



**2012 Business Plan and Budget
Draft 2.0**

Texas Reliability Entity, Inc.

Approved by:

Texas RE Board of Directors

June 28, 2011

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Introduction

	TOTAL RESOURCES (in whole dollars)			U.S.	Canada	Mexico
	Approved 2011 Budget	2012 Budget	Increase / (Decrease)			
Statutory FTEs	49.0	58.0	9.0			
Non-statutory FTEs	5.0	5.0	-			
Total FTEs	54.0	63.0	9.0			
Statutory Expenses	\$ 9,526,274	\$ 10,910,407	1,384,133			
Non-Statutory Expenses	\$ 969,974	\$ 999,100	29,126			
Total Expenses	\$ 10,496,249	\$ 11,909,507	1,413,258			
Statutory Inc(Dec) in Fixed Assets	\$ (242,418)	\$ (296,948)	(54,530)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -	\$ -	-			
Total Inc(Dec) in Fixed Assets	\$ (242,418)	\$ (296,948)	(54,530)			
Statutory Working Capital Requirement*	\$ 207,567	\$ (466,263)	(673,830)			
Non-Statutory Working Capital Requirement**	\$ -	\$ 171,547	171,547			
Total Working Capital Requirement	\$ 207,567	\$ (294,716)	(502,283)			
Total Statutory Funding Requirement	\$ 9,491,423	\$ 10,147,196	655,773			
Total Non-Statutory Funding Requirement	\$ 969,975	\$ 999,100	29,125			
Total Funding Requirement	\$ 10,461,398	\$ 11,146,296	684,898			
Texas RE Statutory Funding Assessments	\$ 9,227,823	\$ 9,503,866	276,043	\$ 9,503,866		
Texas RE Non-Statutory Fees	\$ 969,975	\$ 999,100	29,125	\$ 999,100		
NEL	308,277,759	319,925,589	11,647,830	319,925,589		
NEL%				100%		

*Refer to Table B-1 on page 76 in Section B.

**Refer to the Reserve Analysis on page 92 in Section C.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity and the Reliability Monitor for the Electric Reliability Council of Texas, Inc. (ERCOT) region and preserves and enhances reliability across the ERCOT region by encouraging a culture of compliance among all users, owners, and operators of the Bulk Power System (BPS).

Texas RE is the Regional Entity for the ERCOT region pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC), which was approved by the Federal Energy Regulatory Commission (FERC) on May 6, 2010 for a five-year period beginning January 1, 2011. This Delegation Agreement was an amendment and extension of the Amended and Restated Delegation Agreement between NERC and Texas RE that FERC originally approved on May 6, 2010, when Texas RE took assignment of the Regional Entity duties for the ERCOT region from Texas Regional Entity.

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, pursuant to its Agreement with the Public Utility Commission of Texas (PUCT) and ERCOT (the independent system operator for the ERCOT region), dated July 1, 2010. As the Reliability Monitor, Texas RE monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols and Operating Guides (ERCOT Regional Rules).

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

Membership and Governance

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

- **System Coordination and Planning:** An entity that is registered with NERC as a Reliability Coordinator (RC), Balancing Authority (BA), Planning Authority (PA), Resource Planner (RP), or Interchange Authority (IA).
- **Transmission and Distribution:** An entity that is registered with NERC as a Transmission Owner (TO), Transmission Planner (TP), Transmission Service Provider (TSP), Distribution Provider (DP), and/or Transmission Operator (TOP), and is not a Cooperative or Municipal Utility.
- **Cooperative Utility:** An entity that is (a) a corporation organized under Chapter 161 of the Texas Utilities Code or a predecessor statute to Chapter 161 and operating under that chapter; or (b) a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct affairs in the State of Texas; or (c) a cooperative association organized under Tex. Rev. Civ. Stat. 1396-50.01 or a predecessor to that statute and operating under that statute that is registered with NERC for at least one reliability function.
- **Municipal Utility:** An entity that owns or controls transmission or distribution facilities, owns or controls dispatchable generating facilities, or provides retail electric service and is a municipally owned utility as defined in PURA §11.003 and is registered with NERC for at least one reliability function.
- **Generation:** An entity that is registered with NERC as a Generator Owner (GO) or Generator Operator (GOP).
- **Load-Serving and Marketing:** An entity that is registered with NERC as a Load Serving Entity (LSE), a Purchasing-Selling Entity, or any newly defined NERC reliability function for demand response.

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

Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine (9) directors:

- The Texas RE President & Chief Executive Officer
- Four (4) Independent Directors

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- Two (2) Member Directors (the Chair and Vice-Chair of the Member Representatives Committee)
 - Chair 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 electing a chief executive officer to manage and be responsible for the day-to-day on-going activities of Texas RE. The PUCT acts as the Hearing Body for contested matters under the Compliance Monitoring and Enforcement Program (CMEP). As the Hearing Body, the PUCT makes a recommendation to the Board, and the Board makes final compliance and enforcement decisions on contested cases. The Texas RE Board performs this role at this time, rather than a board compliance committee as used by other Regional Entities, because the Texas RE Board is smaller and has only seven voting members.

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 and including any entity with a direct and material interest in the ERCOT region BPS, and facilitates the Regional Standards Development Process, coordinates the development of regional standards and variances with the development of national standards, and monitors, reviews, and comments on NERC (national) standards under development and standards interpretation requests.

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 reliability standards, or modifications thereof, and facilitation of developing needed regional standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcing compliance with approved NERC Reliability 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 bulk-power system (BPS).

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- 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.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in NERC's 2011 Business Plan and Budget. Texas RE's detailed program area assumptions are included in each of the Statutory Program areas in Section A hereto. The significant overriding legal and business assumptions underlying NERC and Regional Entity business plans and budgets include:

LEGAL CONTEXT

NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the bulk electric system established by applicable governmental authorities in the United States and Canada.

NERC and the Regional Entities do not at this time anticipate substantive generic amendments to the terms of their existing delegation agreements, which will not expire during the planning period, or changes to Regional affiliations, but individual amendments may be necessitated by changes in certain Regional Entities' rules documents. NERC and the Regional Entities, will, however, make significant strides toward implementing the ERO Enterprise model for the benefit of stakeholders.

Although the scope of each Regional Entity's delegated authorities and responsibilities will remain relatively constant and incremental process improvements and efficiency gains are expected throughout the planning period, workload associated with the delegated authorities is expected to increase in a manner that offsets and exceeds the efficiency gains.

NERC and its Regional Entities will continue to work in a collaborative way with the North American Transmission Forum, Inc. and North American Generator Forum (collectively "Forums") and anticipate the Forums will also provide public lessons learned, industry training, and opportunities for the industry to further advance reliability. Additionally, NERC and the six Regional Entities comprising the Eastern Interconnection will work in closer collaboration on reliability issues that impact the Interconnection.

BUSINESS ENVIRONMENT

Economic conditions will continue to place cost pressures on NERC and the Regional Entities to work as efficiently as possible and leverage overall ERO resources. Cost pressures on the electric utility industry may affect stakeholder resources available to participate in NERC and Regional Entity activities.

Since the NERC and Regional Entity business plans, budgets, and resource requirements were and will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development, any significant change in the quality or availability of industry resources will increase NERC's resource and funding requirements.

2012 Goals and Key Deliverables

Texas RE's 2012 Business Plan and Budget is driven by the following ERO enterprise goals:

- Have clear, mandatory reliability standards that establish threshold requirements for ensuring bulk power reliability.
- Promote a culture of reliability excellence by facilitating a learning environment.
- Be a risk-informed organization, identifying and understanding reliability risks, and effectively prioritizing ERO activities and reliability initiatives based on reliability impacts.
- Promote a culture of compliance with mandatory reliability standards across the industry.
- Be a strong, independent enforcement authority providing timely and transparent feedback on compliance.
- Execute statutory functions in a collaborative enterprise with NERC, the other Regional Entities, and registered entities, to leverage expertise and technology and improve transparency, consistency, quality, and timeliness of results.
- Build constructive partnerships between industry and government by communicating expectations and consistently delivering responsive results that demonstrate effective mitigation of reliability risks.

