assessments and Performance Analysis	1,911,637	1,911,637	1,984,476	72,839	3.8%
Training, Education and Operator Certification	591,672	591,672	564,725	(26,947)	-4.6%
<b>Total by Program</b>	<b>\$ 11,782,215</b>	<b>\$11,782,215</b>	<b>\$12,167,256</b>	<b>\$ 385,042</b>	<b>3.3%</b>



## 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
	2016	2016	2017	FTEs 2017	2017	from 2016
	Budget	Budget	Budget	Budget	Budget	Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.75	1.75	1.50	-	1.50	(0.25)
Compliance and Organization Registration and Certificat	35.75	35.75	36.25	-	36.25	0.50
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.50	6.50	6.25	-	6.25	(0.25)
<b>Total FTEs Operational Programs</b>	<b>46.25</b>	<b>46.25</b>	<b>46.25</b>	<b>-</b>	<b>46.25</b>	<b>-</b>
<b>Administrative Programs</b>						
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	-
<b>Total FTEs Administrative Programs</b>	<b>13.75</b>	<b>13.75</b>	<b>13.75</b>	<b>-</b>	<b>13.75</b>	<b>-</b>
<b>Total FTEs</b>	<b>60.00</b>	<b>60.00</b>	<b>60.00</b>	<b>-</b>	<b>60.00</b>	<b>-</b>

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.



## 2016 Budget and Projection and 2017 Budget Comparisons

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2016 Budget &amp; Projection, and 2017 Budget</b>					
STATUTORY					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2016 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 9,560,448	\$ 9,560,448	\$ -	\$ 9,595,256	\$ 34,808
Penalty Sanctions	337,000	337,000	-	50,000	(287,000)
<b>Total NERC Funding</b>	<b>\$ 9,897,448</b>	<b>\$ 9,897,448</b>	<b>\$ -</b>	<b>\$ 9,645,256</b>	<b>\$ (252,192)</b>
Interest	1,000	1,000	-	2,000	1,000
<b>Total Funding (A)</b>	<b>\$ 9,898,448</b>	<b>\$ 9,898,448</b>	<b>\$ -</b>	<b>\$ 9,647,256</b>	<b>\$ (251,192)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 6,749,489	\$ 6,749,489	\$ -	\$ 6,739,715	\$ (9,774)
Payroll Taxes	496,723	496,723	-	438,778	(57,945)
Benefits	1,075,949	1,075,949	-	1,283,357	207,408
Retirement Costs	968,077	968,077	-	912,670	(55,407)
<b>Total Personnel Expenses</b>	<b>\$ 9,290,238</b>	<b>\$ 9,290,238</b>	<b>\$ -</b>	<b>\$ 9,374,519</b>	<b>\$ 84,282</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 50,350	\$ 50,350	\$ -	\$ 49,080	\$ (1,270)
Travel	368,115	368,115	-	366,045	(2,070)
Conference Calls	10,000	10,000	-	23,750	13,750
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 428,465</b>	<b>\$ 428,465</b>	<b>\$ -</b>	<b>\$ 438,875</b>	<b>\$ 10,410</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 342,148	\$ 342,148	\$ -	\$ 433,200	\$ 91,052
Office Rent	489,557	489,557	-	617,212	127,655
Office Costs	672,307	672,307	-	744,000	71,693
Professional Services	515,500	515,500	-	519,450	3,950
Depreciation	159,033	159,033	-	267,279	108,246
<b>Total Operating Expenses</b>	<b>\$ 2,178,545</b>	<b>\$ 2,178,545</b>	<b>\$ -</b>	<b>\$ 2,581,141</b>	<b>\$ 402,596</b>
<b>Total Direct Expenses</b>	<b>\$ 11,897,248</b>	<b>\$ 11,897,248</b>	<b>\$ -</b>	<b>\$ 12,394,535</b>	<b>\$ 497,288</b>
<b>Indirect Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses (B)</b>	<b>\$ 11,897,248</b>	<b>\$ 11,897,248</b>	<b>\$ -</b>	<b>\$ 12,394,535</b>	<b>\$ 497,288</b>
<b>Change in Assets</b>	<b>\$ (1,998,800)</b>	<b>\$ (1,998,800)</b>	<b>\$ -</b>	<b>\$ (2,747,279)</b>	<b>\$ (748,479)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (159,033)	\$ (159,033)	\$ -	\$ (267,279)	\$ (108,246)
Computer & Software CapEx	44,000	44,000	-	40,000	(4,000)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(115,033)</b>	<b>(115,033)</b>	<b>-</b>	<b>(227,279)</b>	<b>(112,246)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>11,782,215</b>	<b>\$ 11,782,215</b>	<b>\$ -</b>	<b>\$ 12,167,256</b>	<b>\$ 385,042</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,883,767)</b>	<b>\$ (1,883,767)</b>	<b>\$ -</b>	<b>\$ (2,520,000)</b>	<b>\$ (636,233)</b>

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## Section A – Statutory Programs 2017 Business Plan and Budget

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## Section A — 2017 Business Plan – Statutory Programs

### Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	1.75	1.50	(0.25)
Direct Expenses	\$ 309,161	\$ 294,520	\$ (14,641)
Indirect Expenses	\$ 164,195	\$ 159,019	\$ (5,176)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (4,353)	\$ (7,371)	\$ (3,019)
Total Funding Requirement	\$ 469,003	\$ 446,168	\$ (22,835)

#### 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 Reliability Standards Committee (RSC), NERC Standards Review Subcommittee (NSRS) and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. 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 meetings of the Texas RE RSC and the NSRS. The RSC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRS provides a regional stakeholder forum for education and discussion of NERC standards activities, both regional and continent-wide.

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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.

### 2017 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 standard 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.

### 2017 Goals and Key Deliverables

- Encourage stakeholder awareness and participation in the NERC standards development process through educational outreach efforts and participation in

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Standard Drafting Teams, the NERC Standards Committee and related subcommittees.

- Participate in and provide outreach to regional stakeholders regarding nation-wide Standard development to help ensure that ERCOT region perspective is represented in continent-wide Standards.
- Facilitate Texas RE participation in NERC standards development activities, including preparation of recommendations for voting and comments on NERC ballots, and provide standards-related expertise to other Program areas.
- 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**

FTEs are decreasing by .25 due to an FTE reallocation to the CMEP department. Personnel expenses for this Program are 4.9% less than 2016.

#### **Consultants and Contracts**

No consulting support and contracts are budgeted for 2017, which is consistent with the 2016 budget.

## Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2017. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2016 Budget &amp; Projection, and 2017 Budget</b>					
<b>RELIABILITY STANDARDS</b>					
	<b>2016 Budget</b>	<b>2016 Projection</b>	<b>Variance 2016 Projection v 2016 Budget Over(Under)</b>	<b>2017 Budget</b>	<b>Variance 2016 Budget v 2017 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 361,747	\$ 361,747	\$ -	\$ 311,198	\$ (50,549)
Penalty Sanctions	12,751	12,751	-	1,622	(11,130)
<b>Total NERC Funding</b>	<b>\$ 374,498</b>	<b>\$ 374,498</b>	<b>\$ -</b>	<b>\$ 312,819</b>	<b>\$ (61,679)</b>
Interest	38	38	-	65	27
<b>Total Funding</b>	<b>\$ 374,536</b>	<b>\$ 374,536</b>	<b>\$ -</b>	<b>\$ 312,884</b>	<b>\$ (61,652)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 208,137	\$ 208,137	\$ -	\$ 198,994	\$ (9,144)
Payroll Taxes	16,001	16,001	-	12,372	(3,630)
Benefits	37,853	37,853	-	39,470	1,617
Retirement Costs	31,192	31,192	-	27,935	(3,257)
<b>Total Personnel Expenses</b>	<b>\$ 293,183</b>	<b>\$ 293,183</b>	<b>\$ -</b>	<b>\$ 278,770</b>	<b>\$ (14,413)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	14,333	14,333	-	13,950	(383)
Conference Calls	-	-	-	1,700	1,700
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 14,333</b>	<b>\$ 14,333</b>	<b>\$ -</b>	<b>\$ 15,650</b>	<b>\$ 1,317</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,645	1,645	-	100	(1,545)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,645</b>	<b>\$ 1,645</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ (1,545)</b>
<b>Total Direct Expenses</b>	<b>\$ 309,161</b>	<b>\$ 309,161</b>	<b>\$ -</b>	<b>\$ 294,520</b>	<b>\$ (14,641)</b>
<b>Indirect Expenses</b>	<b>\$ 164,195</b>	<b>\$ 164,195</b>	<b>\$ -</b>	<b>\$ 159,019</b>	<b>\$ (5,176)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 473,356</b>	<b>\$ 473,356</b>	<b>\$ -</b>	<b>\$ 453,539</b>	<b>\$ (19,817)</b>
<b>Change in Assets</b>	<b>\$ (98,820)</b>	<b>\$ (98,820)</b>	<b>\$ -</b>	<b>\$ (140,655)</b>	<b>\$ (41,835)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
All location of Fixed Assets	(4,353)	(4,353)	-	(7,371)	(3,019)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (4,353)</b>	<b>\$ (4,353)</b>	<b>\$ -</b>	<b>\$ (7,371)</b>	<b>\$ (3,019)</b>
<b>TOTAL BUDGET</b>	<b>\$ 469,003</b>	<b>\$ 469,003</b>	<b>\$ -</b>	<b>\$ 446,168</b>	<b>\$ (22,835)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (94,467)</b>	<b>\$ (94,467)</b>	<b>\$ -</b>	<b>\$ (133,284)</b>	<b>\$ (38,817)</b>

Approved by the Texas RE Board of Directors \_\_\_\_\_, 2016

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

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	35.75	36.25	0.5
Direct Expenses	\$ 5,544,552	\$ 5,507,068	\$ (37,484)
Indirect Expenses	\$ 3,354,269	\$ 3,842,957	\$ 488,689
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (88,917)	\$ (178,138)	\$ (89,220)
Total Funding Requirement	\$ 8,809,903	\$ 9,171,887	\$ 361,984

### 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. Similarly, Risk-Based Registration (RBR) is designed to ensure that the right entities are subject to the right set of applicable Reliability Standards, using a consistent and common approach to risk assessment and registration across the ERO Enterprise. In addition, NERC, the Regional Entities, and registered entities will transition to apply Critical Infrastructure Protection (CIP) Version 5, which adopts new cybersecurity controls and extends the scope of the systems that the CIP standards protect.

Two elements of risk-based CMEP—RBR and the CIP Version 5 transition—are expected to be major activities for Texas RE in 2017. Risk-based CMEP, for example, will require Texas RE to allocate resources to re-validate the design and to enhance the processes necessary to implement risk-based CMEP for both compliance and enforcement. Additionally, increased resources may be required to meet the training requirements for the compliance and enforcement staff associated with the implementation of risk-based CMEP 2017 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 implementation (or transition) of these major activities.

### 2017 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 in 2016 to complete Inherent Risk Assessments (IRAs) for all their Reliability Coordinators, Balancing Authorities, and Transmission Operators and will require resources to complete the remaining IRAs. 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 in 2014 to evaluate software systems used for compliance, registration, analysis and tracking, which may result in changing or replacing existing systems in the future. Until a decision is made by the ERO-EMG to change or replace existing systems, NERC and the Regional Entities should continue to maintain contractor and consultant services to support existing systems.
- CIP compliance personnel will need to support the continued transition from the cyber-security Reliability Standards version 3 (V3) to V5 and provide support to “low impact” entities undergoing a CIP audit:
- NERC will 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.
- Potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Standards in 2017 and 2018.
- 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 2017 and 2018.
- Additional resources may be necessary for increased Physical Security activities as the CIP-014 Reliability Standard matures in terms of implementation across the ERCOT region. Similar to the Cyber Security Reliability Standards activities, industry and CMEP staff training will be enhanced, along with increased guidance as needed.



- 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 and registration programs will be assessed in 2016, which may result in modifications to the program in 2017.
- The activities associated with the implementation of the BES definition have decreased, therefore no additional resource demands are expected in the registration area.
- Planned oversight activities for 2017 will be aligned with the ERO Enterprise Operating Model and may affect 2017 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.
- The NERC-led panel establishes subset lists of applicable Reliability Standards for registered entity functions (e.g., Under-Frequency Load Shedding-only Distribution Providers) and has been incorporated into the rules. The implementation of the NERC-led panel may place additional resource demands in the registration area. These demands cannot be fully assessed at this time. However, if a high number NERC-led panel reviews are requested, the potential for resource constraints is possible.

## 2017 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 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 2016.

- 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

FTEs are increasing from 35.75 FTEs in 2016 to 36.25 FTEs in 2017 due to an FTE reallocation from the Reliability Standards and the RAPA programs. Salaries expense includes 3% salary increases for 2017. There is a 24.7% increase in benefits expense due to more employees participating in the plans and increased cost for the benefits.

Travel Expense is increasing by \$18,653 (12.7%) for an auditor workshop that approximately twelve employees will attend in 2017.

#### Consultants and Contracts

There is an increase of \$45,948 (28.9%) in contracts and consulting services for this department. The increase is based on projected operating costs for webCDMS.

## 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 2017. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2016 Budget &amp; Projection, and 2017 Budget</b>					
<b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</b>					
			Variance		Variance
	2016	2016	2016 Projection	2017	2016 Budget
	Budget	Projection	v 2016 Budget	Budget	v 2017 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 7,389,968	\$ 7,389,968	\$ -	\$ 7,520,606	\$ 130,639
Penalty Sanctions	260,492	260,492	-	39,189	(221,303)
<b>Total NERC Funding</b>	<b>\$ 7,650,459</b>	<b>\$ 7,650,459</b>	<b>\$ -</b>	<b>\$ 7,559,795</b>	<b>\$ (90,664)</b>
Interest	773	773	-	1,568	795
<b>Total Funding</b>	<b>\$ 7,651,232</b>	<b>\$ 7,651,232</b>	<b>\$ -</b>	<b>\$ 7,561,363</b>	<b>\$ (89,869)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,825,208	\$ 3,825,208	\$ -	\$ 3,653,924	\$ (171,284)
Payroll Taxes	279,713	279,713	-	257,246	(22,467)
Benefits	557,967	557,967	-	693,090	135,123
Retirement Costs	556,678	556,678	-	513,071	(43,607)
<b>Total Personnel Expenses</b>	<b>\$ 5,219,566</b>	<b>\$ 5,219,566</b>	<b>\$ -</b>	<b>\$ 5,117,331</b>	<b>\$ (102,235)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 2,900	\$ 2,900	\$ -	\$ 2,080	\$ (820)
Travel	146,934	146,934	-	165,587	18,653
Conference Calls	-	-	-	300	300
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 149,834</b>	<b>\$ 149,834</b>	<b>\$ -</b>	<b>\$ 167,967</b>	<b>\$ 18,133</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 159,052	\$ 159,052	\$ -	\$ 205,000	\$ 45,948
Office Rent	-	-	-	-	-
Office Costs	15,100	15,100	-	16,770	1,670
Professional Services	1,000	1,000	-	-	(1,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 175,152</b>	<b>\$ 175,152</b>	<b>\$ -</b>	<b>\$ 221,770</b>	<b>\$ 46,618</b>
<b>Total Direct Expenses</b>	<b>\$ 5,544,552</b>	<b>\$ 5,544,552</b>	<b>\$ -</b>	<b>\$ 5,507,068</b>	<b>\$ (37,484)</b>
<b>Indirect Expenses</b>	<b>\$ 3,354,269</b>	<b>\$ 3,354,269</b>	<b>\$ -</b>	<b>\$ 3,842,957</b>	<b>\$ 488,689</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 8,898,821</b>	<b>\$ 8,898,821</b>	<b>\$ -</b>	<b>\$ 9,350,025</b>	<b>\$ 451,204</b>
<b>Change in Assets</b>	<b>\$ (1,247,588)</b>	<b>\$ (1,247,588)</b>	<b>\$ -</b>	<b>\$ (1,788,662)</b>	<b>\$ (541,074)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(88,917)	(88,917)	-	(178,138)	(89,220)
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (88,917)</b>	<b>\$ (88,917)</b>	<b>\$ -</b>	<b>\$ (178,138)</b>	<b>\$ (89,220)</b>
<b>TOTAL BUDGET</b>	<b>\$ 8,809,903</b>	<b>\$ 8,809,903</b>	<b>\$ -</b>	<b>\$ 9,171,887</b>	<b>\$ 361,984</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (1,158,671)</b>	<b>\$ (1,158,671)</b>	<b>\$ -</b>	<b>\$ (1,610,524)</b>	<b>\$ (451,854)</b>

Approved by the Texas RE Board of Directors \_\_\_\_\_, 2016

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	6.50	6.25	(0.25)
Direct Expenses	\$ 1,317,936	\$ 1,352,611	\$ 34,674
Indirect Expenses	\$ 609,867	\$ 662,579	\$ 52,712
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (16,167)	\$ (30,713)	\$ (14,547)
Total Funding Requirement	\$ 1,911,637	\$ 1,984,476	\$ 72,839

### Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program provides input to assessments of the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate 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, industry trends, or proposed public policy measures. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation 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 CIP resources functionally reside in the Compliance, Monitoring, Enforcement and Organizational Registration and Certification Program, and much of situation awareness involves initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

## 2017 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 or are under re-evaluation in the area of reliability assessments, potential additional program staffing demands are not known. Additionally, there is some uncertainty regarding the amount of resources that will be required to support joint Enterprise-wide modeling and data collection systems.
- Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for the various proposed reliability assessments and Interconnection study case model building activities.