2012 Overview of Cost Impacts

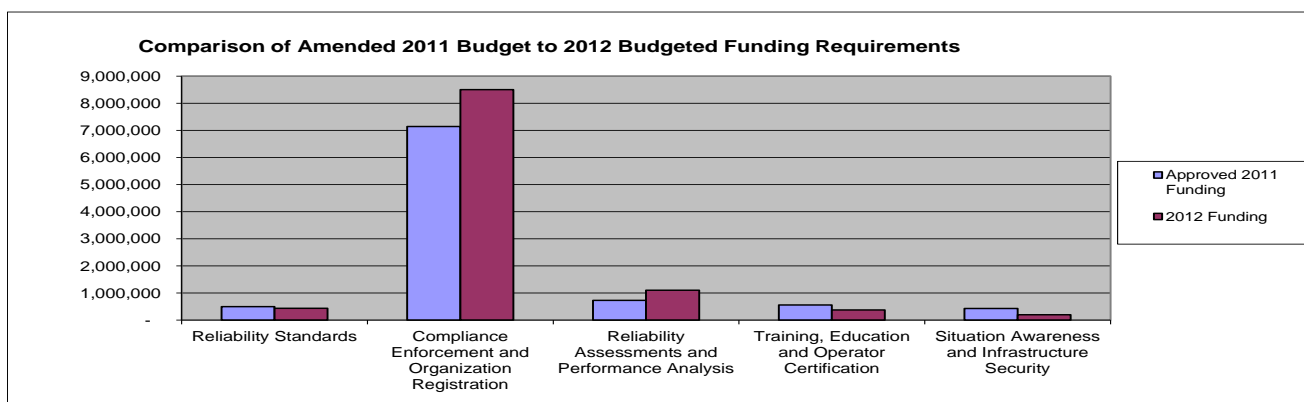
Texas RE's statutory expenses (including capital expenditures) are impacted as follows:

- Texas RE personnel costs will increase by \$1,531K in 2012, primarily because Texas RE proposes to add 9 statutory FTEs to help enable it to meet NERC Delegation Agreement requirements. A summary of these changes is as follows:
 - Additions:
 - Audits (693 and CIP) – 1 FTE
 - Compliance Monitoring – 1.5 FTEs
 - Enforcement – 5.0 FTEs
 - Reliability Assessments and Performance Analysis – 1.5 FTEs
- Meeting expenses are decreasing by \$197K due to the elimination of facilitation of the Operations Training Seminar and a slight reduction to expected workshop costs.
- Travel expenses are increasing by \$37K for a variety of reasons.
- Conference calls are increasing by approximately \$6K related to additional web conferencing services.

- Consulting & Contracts is decreasing \$344K due to elimination of an estimated helpdesk support amount from the budget. The IT staff is primarily able to address all items in this area.
- Office rent is decreasing \$49K year-over-year because the rent was not finalized in 2011, and the budget was slightly overstated.
- Office costs are increasing by \$95K primarily for maintenance agreement renewals.
- Professional services are increasing by \$103K primarily due to potential recruitment for Board member \$70K and Board fees \$30K.
- Depreciation is increasing \$222K.
- Finally, total fixed assets net of depreciation are increasing from \$242K to \$297K in 2012. The change in fixed assets net of depreciation is \$55K. The change in fixed assets net of depreciation is primarily driven by increases in depreciation expense.

Statutory Expenses (Including Fixed Assets) by Program	Approved 2011 Budget	Projection 2011	2012 Budget	Variance	
				2012 Budget v Approved 2011 Budget	Variance %
Reliability Standards	492,521	417,848	438,161	(54,360)	-11.0%
Compliance Enforcement and Organization Registration	7,086,748	6,580,009	8,501,276	1,414,527	20.0%
Reliability Assessments and Performance Analysis	720,791	642,100	1,100,554	379,763	52.7%
Training, Education and Operator Certification	556,277	395,434	375,781	(180,496)	-32.4%
Situation Awareness and Infrastructure Security	427,518	394,949	197,686	(229,832)	-53.8%
Total Statutory Expenses (includes change in Fixed Assets)	9,283,856	8,430,342	10,613,459	1,329,603	14.3%

*These exhibits do not include an allocation of working capital requirements among the Program Areas



Total FTE's by Program Area	Approved	Projection	Direct	Shared	Total FTEs	Variance
	2011 Budget	2011	FTEs 2012 Budget	FTEs ¹ 2012 Budget	2012 Budget	from Approved 2011 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.97	1.97	2.00	0.00	2.00	0.03
Compliance, Enforcement, Organization Registration and Certification	29.12	30.06	38.00	0.00	38.00	8.88
Training and Education	1.84	0.84	1.75	0.00	1.75	-0.09
Reliability Assessment and Performance Analysis	3.18	2.72	4.75	0.00	4.75	1.57
Situation Awareness and Infrastructure Security	2.03	2.49	0.75	0.00	0.75	-1.28
Total FTEs Operational Programs	38.14	38.08	47.25	0.00	47.25	9.11
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50		0.50	0.50	0.00
General & Administrative	1.71	1.73		1.75	1.75	0.04
Information Technology	2.60	2.60		2.50	2.50	-0.10
Legal and Regulatory	3.02	3.05		3.00	3.00	-0.02
Human Resources	1.03	1.04		1.00	1.00	-0.03
Finance and Accounting	2.00	2.00		2.00	2.00	0.00
Total FTEs Administrative Programs	10.86	10.92	0.00	10.75	10.75	-0.11
Total FTEs	49.00	49.00	47.25	10.75	58.00	9.00

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

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
STATUTORY					
	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ 9,227,823	\$ 9,227,823	\$ -	\$ 9,503,866	\$ 276,043
Penalty Sanctions	20,000	20,000	-	572,830	552,830
Total Texas RE Funding	\$ 9,247,823	\$ 9,247,823	\$ -	\$ 10,076,696	\$ 828,873
Membership Dues	27,500	27,500	-	27,500	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	215,500	136,000	(79,500)	30,000	(185,500)
Interest	600	13,000	12,400	13,000	12,400
Miscellaneous	-	-	-	-	-
Total Funding	\$ 9,491,423	\$ 9,424,323	\$ (67,100)	\$ 10,147,196	\$ 655,773
Expenses					
Personnel Expenses					
Salaries	\$ 4,795,004	\$ 4,595,167	\$ (199,837)	\$ 5,854,972	\$ 1,059,968
Payroll Taxes	423,650	367,613	(56,036)	521,980	98,331
Benefits	589,499	551,420	(38,079)	806,045	216,546
Retirement Costs	693,219	643,323	(49,896)	799,971	106,752
Total Personnel Expenses	\$ 6,501,372	\$ 6,157,524	\$ (343,848)	\$ 7,982,969	\$ 1,481,597
Meeting Expenses					
Meetings	\$ 234,300	\$ 116,974	\$ (117,326)	\$ 37,200	\$ (197,100)
Travel	322,753	331,151	8,398	359,748	36,995
Conference Calls	12,000	15,000	3,000	18,000	6,000
Total Meeting Expenses	\$ 569,053	\$ 463,125	\$ (105,928)	\$ 414,948	\$ (154,105)
Operating Expenses					
Consultants & Contracts	\$ 616,571	\$ 387,323	\$ (229,248)	\$ 272,570	\$ (344,001)
Office Rent	499,000	450,000	(49,000)	499,000	-
Office Costs	249,239	316,458	67,219	344,329	95,090
Professional Services	750,000	693,980	(56,020)	853,300	103,300
Miscellaneous	-	-	-	-	-
Depreciation	532,418	649,036	116,617	753,948	221,530
Total Operating Expenses	\$ 2,647,228	\$ 2,496,797	\$ (150,431)	\$ 2,723,147	\$ 75,919
Total Direct Expenses	\$ 9,717,654	\$ 9,117,446	\$ (600,207)	\$ 11,121,064	\$ 1,403,410
Indirect Expenses	\$ (191,379)	\$ (191,379)	\$ -	\$ (210,657)	\$ (19,277)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 9,526,274	\$ 8,926,067	\$ (600,207)	\$ 10,910,407	\$ 1,384,133
Change in Assets	\$ (34,852)	\$ 498,256	\$ 533,107	\$ (763,211)	\$ (728,359)
Fixed Assets					
Depreciation	(532,418)	(649,036)	(116,617)	(753,948)	(221,530)
Computer & Software CapEx	290,000	380,000	90,000	382,000	92,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	75,000	75,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ 242,418	\$ 269,036	\$ 26,617	\$ 296,948	\$ 54,530
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	242,418	269,036	26,617	296,948	54,530
TOTAL CHANGE IN NET ASSETS	\$ 207,566	\$ 767,292	\$ 559,725	\$ (466,263)	\$ (673,829)