## 2017 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term reliability assessments, along with continuing support for any remaining winter and summer seasonal assessments, along with post-seasonal reviews.
- Contribute to two anticipated NERC special reliability assessments in 2017, involving topics such as the impact of physical security, new technologies and environmental regulations, changes in resource mix, or delays in transmission development.
- Support NERC-wide modelling improvement efforts as the Interconnection model designee associated with MOD-032 and MOD-033 standards, working with stakeholders to integrate fidelity and quality tests into Regional study case development processes.
- Contribute to and review two short-term reliability assessments in 2017, involving topics such as the impact of gas dependency and changes in resource mix.
- Oversee collection of reliability data for the ERCOT region, provide analysis and validation, and support stakeholders as enhancements for databases and portals are added or as new systems are developed. Systems include:
  - Transmission Availability Data System (TADS)
  - Generation Availability Data System (GADS)
  - Demand Response Availability Data System (DADS)
  - Spare Equipment Database (SED)
  - 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 produce annual performance summary reports with NERC and within the Region. The number of metrics and level of analysis is expected to remain consistent in 2017.

- Provide regional data collection and analysis to meet NERC or FERC initiatives, orders or directives, in particular for short-term reliability assessments on specific reliability risk concerns in a six to eighteen month horizon. These may include continuing review of risks associated with geomagnetic disturbances, physical security, protection system mis-operations, system frequency response, fuel dependency, human performance, drought, environmental regulations, single point of failure in protection systems, characterization of contingent load loss and new technology integration. NERC aims for up to four such short term assessments in 2017; FERC may have additional requests.
- 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 2016, estimated at 12 Category 1 (minor), three Category 2 or 3 (moderate impact) and 1 Category 4 or 5 event (significant impact). Conduct follow-up on recommendations from past major events within ERCOT and other Regions and event trends associated with events across the ERO.
- Review approximately 100 lesser system events, such as 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 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.
- Engage ERCOT stakeholders to identify system issues that lead to reliability concerns, including those identified and prioritized by the NERC Reliability Issues Steering Committee.
- Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.
- Texas RE staff will continue ongoing monitoring 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.
- 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 will use these tools to provide regular reporting to NERC along with current information on on-going events in the ERCOT region.

- Texas RE will continue to monitor and follow up on NERC alerts and anticipates that the volume of alerts will be similar to 2016, or approximately four, with one alert expected to require responses and analysis.
- Texas RE staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely with NERC cyber-security staff. An example is participation in the NERC Grid-X Security exercise in 2017.

### Resource Requirements

#### Personnel Expenses

FTEs are decreasing by .25 due to an FTE reallocation to the CMEP department. Personnel expenses for this Program are 2.6% greater than 2016 due to promotions and market adjustments for salaries. Payroll taxes and Retirement costs are decreasing to more accurately reflect actual costs based on experience.

#### Consultants and Contracts

No consulting support and contracts are budgeted for 2017, which is consistent with the 2016 budget.



## 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 2017. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2016 Budget &amp; Projection, and 2017 Budget</b>					
<b>RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS</b>					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2016 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,343,630	\$ 1,343,630	\$ -	\$ 1,296,656	\$ (46,974)
Penalty Sanctions	47,362	47,362	-	6,757	(40,605)
<b>Total NERC Funding</b>	<u>\$ 1,390,993</u>	<u>\$ 1,390,993</u>	<u>\$ -</u>	<u>\$ 1,303,413</u>	<u>\$ (87,580)</u>
Interest	141	141	-	270	130
<b>Total Funding</b>	<u>\$ 1,391,132</u>	<u>\$ 1,391,132</u>	<u>\$ -</u>	<u>\$ 1,303,683</u>	<u>\$ (87,450)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 871,652	\$ 871,652	\$ -	\$ 888,746	\$ 17,094
Payroll Taxes	66,974	66,974	-	56,290	(10,684)
Benefits	135,225	135,225	-	162,569	27,345
Retirement Costs	127,401	127,401	-	124,787	(2,614)
<b>Total Personnel Expenses</b>	<u>\$ 1,201,251</u>	<u>\$ 1,201,251</u>	<u>\$ -</u>	<u>\$ 1,232,393</u>	<u>\$ 31,141</u>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	75,825	75,825	-	78,858	3,033
Conference Calls	-	-	-	-	-
<b>Total Meeting &amp; Travel Expenses</b>	<u>\$ 75,825</u>	<u>\$ 75,825</u>	<u>\$ -</u>	<u>\$ 78,858</u>	<u>\$ 3,033</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	40,860	40,860	-	41,360	500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 40,860</u>	<u>\$ 40,860</u>	<u>\$ -</u>	<u>\$ 41,360</u>	<u>\$ 500</u>
<b>Total Direct Expenses</b>	<u>\$ 1,317,936</u>	<u>\$ 1,317,936</u>	<u>\$ -</u>	<u>\$ 1,352,611</u>	<u>\$ 34,674</u>
<b>Indirect Expenses</b>	<u>\$ 609,867</u>	<u>\$ 609,867</u>	<u>\$ -</u>	<u>\$ 662,579</u>	<u>\$ 52,712</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 1,927,803</u>	<u>\$ 1,927,803</u>	<u>\$ -</u>	<u>\$ 2,015,189</u>	<u>\$ 87,386</u>
<b>Change in Assets</b>	<u>\$ (536,671)</u>	<u>\$ (536,671)</u>	<u>\$ -</u>	<u>\$ (711,506)</u>	<u>\$ (174,836)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(16,167)	(16,167)	-	(30,713)	(14,547)
<b>Inc(Dec) in Fixed Assets</b>	<u>\$ (16,167)</u>	<u>\$ (16,167)</u>	<u>\$ -</u>	<u>\$ (30,713)</u>	<u>\$ (14,547)</u>
<b>TOTAL BUDGET</b>	<u>\$ 1,911,637</u>	<u>\$ 1,911,637</u>	<u>\$ -</u>	<u>\$ 1,984,476</u>	<u>\$ 72,839</u>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<u>\$ (520,504)</u>	<u>\$ (520,504)</u>	<u>\$ -</u>	<u>\$ (680,793)</u>	<u>\$ (160,289)</u>

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## Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 386,160	\$ 337,253	\$ (48,907)
Indirect Expenses	\$ 211,108	\$ 238,528	\$ 27,421
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,596)	\$ (11,057)	\$ (5,461)
Total Funding Requirement	\$ 591,672	\$ 564,725	\$ (26,947)

### Program Scope and Functional Description

Texas RE's Training, Education, and Operator Certification Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Standards, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other Programs provide expertise for educational materials, meetings, and workshops. In addition, Texas RE provides assistance for the annual ERCOT 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 2017. 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.

### 2017 Key Assumptions

- Additional resources may be required to support certain training activities of the risk-based CMEP and the CIP Version 5 transition.
- The Operating Personnel Certification program is expected to remain at a steady state with no additional resources required from Texas RE.

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## 2017 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 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 2017. The decrease in personnel expenses is to more accurately reflect actual salary costs based on experience

### Consultants and Contracts

Consulting support and contracts are increasing by \$3,000 due to increased costs for List Serve, the service contracted to manage communication with external parties.

## Training, Education, and Operator Certification Program

The following table shows the funding sources and related expenses for the Training, Education, and Operator Certification Program for 2017. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2016 Budget &amp; Projection, and 2017 Budget</b>					
<b>TRAINING, EDUCATION and OPERATOR CERTIFICATION</b>					
	2016	2016	Variance	2017	Variance
	Budget	Projection	2016 Projection v 2016 Budget Over(Under)	Budget	2016 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 465,103	\$ 465,103	\$ -	\$ 466,796	\$ 1,693
Penalty Sanctions	16,395	16,395	-	2,432	(13,962)
<b>Total NERC Funding</b>	<b>\$ 481,497</b>	<b>\$ 481,497</b>	<b>\$ -</b>	<b>\$ 469,229</b>	<b>\$ (12,269)</b>
Interest	49	49	-	97	49
<b>Total Funding</b>	<b>\$ 481,545</b>	<b>\$ 481,545</b>	<b>\$ -</b>	<b>\$ 469,326</b>	<b>\$ (12,220)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 232,644	\$ 232,644	\$ -	\$ 188,474	\$ (44,170)
Payroll Taxes	17,822	17,822	-	12,788	(5,034)
Benefits	51,265	51,265	-	43,494	(7,771)
Retirement Costs	33,588	33,588	-	26,467	(7,121)
<b>Total Personnel Expenses</b>	<b>\$ 335,320</b>	<b>\$ 335,320</b>	<b>\$ -</b>	<b>\$ 271,223</b>	<b>\$ (64,097)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Travel	6,700	6,700	-	3,270	(3,430)
Conference Calls	10,000	10,000	-	20,000	10,000
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 46,700</b>	<b>\$ 46,700</b>	<b>\$ -</b>	<b>\$ 53,270</b>	<b>\$ 6,570</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,000	\$ 2,000	\$ -	\$ 5,000	\$ 3,000
Office Rent	-	-	-	-	-
Office Costs	2,140	2,140	-	6,760	4,620
Professional Services	-	-	-	1,000	1,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 4,140</b>	<b>\$ 4,140</b>	<b>\$ -</b>	<b>\$ 12,760</b>	<b>\$ 8,620</b>
<b>Total Direct Expenses</b>	<b>\$ 386,160</b>	<b>\$ 386,160</b>	<b>\$ -</b>	<b>\$ 337,253</b>	<b>\$ (48,907)</b>
<b>Indirect Expenses</b>	<b>\$ 211,108</b>	<b>\$ 211,108</b>	<b>\$ -</b>	<b>\$ 238,528</b>	<b>\$ 27,421</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 597,268</b>	<b>\$ 597,268</b>	<b>\$ -</b>	<b>\$ 575,782</b>	<b>\$ (21,486)</b>
<b>Change in Assets</b>	<b>\$ (115,723)</b>	<b>\$ (115,723)</b>	<b>\$ -</b>	<b>\$ (106,456)</b>	<b>\$ 9,266</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(5,596)	(5,596)	-	(11,057)	(5,461)
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (5,596)</b>	<b>\$ (5,596)</b>	<b>\$ -</b>	<b>\$ (11,057)</b>	<b>\$ (5,461)</b>
<b>TOTAL BUDGET</b>	<b>\$ 591,672</b>	<b>\$ 591,672</b>	<b>\$ -</b>	<b>\$ 564,725</b>	<b>\$ (26,947)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (110,126)</b>	<b>\$ (110,126)</b>	<b>\$ -</b>	<b>\$ (95,399)</b>	<b>\$ 14,727</b>

Approved by the Texas RE Board of Directors \_\_\_\_\_, 2016

## Administrative Services

	Administrative Services					
	Direct Expenses & Fixed Assets			FTEs		
	2016 Budget	2017 Budget	Inc (Dec)	2016 Budget	2017 Budget	Inc (Dec)
General and Administrative	1,799,268	2,134,504	335,236	3.00	3.00	-
Legal and Regulatory	476,792	501,860	25,069	2.75	2.75	-
Information Technology	1,301,812	1,427,635	125,823	5.00	5.00	-
Human Resources	98,370	108,345	9,975	-	-	-
Finance and Accounting	548,164	503,460	(44,704)	3.00	3.00	-
Total Administrative Services	4,224,405	4,675,805	451,399	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 increasing by \$33,104 (46.7%) due to a compensation study for the Board of Directors.

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## **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.

### **2017 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.

### **2017 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 2016.

Consulting support and contracts are consistent with the 2016 budget.

## **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,

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application, and training, research, and planning for improvement and efficiency of business process and operations.

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

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 are 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 2017 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region specific supports needs.

### **2017 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.

### **2017 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.

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- Continue to outsource IT and security services that are not within the core competencies or IT's cost-containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
  - 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.

FTEs are remaining consistent with 2016.

Consulting support and contracts are consistent with the 2016 budget.

### **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 Human Resources related databases and ensures compliance with all federal and state requirements.

#### **2017 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.

#### **2017 Goals and Key Deliverables**

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.



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- 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 increasing by \$9,000 (11.4%) in 2017 due to an all-staff compensation study, an executive 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.

#### **2017 Key Assumptions**

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

#### **2017 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.

FTEs are remaining consistent with 2016.

No consulting support and contracts are budgeted for 2017, which is consistent with the 2016 budget.

## Administrative Services

The following table shows funding sources and related expenses for the Administrative Services section of the 2017 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.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2016 Budget &amp; Projection, and 2017 Budget</b>					
<b>ADMINISTRATIVE SERVICES</b>					
	<b>2016 Budget</b>	<b>2016 Projection</b>	<b>Variance 2016 Projection v 2016 Budget Over(Under)</b>	<b>2017 Budget</b>	<b>Variance 2016 Budget v 2017 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,611,847	\$ 1,611,847	\$ -	\$ 1,809,577	\$ 197,730
Payroll Taxes	116,213	116,213	-	100,082	(16,131)
Benefits	293,639	293,639	-	344,734	51,094
Retirement Costs	219,218	219,218	-	220,410	1,192
<b>Total Personnel Expenses</b>	<u>\$ 2,240,917</u>	<u>\$ 2,240,917</u>	<u>\$ -</u>	<u>\$ 2,474,803</u>	<u>\$ 233,885</u>
<b>Meeting and Travel Expenses</b>					
Meetings	\$ 17,450	\$ 17,450	\$ -	\$ 17,000	\$ (450)
Travel	124,323	124,323	-	104,380	(19,943)
Conference Calls	-	-	-	1,750	1,750
<b>Total Meeting &amp; Travel Expenses</b>	<u>\$ 141,773</u>	<u>\$ 141,773</u>	<u>\$ -</u>	<u>\$ 123,130</u>	<u>\$ (18,643)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 181,096	\$ 181,096	\$ -	\$ 223,200	\$ 42,104
Office Rent	489,557	489,557	-	617,212	127,655
Office Costs	612,562	612,562	-	679,010	66,448
Professional Services	514,500	514,500	-	518,450	3,950
Depreciation	159,033	159,033	-	267,279	108,246
<b>Total Operating Expenses</b>	<u>\$ 1,956,748</u>	<u>\$ 1,956,748</u>	<u>\$ -</u>	<u>\$ 2,305,151</u>	<u>\$ 348,403</u>
<b>Total Direct Expenses</b>	<u>\$ 4,339,438</u>	<u>\$ 4,339,438</u>	<u>\$ -</u>	<u>\$ 4,903,084</u>	<u>\$ 563,645</u>
<b>Indirect Expenses</b>	<u>\$ (4,339,438)</u>	<u>\$ (4,339,438)</u>	<u>\$ -</u>	<u>\$ (4,903,084)</u>	<u>\$ (563,645)</u>
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Fixed Assets</b>					
Depreciation	(159,033)	(159,033)	-	(267,279)	(108,246)
Computer & Software CapEx	44,000	44,000	-	40,000	(4,000)
Allocation of Fixed Assets	115,033	115,033	-	227,279	112,246
<b>Inc(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

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Section B – Supplemental Financial Information  
2017 Business Plan and Budget

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## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2016-2017</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2015</b>	6,586,523
Plus: 2016 Funding (from LSEs or designees)	9,897,448
Plus: 2016 Other funding sources	1,000
Less: 2016 Projected expenses & capital expenditures	<b>(11,782,215)</b>
<b>Projected Working Capital Reserve (Deficit), December 31, 2016</b>	<b>4,702,756</b>
<b>Desired Working Capital Reserve, December 31, 2017</b>	<sup>1</sup> 2,182,756
Minus: Projected Working Capital Reserve, December 31, 2016	<b>(4,702,756)</b>
Minus: adjustment to Cash Reserve, December 31, 2016	-
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b>(2,520,000)</b>
2017 Expenses and Capital Expenditures	12,167,256
Less: Penalty Sanctions	<sup>2</sup> <b>(50,000)</b>
Less: Other Funding Sources	<b>(2,000)</b>
Adjustment to achieve desired Working Capital Reserve	(2,520,000)
<b>2017 NERC Assessment</b>	<b>9,595,256</b>

<sup>1</sup> On \_\_\_\_\_, 2016, the Audit & Finance Committee of the NERC Board of Trustees approved management's proposed 2017 Business Plan and Budget which included a projected year end working capital reserve of approximately \$2.2M.