Section A – Statutory Programs 2012 Business Plan and Budget



Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program			
(in whole dollars)			
Approved 2011			
	Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.97	2.00	0.03
Direct Expenses	\$ 342,515	\$ 314,593	\$ (27,922)
Indirect Expenses	\$ 148,494	\$ 130,157	\$ (18,338)
Inc(Dec) in Fixed Assets	\$ 1,511	\$ (6,589)	\$ (8,100)
Total Funding Requirement	\$ 497,938	\$ 438,161	\$ (59,777)

Program Scope and Functional Description

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

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. As of April 1, 2011, 28 entities have joined the Registered Ballot Body (RBB), which was re-populated after Texas RE separated from ERCOT on July 1, 2010. More entities are expected to join the RBB when a ballot is conducted.

Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. In addition, all proposed standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The Tracking Site allows all interested parties to access materials related to regional standards and to submit comments on Standard Authorization Requests (SARs) and draft standards during designated commenting periods. The Tracking Site allows members of the RBB to join any open Registered Ballot Pool and to vote online. The Standards Development Process includes an appeals process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and Regional Standards Working Group and has contributed to the 2011-2013 NERC work plan and other NERC activities.

In addition, the Texas RE staff 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.

Texas RE Standards staff supports and facilitates meetings of the Texas RE Reliability Standards Committee and the NERC Standards Review Subcommittee (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.

In general, Texas RE works to ensure that Texas RE personnel and stakeholders have the most current and accurate information on regional and continent-wide reliability standards. Texas RE informs stakeholders of the impact and requirements of emerging NERC standards through training at Texas RE workshops and through other means including periodic newsletters and email list announcements. Procedures, forms, meetings, minutes, notes, agendas, drafts, etc., for all regional activities associated with standards are posted in a timely fashion on the Texas RE website. Market notices on major topics and upcoming meetings are sent regularly to Texas RE email lists. Articles on reliability standards topics are included in the periodic Texas RE newsletter.

Other functions performed by the Texas RE Standards staff (cooperating with other Texas RE functions) include:

- Monitor NERC and FERC standards-related activities and communicate relevant actions to Texas RE personnel and to registered entities in the ERCOT region;
- Coordinate Texas RE votes on NERC ballots, including preparation of voting recommendations in coordination with Texas RE subject matter experts;
- Maintain a Standards Issues Database and solicit input regarding issues encountered by Texas RE personnel during audits and other compliance activities;
- Continue to improve the standards portion of the Texas RE website.

2012 Key Assumptions

RELIABILITY STANDARDS PROGRAM

1. Over the planning period, NERC will implement a results-based standards program based on a NERC Board of Trustees endorsed prioritization process with regular consideration of substantive standards developments and FERC rulings containing standards directives. The program deliverables will focus on revisions to existing reliability standards and development of new reliability standards that are expected to lead to the greatest improvement in bulk electric system reliability. Training materials will be developed, training will be provided, and the results-based approach will be applied to applicable existing and future standards projects. Additional NERC resources will be required to support this effort. At the NERC level, technical personnel with training skills either in the training program or within reliability standards will be needed to assure training is available for drafting teams as their membership changes due to attrition or when new teams are created. At the Regional level resource allocation of time to receive training will be necessary, at a minimum.
2. NERC will modify the standards development process to improve speed and quality, and to explicitly address cost-effectiveness, while maintaining ANSI accreditation for those

standards which qualify as ANSI standards. Examination of equivalent registration in Canada will be undertaken. The process modifications will involve the use of pilot programs in 2012 and possibly additional pilot programs in later years.

3. NERC and the Regions will address and appropriately prioritize all fill-in-the-blank standards over the planning period. NERC standards development staff is expected to provide increased coordination of regional standards development by becoming more involved earlier in the regional standard development efforts to help assure consistency in regional and continent-wide standard technical content, format, and quality. Depending on the number of regional standards, additional NERC resources beyond those currently dedicated to supporting the regional programs may be required.
4. NERC and the Regional Entities continue to expect cyber and critical asset security to be a priority in the United States and Canada, with significant oversight by applicable government authorities. CIP-002 through CIP-009 (or other applicable designation), version 4, is targeted for submittal to the NERC Board and filing in 2012, with regulatory response expected in 2012 and expected implementation in 2013 at the earliest.
5. NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee and the Operating and Planning Committees. The revised definition will be delivered to the NERC Board of Trustees for consideration in February 2012. In the event the ALR revision process results in a need for standards revisions or additions, additional resources may be required at NERC, as well as from the Regional Entities and industry.
6. Assumptions with respect to highly specialized technical resource requirements associated with critical infrastructure standards development are addressed under the Critical Infrastructure Protection Program Area.
7. Assumptions regarding additional Compliance Program Area resources to support standards development are addressed under the Compliance Area.
8. A decrease in workload is expected in the later years of the planning period, based on the results-based standards initiative and improved standards development process due to improvements in standards. The number of projects contained in the Reliability Standards Development Plan is expected to increase over the planning period as the results-based standards initiative is fully implemented, work necessary to complete the response to FERC Order 693 directives is finalized, and the existing requirement to review each standard every five years is implemented. However, the scope of these projects is generally expected to be narrower than would otherwise potentially exist in the absence of the Results- Based Standards initiative. NERC will need more expertise in the project management, technical writing disciplines in the Standard Department, along with additional standards process administrator support to manage the standards development governance and stakeholder interface. Additional analyst resources for website content are anticipated over the period to aid in fulfilling the ERO obligation to provide a comprehensive status of standards (effective dates, implementation plans) in the US and the Canadian Provincial regulatory jurisdictions.

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9. NERC projects to continue its current development and regulatory filing activity level in 2012-2015 in accordance with the prioritization process of the Standards Committee. Generally, NERC will plan on a one year timeline to respond to future FERC directives on standards development while addressing the directives backlog over the next five years. This will require additional NERC resources to support regulatory coordination. No regional impacts are expected.
 10. NERC projects to develop and process 12-15 substantive NERC standards related filings per year, conduct approximately 25 ballots, and provide 25 commenting rounds under the successive balloting process for standards or interpretations.
 11. The Regional Entities expect to work with NERC to limit the number of Regional Standards submitted during the planning period by focusing on international solutions where possible. Less than 10 Regional Standards are expected to be submitted during the planning period.
 12. Regional Standards Development processes will be periodically reviewed and updated as necessary to keep pace with similar changes with the NERC process. This may have an impact on Regional Entity resource requirements. NERC will provide increased standard drafting team training to enable all drafting team members to understand their role in the standards development process. This added training will require additional resources at the NERC level in the near term.
 13. NERC and the Regional Entities will :
 - Increase communication and outreach opportunities with stakeholders and NERC standing committees;
 - Increase project level communications, education, and training for new or revised standards;
 - Continue to improve the standards portion of the NERC and Regional Entity Websites;
 - Work with stakeholders to jointly identify needs for new or revised standards or standards products; and
 - Provide the necessary information and background to allow the industry stakeholders to perform a cost effectiveness analysis.