<sup>2</sup> Represents collections on or prior to June 30, 2016.

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

Consistent with its Working Capital and Operating Reserve Policy, Texas RE is retaining its \$2,000,000 cash reserve requirement plus an additional \$183,000 and annually obtains a \$500,000 line of credit to ensure it has appropriate liquidity for contingencies.

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

The following detailed schedules are in support of the statement of activities on page 9 of the 2017 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 2016. The 2017 budget was based on this information.

### **Penalty Sanctions**

Penalty monies received by June 30, 2016 are to be used to offset assessments in the 2017 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, 2016 through June 30, 2017 will be used to offset assessments in the 2018 Budget.

All penalties received by June 30, 2016 are detailed in exhibit B-2.

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

**Table B-2 – Penalty Sanctions**

Penalty Sanctions Received On or Prior to June 30, 2016		
	Date Received	Amount Received
	8/21/2014	50,000
<b>Total Penalties Received</b>		<u>\$ 50,000</u>

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**Table B-3 – Supplemental Funding**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget
<b>Reliability Standards</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Interest Income	\$ 1,000	\$ 1,000	\$ 2,000	\$ 1,000
Total	\$ 1,000	\$ 1,000	\$ 2,000	\$ 1,000
Total Outside Funding	\$ 1,000	\$ 1,000	\$ 2,000	\$ 1,000

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

- Texas RE anticipates its investments will earn interest of approximately \$2,000 in 2017. This amount reflects historical interest income.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Total Salaries	\$ 6,749,489	\$ 6,749,489	\$ 6,739,715	\$ (9,774)	-0.1%
Total Payroll Taxes	496,723	496,723	438,778	(57,945)	-11.7%
Total Benefits	1,075,949	1,075,949	1,283,357	207,408	19.3%
Total Retirement	968,077	968,077	912,670	(55,407)	-5.7%
<b>Total Personnel Costs</b>	<b>\$ 9,290,238</b>	<b>\$ 9,290,238</b>	<b>\$ 9,374,519</b>	<b>\$ 84,282</b>	<b>0.9%</b>
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 112,491	\$ 112,491	\$ 112,329	(163)	-0.1%
Payroll Taxes	8,279	8,279	7,313	(966)	-11.7%
Benefits	17,932	17,932	21,389	3,457	19.3%
Retirement	16,135	16,135	15,211	(923)	-5.7%
<b>Total Cost per FTE</b>	<b>\$ 154,837</b>	<b>\$ 154,837</b>	<b>\$ 156,242</b>	<b>\$ 1,405</b>	<b>0.9%</b>

#### Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- Total costs for Texas RE personnel expenses are increasing by 0.9%. The 11.7% decrease in payroll taxes is to more accurately reflect actual tax costs based on experience. The decrease in taxes is offset by employee benefits, which are increasing 19.3% primarily due to a projected 20% increase in health benefits costs. Retirement costs reflect the decrease in salaries and actual employee participation in the retirement plans.
- Total benefits include employee training, relocation, and employee education reimbursement.
- A vacancy rate of 2% is assumed for the 2017 budget.



**Table B-5 – Meeting & Travel Expenses**

Meeting and Travel Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Meetings	\$ 50,350	\$ 50,350	\$ 49,080	\$ (1,270)	-2.5%
Travel	368,115	368,115	366,045	(2,070)	-0.6%
Conference Calls	10,000	10,000	23,750	13,750	137.5%
	<b>\$ 428,465</b>	<b>\$ 428,465</b>	<b>\$ 438,875</b>	<b>\$ 10,410</b>	<b>2.4%</b>

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

- Total Meeting Expense is increasing due to the anticipated costs of on-site meetings in the new conference center.
- The ability to hold meetings on-site is reducing Travel Expense.

Conference Call Expense is increasing primarily due to additional on-site meetings and webinars being held in the new conference center.

**Table B-6 – Consultants and Contracts**

Consultants and Contracts	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certificatic	159,052	159,052	205,000	45,948	28.9%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	2,000	2,000	5,000	3,000	150.0%
General and Administrative	70,896	70,896	104,000	33,104	46.7%
Legal and Regulatory	3,200	3,200	3,200	-	0.0%
Information Technology	28,000	28,000	28,000	-	0.0%
Human Resources	79,000	79,000	88,000	9,000	11.4%
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 342,148</b>	<b>\$ 342,148</b>	<b>\$ 433,200</b>	<b>\$ 91,052</b>	<b>26.6%</b>

**Explanation of Significant Variances – 2017 Budget versus 2016 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 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Office Rent	\$ 489,557	\$ 489,557	\$ 617,212	\$ 127,655	26.1%
Utilities			-	-	
Maintenance			-	-	
<b>Total Office Rent</b>	<b>\$ 489,557</b>	<b>\$ 489,557</b>	<b>\$ 617,212</b>	<b>\$ 127,655</b>	<b>26.1%</b>

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

- Rent Expense includes utilities and maintenance and is increasing by 26.1%. The increase is due to utilities and maintenance costs for the additional conference center space..

Table B-8 – Office Costs

Office Costs	Budget 2016	Projection 2016	Budget 2017	Variance	
				2017 Budget v 2016 Budget	Variance %
Telephone/Cell Phone	\$ 24,760	\$ 24,760	\$ 26,840	\$ 2,080	8.4%
Internet Expense	125,000	125,000	130,000	5,000	4.0%
Office Supplies	49,590	49,590	55,700	6,110	12.3%
Computer Supplies & Maintenance	28,100	28,100	45,100	17,000	60.5%
Software & Software Maintenance	161,020	161,020	207,400	46,380	28.8%
Subscriptions & Publications	34,450	34,450	23,450	(11,000)	-31.9%
Dues	12,350	12,350	10,935	(1,415)	-11.5%
Postage	495	495	650	155	31.3%
Express Shipping	575	575	425	(150)	-26.1%
Stationary & Office Forms	2,200	2,200	2,600	400	18.2%
Equipment Repair/Srv. Contracts	5,000	5,000	4,000	(1,000)	-20.0%
Bank Charges	2,313	2,313	2,300	(13)	-0.6%
Property Taxes	15,000	15,000	13,000	(2,000)	-13.3%
Merchant Credit Card Fee	1,454	1,454	1,400	(54)	-3.7%
IT-Leased Equipment	200,000	200,000	200,000	-	0.0%
Maintenance	10,000	10,000	12,000	2,000	20.0%
Office Furniture & Equipment Exp	-	-	5,000	5,000	100.0%
IT Maintenance	-	-	2,000	2,000	100.0%
Employment Related Fees	-	-	1,200	1,200	100.0%
<b>Total Office Costs</b>	<b>\$ 672,307</b>	<b>\$ 672,307</b>	<b>\$ 744,000</b>	<b>\$ 71,693</b>	<b>10.66%</b>

#### Explanation of Significant Variances – 2017 Budget versus 2016 Budget

- All categories in the Office Costs have been adjusted in the 2017 budget to more accurately reflect actual experience.
- Telephone/Cell Phone Costs are increasing due to more employees being reimbursed for using personal cell phones for Texas RE business.
- Office Supplies are increasing to cover supplies for the added conference center.
- Computer Supplies and Maintenance are increasing for additional requirements in the conference center.
- Software and Software Maintenance increased to cover the cost of licenses and maintenance agreements for ongoing and new software programs.
- Subscriptions and Publications decreased to reflect historical costs for Board of Director meeting package publication software.
- Dues decrease reflects historical costs for employees maintaining professional licenses.
- Property Taxes decreased primarily due to moving the data center location from the Dallas area to San Antonio.

- Maintenance expense are increasing for additional requirements in the conference center.
- Office Furniture & Equipment Expense and IT Maintenance expense has been added for purchases that do not meet the capitalization requirement.
- Employment Related Fees have been added to the Human Resources department for drug testing, background checks and other items required for hiring new employees.