These efforts will require additional resources to provide management oversight and accountability for these key standards interface and communication activities. At the NERC level this requires additional resources in Standards Information to support website content and regulatory coordination.

14. NERC will continue to transform its standards organization to sustain a higher level of activity, output and quality. It is anticipated that this effort will require additional Regional Entity and Industry resources and will require an increase in NERC resources including:
 - Increased technical resources to support drafting teams in the development of results-based standards and associated training;
 - Increased resources to support greater stakeholder outreach in the Standards information function;

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- Dedicated support for standards database development and maintenance in support of the ERO compliance and standards information system; and
 - Additional project management support for North American standards development activity.

2011 Goals and Key Deliverables

The goals of the Texas RE Reliability Standards Program for 2012 are as follows:

- Meet all FERC and NERC directives with regard to regional standards development and procedures and maintain effective relationships and communications with the standards staff at NERC and the other Regional Entities.
- Develop regional standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
- Work closely with NERC and registered entities within the ERCOT region to develop regional standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain regional variances; and otherwise address issues that are not adequately addressed in NERC Reliability Standards (such as improving fill-in-the-blank requirements).
- Facilitate Texas RE participation in NERC standards development activities. Prepare recommendations for voting on NERC ballots based on Texas RE staff review and analysis and on input from stakeholders in the region.
- Streamline and improve Texas RE's Standards Development Process and associated tools, including consideration of NERC's results-based standards development methodology.
- Consider developing an expedited process for standard development projects that do not require significant technical effort.
- Participate in various NERC Reliability Standards programs and related functions, including the Regional Standards Group, quality review of standards, and subcommittees of the NERC Standards Committee.
- Continue to enhance communication to and education of the registered entities in the ERCOT Region to increase awareness of NERC and regional standards development activities and to ensure adequate representation on the Registered Ballot Body.
- Continue to encourage and expand the activities of the NERC Standards Review Subcommittee. This subcommittee provides a forum for stakeholder discussion of standards-related issues and for preparing group comments for submission to NERC.
- Maintain and improve the standards-related portion of the Texas RE website and the Texas RE Standards Tracking Site.
- Maintain the Texas RE Standards Issues Database and actively solicit issues to be added to the database.
- Assist other Texas RE departments with standards-related issues as needed.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

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

Personnel Expenses

- Headcount is remaining virtually constant at 2.00 FTEs.

Meeting Expenses

- It is expected that Texas RE's standards-related meetings, including RSC meetings, standard drafting team meetings and workshops, will be hosted onsite at Texas RE offices in 2012 which will result in a decrease of \$4K in costs for these activities.
- Travel will increase for the Reliability Standards activity. With the volume of NERC related meetings, standard drafting team meetings and training, the travel costs associated with those meetings will be higher by \$1K year-over-year.

Operating Expenses

- Operating Expenses are virtually flat year-over-year.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at \$130K, which reflects a decrease of \$18K year-over-year due to lower administrative services costs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at \$7K; this is about \$8K more than 2011.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Reliability Standards					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ 495,484	\$ 495,484	\$ -	\$ 412,751	\$ (82,733)
Penalty Sanctions	1,033	1,033		24,247	23,214
Total Texas RE Funding	\$ 496,518	\$ 496,518	\$ -	\$ 436,997	\$ (59,519)
Membership Dues	1,420	1,420	-	1,164	(256)
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 497,938	\$ 497,938	\$ -	\$ 438,161	\$ (59,775)
Expenses					
Personnel Expenses					
Salaries	\$ 236,012	\$ 209,500	\$ (26,512)	\$ 216,978	\$ (19,034)
Payroll Taxes	20,967	16,760	(4,207)	19,875	(1,092)
Benefits	26,697	25,140	(1,557)	24,318	(2,379)
Retirement Costs	34,222	29,330	(4,892)	31,462	(2,760)
Total Personnel Expenses	\$ 317,898	\$ 280,730	\$ (37,168)	\$ 292,632	\$ (25,265)
Meeting Expenses					
Meetings	\$ 3,700	\$ -	\$ (3,700)	\$ -	\$ (3,700)
Travel	9,987	9,100	(887)	11,201	1,214
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 13,687	\$ 9,100	\$ (4,587)	\$ 11,201	\$ (2,486)
Operating Expenses					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 10,296	\$ 296
Office Rent	-	-	-	-	-
Office Costs	930	947	17	464	(466)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 10,930	\$ 10,947	\$ 17	\$ 10,760	\$ (170)
Total Direct Expenses	\$ 342,515	\$ 300,777	\$ (41,738)	\$ 314,593	\$ (27,922)
Indirect Expenses	\$ 148,494	\$ 130,103	\$ (18,392)	\$ 130,157	\$ (18,337)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 491,010	\$ 430,880	\$ (60,130)	\$ 444,750	\$ (46,259)
Change in Assets	\$ 6,928	\$ 67,058	\$ 60,130	\$ (6,589)	\$ (13,517)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	10,000	-	(10,000)	-	(10,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (10,000)	\$ -	\$ 10,000	\$ -	\$ 10,000
Allocation of Fixed Assets	\$ 8,489	\$ 8,672	183	\$ 6,589	\$ (1,899)
Change in Fixed Assets	(1,511)	8,672	10,183	6,589	8,101
TOTAL CHANGE IN NET ASSETS	\$ 5,417	\$ 75,730	\$ 70,313	\$ 0	\$ (5,417)

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
Approved 2011			
	Budget	2012 Budget	Increase (Decrease)
Total FTEs	29.12	38.00	8.88
Direct Expenses	\$ 5,105,292	\$ 6,294,767	\$ 1,189,475
Indirect Expenses	\$ 2,195,010	\$ 2,472,982	\$ 277,973
Inc(Dec) in Fixed Assets	\$ (213,553)	\$ (266,473)	\$ (52,920)
Total Funding Requirement	\$ 7,142,058	\$ 8,501,276	\$ 1,359,217

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. Texas RE will need to increase its CMEP staff for 2012 by 8.88 FTEs, as discussed below, to appropriately and efficiently perform its CMEP activities.

2012 Key Assumptions

COMPLIANCE MONITORING AND ENFORCEMENT AND ORGANIZATION REGISTRATION AND CERTIFICATION PROGRAM

1. Assumptions with respect to highly specialized technical resource requirements associated with compliance monitoring and enforcement of critical infrastructure standards are addressed under the Critical Infrastructure Protection Program Area.
2. The Technical Feasibility Exception (TFE) program will continue to require significant staffing resources within NERC and across the industry as Regional Entities perform reviews and gauge compensating measures. TFE development, review and approval will result in additional compensating measure validation checks, quarterly reporting tracking, and change management. Experiences gained through existing operations will be utilized to guide the development of resource recommendations.
3. The number of interpretation and guidance requests is assumed to remain constant in the near term. Compliance Application Notices (CANs), case notes and industry-trial implementation periods are expected to continue, as are formal interpretation requests.