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Table B-9 – Professional Services

Professional Services	Budget 2016	Projection 2016	Budget 2017	Variance	
				2017 Budget v 2016 Budget	Variance %
Board of Director Fees	\$ 275,000	\$ 275,000	\$ 283,000	\$ 8,000	2.9%
Accounting & Auditing Fees	42,500	42,500	42,500	-	0.0%
Legal Fees	31,000	31,000	30,000	(1,000)	-3.2%
Insurance - Commercial	75,000	75,000	69,750	(5,250)	-7.0%
Professional Services-Other	92,000	92,000	94,200	2,200	2.4%
<b>Total Professional Services</b>	<b>\$ 515,500</b>	<b>\$ 515,500</b>	<b>\$ 519,450</b>	<b>\$ 3,950</b>	<b>0.8%</b>

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

- Expense for fees paid to Independent Board of Directors have been increased to reflect an anticipated increase in Director fees.
- Accounting and Auditing Fees are remaining consistent with 2016.
- Legal Fees has been reduced to reflect actual cost based on experience.
- Commercial Insurance is projected to decrease slightly based on an estimate from the broker. Texas RE now has history with an experience rating that allows for better rates.
- Professional Services – Other is increasing slightly to cover professional employee photographs.

**Table B-10 – Miscellaneous Expense**

Miscellaneous	Budget 2016	Projection 2016	Budget 2017	Variance	
				2017 Budget v 2016 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	-
<b>Total Miscellaneous Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

- N/A

**Table B-11 – Other Non-Operating Expenses**

Other Non-Operating Expenses	Budget 2016	Projection 2016	Budget 2017	Variance	
				2017 Budget v 2016 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment		-			-
Office Relocation	-	-	-		-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

- N/A



**Table B-12 – Fixed Assets**

Fixed Assets	Budget 2016	Projection 2016	Budget 2017	Variance	
				2017 Budget v 2016 Budget	Variance %
Depreciation	\$ (159,033)	\$ (159,033)	\$ (267,279)	\$ (108,246)	68.1%
Computer & Software CapEx	44,000	44,000	40,000	(4,000)	-9.1%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
<b>Total Fix Assets</b>	<b>\$ (115,033)</b>	<b>\$ (115,033)</b>	<b>\$ (227,279)</b>	<b>\$ (112,246)</b>	<b>97.6%</b>

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

- Depreciation is increasing 68.1% due to Leasehold Improvements, Furniture and Fixtures, and Equipment purchased in 2015 for the additional conference center space.
- Computer and Software CapEx is 9.1% less than 2016 budget.

Table B-13 – 2018 and 2019 Projection

**Statement of Activities, Fixed Assets Expenditures and Change in Working Capital**  
**2017 Budget & Projected 2018 and 2019 Budgets**

	2017 Budget	2018 Projection	\$ Change 18 v 17	% Change 18 v 17	2019 Projection	\$ Change 19 v 18	% Change 19 v 18
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 9,595,256	\$ 9,979,067	\$ 383,810	4.00%	\$ 10,378,229	\$ 399,163	3.8%
Penalty Sanctions	50,000	-	(50,000)	-100.00%	-	-	
<b>Total NERC Funding</b>	<b>\$ 9,645,256</b>	<b>\$ 9,979,067</b>	<b>\$ 333,810</b>	<b>3.5%</b>	<b>\$ 10,378,229</b>	<b>\$ 399,163</b>	<b>3.8%</b>
Membership Dues	-	\$ -	-		-	-	
Interest	2,000	2,080	80	4.00%	2,163	83	4.0%
<b>Total Funding (A)</b>	<b>\$ 9,647,256</b>	<b>\$ 9,981,147</b>	<b>\$ 333,890</b>	<b>3.5%</b>	<b>\$ 10,380,392</b>	<b>\$ 399,246</b>	<b>4.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 6,739,715	\$ 7,009,303	\$ 269,589	4.0%	\$ 7,289,675	\$ 280,372	4.0%
Payroll Taxes	438,778	456,329	17,551	4.0%	474,582	18,253	4.0%
Benefits	1,283,357	1,334,691	51,334	4.0%	1,388,079	53,388	4.0%
Retirement Costs	912,670	949,177	36,507	4.0%	987,144	37,967	4.0%
<b>Total Personnel Expenses</b>	<b>\$ 9,374,519</b>	<b>\$ 9,749,500</b>	<b>\$ 374,981</b>	<b>4.0%</b>	<b>\$ 10,139,480</b>	<b>\$ 389,980</b>	<b>4.0%</b>
<b>Meeting &amp; Travel Expenses</b>							
Meetings	\$ 49,080	\$ 51,043	\$ 1,963	4.0%	\$ 53,084.93	2,042	4.0%
Travel	366,045	380,687	14,642	4.0%	395,914	15,227	4.0%
Conference Calls	22,350	23,244	894	4.0%	24,174	930	4.0%
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 437,475</b>	<b>\$ 454,974</b>	<b>\$ 17,499</b>	<b>4.0%</b>	<b>\$ 473,173</b>	<b>\$ 18,199</b>	<b>4.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 434,600	\$ 451,984	17,384	4.0%	\$ 470,063	18,079	4.0%
Office Rent	617,212	641,900	24,688	4.0%	667,577	25,676	4.0%
Office Costs	744,000	773,760	29,760	4.0%	804,710	30,950	4.0%
Professional Services	519,450	540,228	20,778	4.0%	561,837	21,609	4.0%
Depreciation	267,279	277,970	10,691	4.0%	289,089	11,119	4.0%
<b>Total Operating Expenses</b>	<b>\$ 2,582,541</b>	<b>\$ 2,685,843</b>	<b>\$ 103,302</b>	<b>4.0%</b>	<b>\$ 2,793,276</b>	<b>\$ 107,434</b>	<b>4.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 12,394,535</b>	<b>\$ 12,890,317</b>	<b>\$ 495,781</b>	<b>4.0%</b>	<b>\$ 13,405,929</b>	<b>\$ 515,613</b>	<b>4.0%</b>
<b>Indirect Expenses</b>	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -		\$ -	\$ -	
<b>Total Expenses (B)</b>	<b>\$ 12,394,535</b>	<b>\$ 12,890,317</b>	<b>\$ 495,781</b>	<b>4.0%</b>	<b>\$ 13,405,929</b>	<b>\$ 515,613</b>	<b>4.0%</b>
<b>Change in Assets</b>	<b>\$ (2,747,279)</b>	<b>\$ (2,909,170)</b>	<b>\$ (161,891)</b>	<b>5.9%</b>	<b>\$ (3,025,537)</b>	<b>\$ (116,367)</b>	<b>4.0%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (267,279)	\$ (277,970)	\$ (10,691)	4.0%	\$ (289,089)	\$ (11,119)	4.0%
Computer & Software CapEx	40,000	41,600	1,600	4.0%	43,264	1,664	4.0%
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (227,279)</b>	<b>\$ (236,370)</b>	<b>\$ (9,091)</b>	<b>4.0%</b>	<b>\$ (245,825)</b>	<b>\$ (116,367)</b>	<b>0.0%</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 12,167,256</b>	<b>\$ 12,653,947</b>	<b>\$ 486,690</b>	<b>4.0%</b>	<b>\$ 13,160,104</b>	<b>\$ 515,613</b>	<b>4.1%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (2,520,000)</b>	<b>\$ (2,672,800)</b>	<b>\$ (152,800)</b>	<b>6.1%</b>	<b>\$ (2,779,712)</b>	<b>(106,912)</b>	<b>4.0%</b>
FTEs	60	60	-	0.0%	60	-	0.0%

### 2018 and 2019 Projection Analysis

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

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Section C – 2017 State (Non-Statutory) Activities  
2017 Business Plan and Budget

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## Section C — 2017 State (Non-Statutory) Business Plan and Budget

<b>State (Non-Statutory) Activities</b> (in whole dollars)			
	<b>2016 Budget</b>	<b>2017 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.0	5.0	
Direct Expenses	1,029,072	1,059,945	30,873
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	
Total Funding Requirement	1,029,072	1,059,945	30,873

### State (Non-Statutory) Functional Scope

Texas RE is authorized by Public Utility Commission of Texas (PUCT), and is permitted by NERC, to serve as PUCT's Reliability Monitor for the ERCOT region. Under the direction of PUCT, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market entities' compliance with the reliability-related ERCOT Protocols, Operating Guides, and PUCT rules (Regional Rules). Texas RE also monitors the 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 PUCT for its enforcement cases.