4. Continue refinement of risk-based methodologies to support more effective and efficient compliance monitoring activities such as: appropriately focused Annual Implementation Plan and Actively Monitored List (AML), audit scoping, and various enforcement activities. This refinement, while improving the reliability enhancement component of the compliance program, is not anticipated to require additional NERC, Regional Entity or Industry resources and will be accomplished by making use of standard auditing practices.
5. NERC and the Regional Entities will coordinate development of a risk based approach to compliance monitoring. The first step will be to develop appropriate risk profile determination for registered entities as a pilot in 2011 with further expansion throughout the planning period.
6. NERC and regional staff will continue to collaborate to define ongoing training needs, priorities and implementation schedules for NERC and Regional Entity auditors, enforcement and investigation staff. The Regional Entities should assume that NERC will include in its budget the cost of these training programs, other than Regional Entity costs (e.g., labor, travel and lodging) to participate and attend.
7. NERC and Regional Entity staff should be provided the time to maintain critical industry certifications, such as NERC System Operator Certification. Additionally, blending in the appropriate audit and investigative skills must be provided. Budgets and long term work plans should reflect recertification and training time for NERC and Regional Entity staff.
8. NERC will conduct semi-annual three day ERO auditor workshops to provide auditors with updates on compliance policies, actions and requirements in order to promote consistency of audit practices and procedures. The goal is to have 100% of auditors, including CIP auditors, as their schedules permit, attend up to two of the semiannual three-day workshops which will be scheduled for the third week of February and September. The Regional Entities should assume that NERC will be responsible for the cost of these training programs, other than Regional Entity costs (e.g., labor, travel and lodging) to attend.
9. Increase the number of spot checks over the next three years in conjunction with a risk-based approach to compliance monitoring. While this will initially increase auditor preparation time and resources, appropriately scoped audits based on entity risk and performance profiles should lead to efficiencies in the audit program. Notwithstanding these improvements in efficiency Regional Entities may be required to increase their audit resources in the near term. .
10. Audits, which will continue under a schedule to complete audits of the single BA and RC every year, the TOPs every three years, any registered entity identifying Critical Cyber Assets every three years, and other entities each six years in the first few years of the planning period, will transition to a periodicity more reflective of the risk profile of registered entities as the planning period progresses. Compliance monitoring will be based on a risk and performance review of the individual entity; where necessary audits will have an increase in depth and complexity, including an increased number of unscheduled audits or spot checks. While some audits will be more in-depth and of

greater complexity, other audits may require less resources based on the risk and performance based assessment of each entity, and all audits will become more focused and perhaps reduced in scope. Regional Entities may nevertheless find it necessary to increase their audit resources to satisfy these workload requirements. It is reasonable to expect that entities having a higher risk profile will be audited more often, while those with a lower one will be subjected to audits more infrequently.

11. Changes to the Rules of Procedures affecting the Compliance Monitoring and Enforcement Program will continue to be made as appropriate in order to enhance efficiency in compliance operations and enforcement. However, it is not possible at this time to predict the impact of these yet to be identified improvements on the need for further resource additions in the ERO compliance and enforcement areas.
12. In addition to the regular schedule of workshops and other communications, NERC and Regional Entities will also continue to collaborate and provide special industry communications, focusing on both the most-violated, as well as recently adopted, standards and those most critical to reliability. It is anticipated that additional Regional Entity resources will be needed to support this effort.
13. NERC and the Regional Entities compliance and standards program area management will work collaboratively to provide more compliance guidance to support industry's efforts to achieve compliance prior to the effective date of new and revised standards. This increased collaboration is expected to mitigate the need for additional resources to support compliance application notices. However additional resources are required at NERC in the near term to support dedicated compliance input to standards and conduct field testing of standards approved by the NERC BOT or approved by FERC and still in the implementation phase.
14. NERC and Regional Entities will coordinate and expand registered entity training in the application of reliability standards in order to better prepare registered entities, improve compliance and reduce the number of erroneous self reports and self-certifications. NERC's and the Regional Entities' compliance program area will require resource additions in 2012 to provide more input and support to facilitate standards development and forward looking guidance to assist industry in meeting compliance deadlines. These additional resources will also be used to conduct webinars of revised and new standards' implementation plans.
15. NERC and Regional Entities will refine audit guidance for all new Reliability Standards. NERC and Regional entity compliance staffs will need to conduct semiannual workshops to improve guidance and instruction on certain standards in 2012 and 2013. Given the complexity and number of number of standards and requirements NERC will require additional resources in the near term to develop guidance and training to industry on MOD standards. These additional resources will also consider linkages between the modeling and planning standards to assist NERC and the Regional Entities in providing overall compliance guidance. Regional Entities estimate that the auditing of these standards will be accomplished with existing resources.

16. NERC and the Regional Entities estimate that, with the introduction of a robust, registered entity focused Events Analysis process, approximately 40 CI's per year are probable and will require additional resources.
17. The amount of compliance and enforcement data required to be tracked and the number of reports requiring creation will continue to increase as the volume of audits, spot checks, self-reports, investigations, and enforcement actions increases; however, anticipated efficiencies from newly incorporated electronic tools over the planning period will help to offset the increased workload over the planning period.

ENFORCEMENT

1. NERC and the Regional Entities will continue to establish streamlined mechanisms to expedite the disposition of minor, administrative violations and look to gain more discretion to handle minor violations before they enter the enforcement process to better focus existing resources on significant violations.
2. NERC and Regional Entity resources will be required to develop and implement an enforcement process that encourages "good" self-reporting, one that results from a systematic compliance "culture" to detect, report, and correct problems, obtains adequate recognition in the enforcement processes.
3. Utilizing existing resources, follow-up to NERC's education of the industry on lessons learned from violations that pose the most risk to the bulk electric system with "targeted aggressive enforcement" for further instances of non-compliance.
4. The current trend of alleged violations is expected to continue similarly to 2011 during the planning period. Texas RE did not anticipate the full extent of the increase in violations experienced starting in the second quarter of 2010 and did not sufficiently increase its Enforcement staff for 2011. Texas RE needs to increase its Enforcement staff to more efficiently review and process new possible violations and to process the violation caseload that it acquired during the second half of 2010 and in 2011.
5. Texas RE will continue to expend significant time coordinating with NERC and other Regional Entities to improve consistency and efficiency in processing violations and applying penalties for registered entities, as NERC and the Regions continue to develop and implement new electronic tools to more efficiently track and report on compliance monitoring and enforcement activities, by the end of the planning period.
6. Through efficiency gains and limited additional resources, NERC and Regions will strive to achieve a 12 month total average processing time for alleged violations over the planning period. Most violations will continue to be processed through the settlement process, and Texas RE will have only one contested hearing initiated.

REGISTRATION

1. The number of registered entity functions may increase as a result of the possible expansion of the Bulk Electric System (BES) definition. However, this may be mitigated

(in part) through increases in joint registration and the application of the Multi-Region Register Entity (MRRE) process, alleviating the need for resource additions.

2. It is assumed that a uniform BES definition will be implemented in 2012, but Texas RE does not anticipate that this will result in increased workload for Texas RE.
3. NERC does not expect significant number of registration challenges, with efforts in registration focusing on refining the current registries across the Regional Entities.
4. The number of certifications of BA, RC, and TOP may increase as entities adjust footprints and responsibilities. At present, the only potential increased workload envisioned by Texas RE could be the registration and possible TOP certification for new transmission assets being planned and constructed as part of the Competitive Renewable Energy Zone (CREZ) transmission line projects in the ERCOT region during the planning period.
5. The number of Joint Registration Organization and Coordinated Functional Registrations will likely increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness through better alignment of responsibilities and compliance requirements.
6. Over the planning period, NERC will review its registration criteria to enhance its joint and coordinated functional registration to better approximate registration by requirement or by asset.

2012 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, compliance audits on a one-year cycle for the RC and BA functions, on a three-year cycle for the TOP function and for any other registered entity identifying Critical Cyber Assets (CCA), and on a six-year cycle for all other registered functions.
- For 2012, perform:
 - 42 non-CIP (693) audits, including 22 on-site and 20 table top audits
 - 18 CIP audits of entities that have identified CCA
 - 20 CIP audits of entities required to be CIP-compliant that have identified no CCA: To the extent feasible, these will be incorporated into scheduled 693 audits for efficiency.
- Continue to use spot checks as a tool to review information received during event analyses and from complaints.
- Perform approximately 10 spot checks of CIP-compliant entities that have identified CCA and have requested no Technical Feasibility Exceptions (TFEs).