### Major 2017 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for PUCT in 2017.

### 2017 State (Non-Statutory) Goals and Objectives

- Appropriately monitor, investigate, and report to PUCT regarding stakeholder compliance with the Regional Rules.
- Review and assess system disturbances for potential violations of ERCOT Regional Rules and report all findings to PUCT.
- Provide technical expertise to 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 2017 non-statutory budget and funding is \$1,059,945.
- Total expenses for 2017 are increasing 3% over 2016.

### **Personnel Expenses**

- State (Non-statutory) personnel are remaining constant at 5 FTEs. Personnel expenses are consistent with 2016. 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 is increasing 12%. The increase is primarily due to mileage for travel to meetings.

### **Operating Expenses**

- Operating expenses are increasing 32.4 % due to rent and office costs associated with the new conference center.

### **Indirect Expenses**

- Costs are being charged directly to the expense line item in 2017, therefore, no indirect expenses are charged.

## 2017 Budget and Projection and 2016 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
STATE (NON-STATUTORY)					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2016 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	-	-		-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
PUCT	\$ 1,029,073	\$ 1,029,073		\$ 1,059,945	\$ 30,872
<b>Total Funding (A)</b>	<b>\$ 1,029,073</b>	<b>\$ 1,029,073</b>	<b>\$ -</b>	<b>\$ 1,059,945</b>	<b>\$ 30,872</b>
<b>Expenses</b>					
Personnel Expenses					
Salaries	\$ 672,103	\$ 672,103		\$ 654,007	\$ (18,096)
Payroll Taxes	51,667	51,667		34,534	(17,133)
Benefits	106,573	106,573		146,306	39,733
Retirement Costs	97,455	97,455		91,568	(5,887)
<b>Total Personnel Expenses</b>	<b>\$ 927,798</b>	<b>\$ 927,798</b>	<b>\$ -</b>	<b>\$ 926,415</b>	<b>\$ (1,383)</b>
Meeting Expenses					
Meetings	\$ -	\$ -		\$ -	-
Travel	1,500	1,500		1,800	\$ 300
Conference Calls	1,000	1,000		1,000	-
<b>Total Meeting Expenses</b>	<b>\$ 2,500</b>	<b>\$ 2,500</b>	<b>\$ -</b>	<b>\$ 2,800</b>	<b>\$ 300</b>
Operating Expenses					
Consultants & Contracts	\$ 22,861	\$ 22,861		\$ 37,852	14,991
Office Rent	50,000	50,000		56,037	6,037
Office Costs	7,220	7,220		9,060	1,840
Professional Services	7,140	7,140		7,650	510
Miscellaneous	-	-		-	-
Depreciation	11,553	11,553		20,131	8,578
<b>Total Operating Expenses</b>	<b>\$ 98,774</b>	<b>\$ 98,774</b>	<b>\$ -</b>	<b>\$ 130,730</b>	<b>\$ 31,956</b>
<b>Total Direct Expenses</b>	<b>\$ 1,029,072</b>	<b>\$ 1,029,072</b>	<b>\$ -</b>	<b>\$ 1,059,945</b>	<b>\$ 30,873</b>
Indirect Expenses	\$ -	\$ -			\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
<b>Total Expenses (B)</b>	<b>\$ 1,029,072</b>	<b>\$ 1,029,072</b>	<b>\$ -</b>	<b>\$ 1,059,945</b>	<b>\$ 30,873</b>
<b>Change in Assets</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx					
Allocation of Fixed Assets	\$ -	-	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,029,072</b>	<b>\$ 1,029,072</b>	<b>\$ -</b>	<b>\$ 1,059,945</b>	<b>30,873</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>

## Personnel Analysis

Total FTEs by Program Area	Budget 2016	Projection 2016	Direct FTEs 2017 Budget	Shared FTEs 2017 Budget	Total FTEs 2017 Budget	Change from 2016 Budget
<b>STATE (NON-STATUTORY)</b>						
<b>Operational Programs</b>						
State (Non-Statutory)	4.00	4.00	4.00	0.00	4.00	0.00
<b>Total FTEs Operational Programs</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>0.00</b>	<b>4.00</b>	<b>0.00</b>
<b>Administrative Programs</b>						
G&A	1.00	1.00	0.00	1.00	1.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>5.00</b>	<b>5.00</b>	<b>4.00</b>	<b>1.00</b>	<b>5.00</b>	<b>0.00</b>

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

### Reserve Analysis — 2016–2017

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

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Section D – Supplemental Information  
2017 Business Plan and Budget

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## Section D – Supplemental Information