- Continue to work with NERC and other Regional Entities to improve consistency in performing audits and spot checks of registered entities.
- Review, analyze, and notify Enforcement regarding all self-reports and self-certifications indicating possible violations.
- Improve the efficiency and robustness of the review and analysis of information received through complaints and the data submittal process.
- Perform one significant compliance investigation triggered by a significant system event and nineteen compliance reviews regarding lesser events or disturbances.
- Perform approximately 15 spot checks related to the compliance reviews from events.
- Enhance registered entities' understanding of standard requirements by capturing lessons learned from assessments and enforcement actions and distributing to registered entities via training programs, newsletters, and announcements.
- Review and promptly process any new TFEs, and implement all required compensating measure validation checks, quarterly and yearly reporting tracking, and change management of TFEs.

ENFORCEMENT

- Assure timely mitigation of all violations, assessing all mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Review, validate, and process or dismiss all possible violations in a more timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- 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 the BPS.
- Efficiently prosecute all contested enforcement matters and appeals.
- Support the administrative citation process and work with NERC and other Regional Entities to implement additional streamlined mechanisms to expedite minor, administrative violations which pose a minimal threat to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review by and report creation for compliance and enforcement staff, management, the Texas RE Board, and NERC.

REGISTRATION

- Continue to register and certify entities in accordance with Texas RE procedures and the NERC ROP, and improve the timeliness of the registrations and communications with stakeholders.
- Continue to work with NERC and other Regional Entities to improve consistency in performing registration and certification of registered entities.
- Efficiently analyze and register new transmission assets planned and constructed as part of the CREZ transmission line project and plan for any required certifications.

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

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

Personnel Expenses

- Headcount is proposed to increase by approximately 8 for CMEP (FTEs are increasing 8.88), which brings the total to 38.00 FTEs for this program. There is approximately \$143K in merit, promotion, and benefits increases included in the 2012 budget. The net change in expense for adding 8 new positions is \$1,161K for salary and related expenses. The overall increase in Personnel Expenses over the 2011 budget is \$1,304K.

COMPLIANCE MONITORING

- In 2012, Texas RE requires 17.37 FTEs to perform 693 and CIP audits, perform planned spot checks, and process TFEs. This is an increase of 1 FTE over Texas RE's 2011 budget of 16.37 FTEs for these activities. The increase is primarily a result of the following, which are discussed in more detail above:
 - The number of required CIP audits with CCA is 18 in 2012, which is 12 more than Texas RE performed in 2011.
 - The time to perform the CIP audits with CCA remains at an average of at least two weeks.
 - Time to perform 693 audits has also increased, as the depth and complexity of audits continues to increase and additional standards are added to the audits.
 - The number of planned spot checks is increasing as Texas RE implements a more risk-based compliance program.

- All auditors must take the additional in-depth auditor training workshops, to promote the consistency of audit practices and procedures, which takes time away from audit and spot check performance.
- Audit staff will continue to support Texas RE's increasing efforts to educate registered entities through workshops, newsletters, and other communications.
- In 2012, Texas RE requires 8.35 FTEs to be dedicated to perform the remainder of its compliance monitoring activities (not including audits and planned spot checks). This is an increase of 3.57 FTEs over the 2011 budget of 4.78 FTEs for compliance monitoring, and includes 1.28 new FTEs that were allocated to the Organization Registration and Certification, and Situation Awareness and Performance Assessment programs in 2011. As discussed above, the reasons for the required increased compliance monitoring staff include:
 - Additional Compliance employees are needed to perform a review of and seek required additional information for the substantially increased self-reports, complaints, and possible violations reported through self-certifications. In 2011, Texas RE audit staff has attempted to help support these compliance monitoring activities, but due to resource constraints, Texas RE is not able to process these items as efficiently as desired and has developed a caseload of pending self-reports. Texas RE anticipates that the self-reports will continue at the new increased level.
 - The more robust event analyses process has increased the identification of issues requiring spot checks, compliance investigations, or other compliance monitoring methods. Texas RE requires additional staff to more efficiently review and evaluate these items.

ENFORCEMENT

- Compliance Enforcement requires 10.28 FTEs to efficiently and effectively perform its activities in 2012, which is an increase of five (5) additional FTEs for Compliance Enforcement. In 2011, Compliance Enforcement had 5.28 FTEs budgeted for this activity; however, due to the significantly increased number of violations that required processing and the changes to the NERC Rules of Procedure and CMEP requiring the earlier screening, reporting, and potentially dismissing possible violations, additional time from Legal staff that was budgeted to be allocated to other CMEP areas in 2011 was shifted to assist Enforcement to reduce the growing caseload. Even with this assistance, Texas RE cannot review, process, and settle or prosecute all of the increased possible violations within the desired one-year period. Texas RE will require five (5) additional FTEs for Compliance Enforcement for 2012, bringing the total required 2012 headcount for this activity to 10.28 FTEs. This additional headcount is intended to more efficiently process the substantially increased possible violations, based upon current 2011 violation trends (assuming no additional increases) and the current NERC ROP.

REGISTRATION

- Organization Registration and Certification will require 2.0 FTEs for 2012, which allows a reduction in this area of approximately 0.69 of an FTE for 2012, and these FTEs will be allocated to compliance monitoring to offset the increasing

workload. In 2011, Texas RE increased the Registration FTEs by 1.69; however, the work required to review, identify, survey, map, and register any required, non-registered entity transmission and generation assets in the region (specifically including industrial facilities with private networks) should be primarily completed by the end of 2011, allowing the 0.69 FTE reduction to this area in 2012 while still allowing completion of an efficient and timely registration processing and communications.

Meeting Expenses

- Travel will increase for Compliance, Organization Registration, and Certification activities primarily due to the increased training required of and available for CMEP staff. Travel is budgeted at \$255K, which is approximately a \$10K increase in travel. The increase is primarily inflationary, as the total number of trips is not changing significantly from 2011.