### 2017 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)

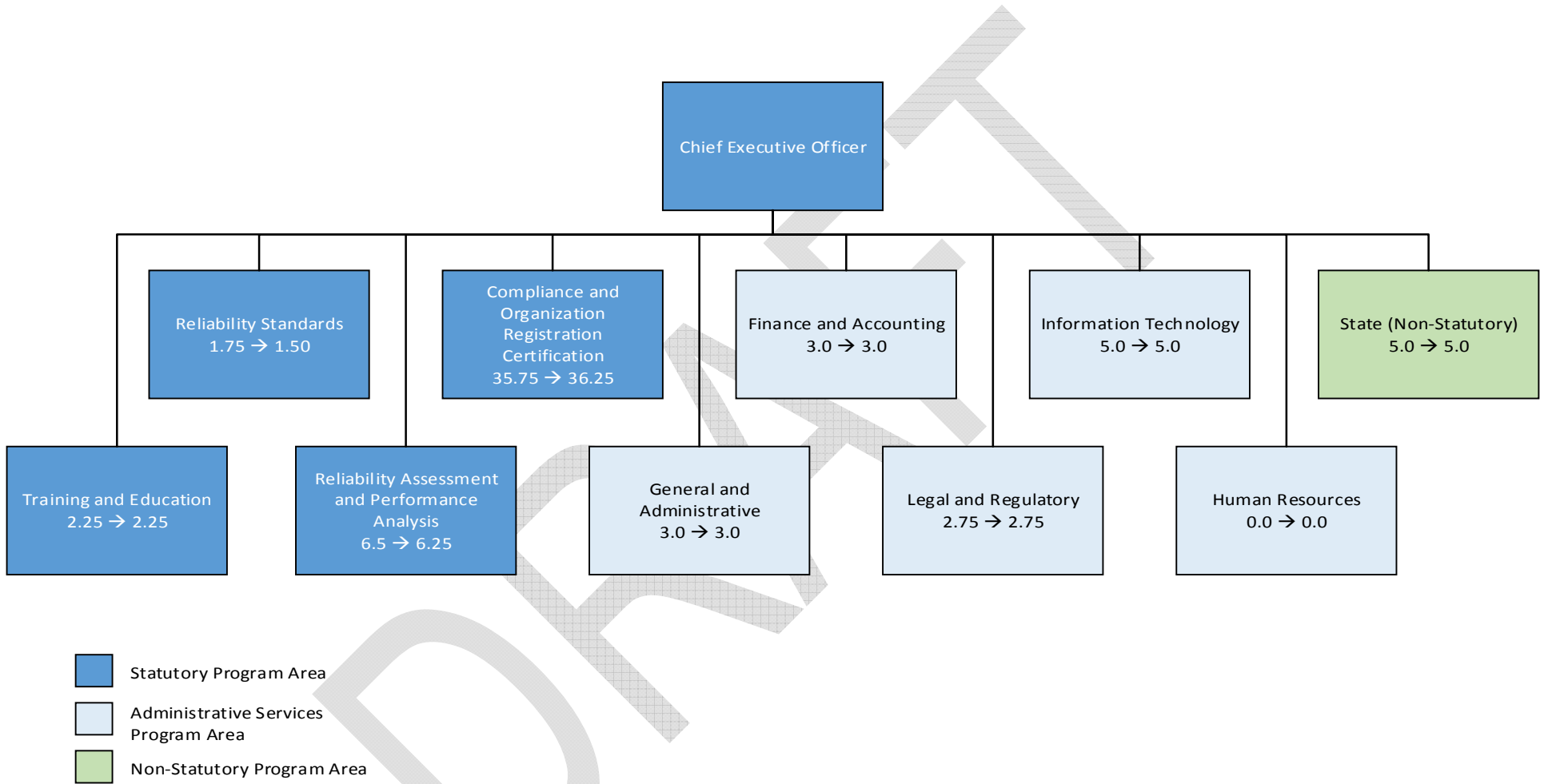
Statement of Activities and Capital Expenditures by Program 2016 Budget	Total	Statutory Total	State (Non-Statutory) Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 405)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	State (Non-Statutory) Total
<b>Funding</b>														
<b>ERO Funding</b>														
NERC Assessments	9,595,256	9,595,256	-	9,595,256	311,198	7,520,606	1,296,656	466,796	-	-	-	-	-	-
Penalty Sanctions	50,000	50,000	-	50,000	1,622	39,189	6,757	2,432	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>9,645,256</b>	<b>9,645,256</b>	<b>-</b>	<b>9,645,256</b>	<b>312,819</b>	<b>7,559,795</b>	<b>1,303,413</b>	<b>469,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
PUCT Fees	1,059,945	-	1,059,945	-	-	-	-	-	-	-	-	-	-	1,059,945
Interest	2,000	2,000	-	2,000	65	1,568	270	97	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>10,707,201</b>	<b>9,647,256</b>	<b>1,059,945</b>	<b>9,647,256</b>	<b>312,884</b>	<b>7,561,363</b>	<b>1,303,683</b>	<b>469,326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,059,945</b>
<b>Expenses</b>														
<b>Personnel Expenses</b>														
Salaries	7,393,722	6,739,715	654,007	6,739,715	198,994	3,653,924	888,746	188,474	723,102	338,834	442,148	-	305,493	654,007
Payroll Taxes	473,312	438,778	34,534	438,778	12,372	257,246	56,290	12,788	22,136	19,704	36,587	-	21,655	34,534
Benefits	1,429,663	1,283,357	146,306	1,283,357	39,470	693,090	162,569	43,494	67,855	44,880	154,808	-	77,191	146,306
Retirement Costs	1,004,238	912,670	91,568	912,670	27,935	513,071	124,787	26,467	67,844	47,578	62,092	-	42,896	91,568
<b>Total Personnel Expenses</b>	<b>10,300,935</b>	<b>9,374,519</b>	<b>926,415</b>	<b>9,374,519</b>	<b>278,770</b>	<b>5,117,331</b>	<b>1,232,393</b>	<b>271,223</b>	<b>880,937</b>	<b>450,995</b>	<b>695,635</b>	<b>-</b>	<b>447,235</b>	<b>926,415</b>
<b>Meeting Expenses</b>														
Meetings	49,080	49,080	-	49,080	-	2,080	-	30,000	5,500	-	1,500	10,000	-	-
Travel	367,845	366,045	1,800	366,045	13,950	165,587	78,858	3,270	64,475	14,250	17,750	4,000	3,905	1,800
Conference Calls	24,750	23,750	1,000	23,750	1,700	300	-	20,000	-	-	1,750	-	-	1,000
<b>Total Meeting Expenses</b>	<b>441,675</b>	<b>438,875</b>	<b>2,800</b>	<b>438,875</b>	<b>15,650</b>	<b>167,967</b>	<b>78,858</b>	<b>53,270</b>	<b>69,975</b>	<b>14,250</b>	<b>21,000</b>	<b>14,000</b>	<b>3,905</b>	<b>2,800</b>
<b>Operating Expenses</b>														
Consultants & Contracts	471,052	433,200	37,852	433,200	-	205,000	-	5,000	104,000	3,200	28,000	88,000	-	37,852
Office Rent	673,249	617,212	56,037	617,212	-	-	-	-	617,212	-	-	-	-	56,037
Office Costs	753,060	744,000	9,060	744,000	100	16,770	41,360	6,760	108,430	3,415	551,000	6,345	9,820	9,060
Professional Services	527,100	519,450	7,650	519,450	-	-	-	1,000	353,950	30,000	92,000	-	42,500	7,650
Depreciation	287,410	267,279	20,131	267,279	-	-	-	-	267,279	-	-	-	-	20,131
<b>Total Operating Expenses</b>	<b>2,711,871</b>	<b>2,581,141</b>	<b>130,730</b>	<b>2,581,141</b>	<b>100</b>	<b>221,770</b>	<b>41,360</b>	<b>12,760</b>	<b>1,450,871</b>	<b>36,615</b>	<b>671,000</b>	<b>94,345</b>	<b>52,320</b>	<b>130,730</b>
<b>Total Direct Expenses</b>	<b>13,454,480</b>	<b>12,394,535</b>	<b>1,059,945</b>	<b>12,394,535</b>	<b>294,520</b>	<b>5,507,068</b>	<b>1,352,611</b>	<b>337,253</b>	<b>2,401,783</b>	<b>501,860</b>	<b>1,387,635</b>	<b>108,345</b>	<b>503,460</b>	<b>1,059,945</b>
<b>Indirect Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159,019</b>	<b>3,842,957</b>	<b>662,579</b>	<b>238,528</b>	<b>(2,401,783)</b>	<b>(501,860)</b>	<b>(1,387,635)</b>	<b>(108,345)</b>	<b>(503,460)</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>13,454,480</b>	<b>12,394,535</b>	<b>1,059,946</b>	<b>12,394,535</b>	<b>453,539</b>	<b>9,350,025</b>	<b>2,015,189</b>	<b>575,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,059,945</b>
<b>Change in Assets</b>	<b>(2,747,279)</b>	<b>(2,747,279)</b>	<b>(0)</b>	<b>(2,747,279)</b>	<b>(140,655)</b>	<b>(1,788,662)</b>	<b>(711,506)</b>	<b>(106,456)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Fixed Assets</b>														
Depreciation	(267,279)	(267,279)	-	(267,279)	-	-	-	-	(267,279)	-	-	-	-	-
Computer & Software CapEx	40,000	40,000	-	40,000	-	-	-	-	-	-	40,000	-	-	-
Allocation of Fixed Assets	-	-	-	-	(7,371)	(178,138)	(30,713)	(11,057)	267,279	-	(40,000)	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(227,279)</b>	<b>(227,279)</b>	<b>-</b>	<b>(227,279)</b>	<b>(7,371)</b>	<b>(178,138)</b>	<b>(30,713)</b>	<b>(11,057)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>12,167,256</b>	<b>12,167,256</b>	<b>-</b>	<b>12,167,256</b>	<b>446,168</b>	<b>9,171,887</b>	<b>1,984,476</b>	<b>564,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>(2,520,000)</b>	<b>(2,520,000)</b>	<b>(0)</b>	<b>(2,520,000)</b>	<b>(133,284)</b>	<b>(1,610,524)</b>	<b>(680,793)</b>	<b>(95,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>FTEs</b>	<b>65.00</b>	<b>60.00</b>	<b>5.00</b>	<b>60.00</b>	<b>1.50</b>	<b>36.25</b>	<b>6.25</b>	<b>2.25</b>	<b>3.00</b>	<b>2.75</b>	<b>5.00</b>	<b>-</b>	<b>3.00</b>	<b>5.00</b>

Approved by the Texas RE Board of Directors \_\_\_\_\_, 2016

## Statement of Financial Position

Statement of Financial Position			
STATUTORY and STATE (NON- STATUTORY)			
	(Per Audit) 31-Dec-15	Projected 31-Dec-16	Budget 31-Dec-17
<b>ASSETS</b>			
Cash	6,736,141	2,404,335	2,202,756
Accounts receivable, net of allowance for uncollec	-	-	-
Other Receivables	257,268	200,000	200,000
Prepaid expenses and other current assets	214,249	214,249	214,249
Security deposit	39,705	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	917,702	650,423	383,144
<b>Total Assets</b>	<b>8,165,065</b>	<b>3,508,712</b>	<b>3,039,854</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	573,813	573,813	573,813
Deferred income/rent	637,623	364,065	247,619
Deferred penalty income	-	-	-
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities			
Accrued incentive compensation			
<b>Total Liabilities</b>	<b>1,211,436</b>	<b>937,878</b>	<b>821,432</b>
Unrestricted Net Assets			
Undesignated	6,050,434	2,520,834	2,218,422
Regulator designated	903,195	50,000	-
<b>Total Net Assets</b>	<b>6,953,629</b>	<b>2,570,834</b>	<b>2,218,422</b>
<b>Total Liabilities and Net Assets</b>	<b>8,165,065</b>	<b>3,508,712</b>	<b>3,039,854</b>

2017 Texas RE Combined Statutory and Non-Statutory Organization Chart



Arrow indicates number of FTEs from 2016 to 2017.