Operating Expenses

- Consultants and contracts reflects \$155K for hosting and maintenance of compliance applications. This amount is decreasing because of the change in service providers used to facilitate the compliance application.
- Office costs are \$15K, which is decreasing \$24K year-over-year related to the elimination of some one-time computer supplies included in the 2011 budget.
- Professional Services expenses are budgeted at \$288K for outside legal expenses related to enforcement and registration activities. This is about \$7K less than 2011.
- Depreciation expense of \$281K attributed to compliance applications and additional enhancements are causing the depreciation expense to increase \$8K year-over-year.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at \$2,473K, which reflects an increase of \$278K year-over-year due to increases in headcount.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at \$266K; this is about \$53K more than 2011. This change is primarily driven by increased depreciation in 2012.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Compliance Monitoring and Enforcement and Organization Registration and Certification Program					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ 7,105,792	\$ 7,105,792	\$ -	\$ 8,018,471	\$ 912,679
Penalty Sanctions	15,270	15,270		460,689	445,419
Total Texas RE Funding	\$ 7,121,062	\$ 7,121,062	\$ -	\$ 8,479,159	\$ 1,358,097
Membership Dues	20,996	20,996	-	22,116	1,120
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 7,142,058	\$ 7,142,059	\$ -	\$ 8,501,276	\$ 1,359,217
Expenses					
Personnel Expenses					
Salaries	\$ 2,942,088	\$ 2,836,168	\$ (105,921)	\$ 3,851,860	\$ 909,772
Payroll Taxes	260,251	226,893	(33,357)	343,046	82,795
Benefits	367,508	340,340	(27,168)	546,872	179,364
Retirement Costs	426,603	397,064	(29,539)	558,520	131,917
Total Personnel Expenses	\$ 3,996,450	\$ 3,800,465	\$ (195,986)	\$ 5,300,298	\$ 1,303,847
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	245,078	243,014	(2,063)	255,291	10,213
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 245,078	\$ 243,014	\$ (2,063)	\$ 255,291	\$ 10,213
Operating Expenses					
Consultants & Contracts	\$ 256,957	\$ 184,131	\$ (72,826)	\$ 155,000	\$ (101,957)
Office Rent	-	-	-	-	-
Office Costs	39,224	34,592	(4,632)	14,898	(24,326)
Professional Services	294,500	246,984	(47,516)	288,000	(6,500)
Miscellaneous	-	-	-	-	-
Depreciation	273,083	349,813	76,729	281,280	8,197
Total Operating Expenses	\$ 863,764	\$ 815,519	\$ (48,245)	\$ 739,178	\$ (124,586)
Total Direct Expenses	\$ 5,105,292	\$ 4,858,998	\$ (246,294)	\$ 6,294,767	\$ 1,189,475
Indirect Expenses	\$ 2,195,010	\$ 2,017,212	\$ (177,798)	\$ 2,472,982	\$ 277,972
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 7,300,302	\$ 6,876,210	\$ (424,092)	\$ 8,767,749	\$ 1,467,447
Change in Assets	\$ (158,243)	\$ 265,849	\$ 424,092	\$ (266,473)	\$ (108,230)
Fixed Assets					
Depreciation	(273,083)	(349,813)	(76,729)	(281,280)	(8,197)
Computer & Software CapEx	185,000	255,000	70,000	140,000	(45,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ 88,083	\$ 94,813	\$ 6,729	\$ 141,280	\$ 53,197
Allocation of Fixed Assets	\$ 125,470	\$ 134,519	9,049	\$ 125,193	\$ (277)
Change in Fixed Assets	213,553	229,331	15,778	266,473	52,920
TOTAL CHANGE IN NET ASSETS	\$ 55,310	\$ 495,180	\$ 439,870	\$ 0	\$ (55,310)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis			
(in whole dollars)			
	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.18	4.75	1.57
Direct Expenses	\$ 494,790	\$ 807,081	\$ 312,291
Indirect Expenses	\$ 239,702	\$ 309,123	\$ 69,421
Inc(Dec) in Fixed Assets	\$ (13,702)	\$ (15,649)	\$ (1,947)
Total Funding Requirement	\$ 729,533	\$ 1,100,554	\$ 371,022

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability performance, measure progress in improving current reliability and track leading indicators of future reliability. This program will ensure that data is collected from registered entities, reviewed, analyzed, and provided as input to NERC's detailed databases measuring the ongoing reliability performance of generation, transmission and demand response. RAPA also identifies 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. Special reliability assessments on the effects to reliability of the BPS from specific issues or situations are developed based on an industry-based risk assessment and emerging initiatives. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will assist NERC and the other Regional Entities in disseminating these insights to industry.

2012 Key Assumptions

RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS PROGRAM

1. NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustee's for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate levels of reliability related metrics used in reliability assessments.
2. NERC and Regional Entities will gather data or complete analysis in support of U.S. Federal or Canadian Provincial initiatives. For example, the following reliability considerations are being or may be reviewed:

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- High impact/low frequency events such as geomagnetic disturbances.
 - System frequency response analysis.
 - Analysis of low-inertia operations of the bulk power system.
 - Climate change.
 - Environmental regulations.
 - New technology integration such as renewable energy, smart grid, energy storage, and/or electric vehicles.
3. Generator Availability Data System (GADS) and Spare Equipment Database (SED) collection may become mandatory in 2012 and, together with Demand Response Availability Data System (DADS) collection which becomes mandatory in 2011, may require Regional Entity resources support, similar to the current TADS process. NERC will provide industry training regarding the mandatory submittal of SED, DADS and GADS data. Additionally, NERC staff will be required to provide both administrative and analysis support to the SED, DADS and GADS system.
 4. NERC and the Regional Entities will continue to provide independent reviews of assessments to assure a high level of technical rigor.
 5. Resources in this program area will continue to provide subject matter expertise to support standards development and improvements, respond to requests for determinations of exceptions to Bulk Electric System, as well as support other program area technical needs.
 6. Resources will be required to support the development and validation of models, mitigation strategies, studies and education related to geomagnetic disturbance events.
 7. NERC will continue to develop analysis of TADS data in 2012. Additionally, NERC staff will be required to provide both administrative and analysis support to the TADS system, resulting in an annual report assessing trends once sufficient data is collected.
 8. To meet NERC's Three-Year Assessment commitments, NERC will continue to:
 - Vet proposed and future metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (RMWG).
 - Identify and spotlight system and equipment trends through assessments of the availability data systems and metrics (e.g., TADS, GADS, TADS, reliability metrics, etc.)
 - Two limited focus post-seasonal overviews will be completed annually (Summer and Winter). NERC and the Regional Entities will prioritize and budget for two reliability assessment initiatives (scenario and special reliability assessments) per year. Specialized contractors may be used to complete detailed analysis to support scenario assessments. Three special assessments are currently scheduled to be completed between 2011 and 2014 (change in resource mix, gas dependency, delays in transmission development).

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9. To meet NERC's Three-Year Assessment commitments, NERC may be required to add resources to:
- Quarterly updates of metric analysis results through NERC's website, NERC News, and via Webinars and an annual report assessing the State-of-Reliability in North America based on this analysis.
 - Develop a centralized data collection, reporting and validation process, and calculation tools in 2012 and beyond for reliability assessments (electricity supply and demand database), metric development and availability data systems such as TADS, GADS, DADS and SED.
 - Develop integrated database to support the collection, validation, and distribution of reliability assessment information including generation, transmission, and demand data in 2011 through 2012. NERC may need to develop information system enhancements for the Regional Entities to support automation. The requirements for any such enhancement at NERC would be developed by the RAPA Program Area, procured by NERC's IT department and budgeted as a RAPA Program area cost. It is anticipated that Regional Entity resources will be needed to support this effort.
 - Support increased coordination and data collection, analysis to support tracking and data analysis to calculate associated risks to reliability identified in future NERC alerts (advisories, recommendations, and essential actions).
 - Increased coordination with event analysis, lesson learned and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation. Resources will be required to administer and monitor data quality and model validation, as well as develop and maintain associated training materials.
 - Complete work plans supporting reliability assessment and input into NERC's reliability standards process for technology integration and high-impact, low-frequency event risks.
 - NERC will implement probabilistic assessments into the Long-Term Reliability Assessment with a trial run in 2012. A common regional set of probabilistic reliability indices and probabilistic-based work products will be used to supplement the NERC's Long-Term Reliability Assessment. Information system enhancements and modeling support may be required by Regional Entities to support this effort. By 2013, the Regional Entities may be required to work with stakeholders to generate suitable probabilistic indices which may include composite

(generation and transmission) reliability comparisons for future year trending.

- Probabilistic energy and high-risk hours analysis to be included in seasonal and long-term reliability assessments to supplement capacity assessment with trials in 2013.

EVENTS ANALYSIS

1. NERC and the Regional Entities will define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.
2. NERC and the Regional Entities will work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues.
3. NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations.
4. NERC and the Regional Entities will refine the criteria and process to require prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing.
5. NERC will work with the Regional Entities to develop and provide root cause analysis training for NERC, Regional Entity staffs and the industry at large and subject matter experts who participate in event analysis and investigation teams.
6. The number of events requiring review and analysis will increase with approximately 175 of those events qualifying for review per year. The bulk of the work for review of these events will be at the registered entity and Regional Entity levels – they will need to be logged and tracked and reviewed by NERC and regional staff to verify that all parts of the review are completed, including compliance reviews.

2012 Goals and Key Deliverables

RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS PROGRAM

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews.
- Provide independent review of the two anticipated special reliability assessments in 2012, involving topics such as change in resource mix, gas dependency, or delays in transmission development.
- Assist in data collection for any Federal initiatives which may include high impact/low frequency events (such as geomagnetic disturbances), system frequency response, low-inertia operations of the bulk power system, climate change, environmental regulations, and new technology integration.

- Collect data and provide analytical support for the TADS, DADS collection, and will assume larger roles as the GADS and the SED become mandatory.
- Participate in development of the ALR metrics by the Reliability Metrics Working Group (RMWG) and collect data and perform analysis as needed to evaluate these metrics. The number of metrics is expected to continue to increase in 2012.
- Support NERC initiatives in model validation and provide support to new standards development.

EVENTS ANALYSIS

- Events Analysis Assist development of NERC's event analysis process for incorporation into the Rules of Procedure, including further refinement of event categorization and inclusion of cyber incidents.
- Provide workshops, webinars, and other outreach to support industry adoption of this process and dissemination of lessons learned developed across NERC.
- Implement the NERC event analysis process in the ERCOT Region, expecting a similar volume of events as 2011, estimated at 25 Category 1 (minor), 19 Category 2/3 (moderate impact) and 1 Category 4/5 event (significant impact).
- Review approximately forty lesser system events, such as special protection system misoperations, communications issues, and frequency disturbances, which do not meet the threshold for NERC events analysis, in order to monitor trends and review root causes in these areas.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

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

Personnel Expenses

- Reliability Assessments and Performance Analysis headcount is increasing by 1.5 FTEs. The additional 1.5 FTEs are needed to adequately and efficiently review events under the more rigorous event analysis process, review all reliability assessment initiatives, support the data collection for Federal initiatives, and provide data collection and analytical support for the TADS, DADS, GADS, and SED programs. The increase is resulting in a budget impact to the Reliability Assessments and Performance Analysis activity personnel expenses (salaries and related expenses) of \$299K. Finally, there is \$13K in merit and benefits increases in the proposed 2012 budget. The total increase in Personnel Expenses over the 2011 budget is \$312K.

Meeting Expenses

- Travel is basically flat for 2012. The travel budget is to accommodate the travel for RAS, RMWG and related committees and stakeholder meetings, increased workflow requirements, as well as the participation at NERC sponsored meetings, workgroups and training.

Operating Expenses

- RAPA will incur only minor Operating Expenses in 2012.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at \$309K, which reflects an increase of \$69K year-over-year due to increases in headcount.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at \$16K; this is about \$2K more than 2011.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Reliability Assessment and Performance Analysis					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ 725,572	\$ 725,572	\$ -	\$ 1,040,204	\$ 314,632
Penalty Sanctions	1,668	1,668		57,586	55,919
Total Texas RE Funding	\$ 727,240	\$ 727,240	\$ -	\$ 1,097,790	\$ 370,550
Membership Dues	2,293	2,293	-	2,765	472
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 729,533	\$ 729,533	\$ -	\$ 1,100,554	\$ 371,022
Expenses					
Personnel Expenses					
Salaries	\$ 361,177	\$ 350,730	\$ (10,447)	\$ 590,517	\$ 229,340
Payroll Taxes	32,136	28,058	(4,078)	50,270	18,134
Benefits	40,421	42,088	1,667	71,718	31,298
Retirement Costs	52,371	49,102	(3,268)	85,625	33,254
Total Personnel Expenses	\$ 486,105	\$ 469,979	\$ (16,126)	\$ 798,131	\$ 312,026
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,685	10,256	1,571	8,950	265
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 8,685	\$ 10,256	\$ 1,571	\$ 8,950	\$ 265
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	224	224	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ 224	\$ 224	\$ -	\$ -
Total Direct Expenses	\$ 494,790	\$ 480,459	\$ (14,331)	\$ 807,081	\$ 312,291
Indirect Expenses	\$ 239,702	\$ 179,634	\$ (60,068)	\$ 309,123	\$ 69,421
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 734,492	\$ 660,093	\$ (74,399)	\$ 1,116,203	\$ 381,711
Change in Assets	\$ (4,958)	\$ 69,440	\$ 74,399	\$ (15,649)	\$ (10,691)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ 13,702	\$ 11,974	(1,728)	\$ 15,649	\$ 1,947
Change in Fixed Assets	13,702	11,974	(1,728)	15,649	1,947
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 81,414	\$ 81,414	\$ 0	\$ 0

Training, Education, and Operator Certification Program

Training, Education and Operator Certification			
(in whole dollars)			
	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.84	1.75	(0.09)
Direct Expenses	\$ 425,510	\$ 267,659	\$ (157,851)
Indirect Expenses	\$ 138,695	\$ 113,887	\$ (24,808)
Inc(Dec) in Fixed Assets	\$ (7,928)	\$ (5,765)	\$ 2,163
Total Funding Requirement	\$ 561,336	\$ 375,781	\$ (185,555)

Program Scope and Functional Description

The Texas RE Training, Education, and Operator Certification program provides the education and training necessary to understand and operate the BPS, in accordance with NERC ROP Section 900. Texas RE will strive to increase its education outreach to stakeholders in 2012, to provide lessons learned and compliance information, as well as share new information and obtain feedback from stakeholders about modifications to procedures such as the new event analysis process. Texas RE will attempt to use cost effective education mechanisms such as webinars, newsletters, and conference calls, in addition to its workshops.

In 2012, ERCOT, the RC and BA for the region, will begin to facilitate the ERCOT region Operations Training Seminar, which will reduce the time spent on seminar facilitation, and will allow Texas RE to increase its other educational efforts without increasing its staff. Texas RE will continue to oversee the operator certification testing program, and it will continue to provide one or two compliance and/or events subject matter experts to support this seminar. Texas RE will continue to require 1.75 FTEs to support the Training, Education and Operator Certification Program in 2012.

Texas RE staff will continue to participate on selected industry sponsored seminars and panels to provide as much information to the industry as possible as well as to receive feedback.

2012 Key Assumptions

TRAINING, EDUCATION, AND OPERATOR CERTIFICATION PROGRAM

1. NERC and the Regional Entities will coordinate the delivery of educational materials to registered entities through NERC's development and implementation of a centralized, robust learning management system (LMS). The LMS is expected to provide standards technical guidance, compliance guidance, lessons learned, examples of excellence, best practices, alerts, and other technical resource information. To maintain support for this system, NERC will require the addition of staff.
2. In 2012, NERC and the Regional Entities will begin to implement a compliance auditor training program that will require staff and contractor resources to implement. The priority of implementing training programs for additional technical functions (i.e. CIP Auditors, Investigators, Root Cause Analysts, Training Instructors, etc.) will be

determined. NERC and the Regional Entities will continue to support core ERO function training courses throughout this development.

3. NERC and the Regional Entities will place priority on developing educational materials for Registered Entities regarding expectations for new and existing reliability standards, and for supporting a culture of reliability excellence.
4. NERC will continue to provide training to NERC and Regional Entity standards development staff and drafting teams on results-based standard development.
5. In 2012, NERC will centralize the coordination and management of all internal and external training. This will include development and management of an overall budget for internal and external training and education activities for all program areas. The functional requirements for particular training and education programs will be developed by the Program Area(s) with the relevant subject matter expertise (e.g. Standards Program Area for standards training, Compliance Program Area for auditor training, Human Resources department for code of conduct training, etc.) The Training, Education and Operator Certification Program Area will manage and be staffed with resources necessary to support the organization, planning and execution of, and registration for, specific training activities within the parameters of the overall training and education budget, with individual program areas providing subject matters experts as required to support particular activities. The applicable portion of the overall budgets, as well as costs, associated with specific program area training (e.g. standards, compliance, etc.) will continue to be allocated and charged to those program areas (e.g. standards training costs will be reflected in the standards budget, compliance training in the compliance budget, etc.). Operator training and certification programs will continue to be organized, managed, budgeted and funded consistent with the requirements of the rules of procedure. Additional resources requirements will be needed at NERC in 2012 to implement this approach and support Program Area training activities. Notwithstanding these resource additions, the centralized management of these activities is expected to enhance overall coordination, efficiency and quality of training and education activities. The Regional Entities are planning to manage this effort within existing budgeted training resources.
6. Each Regional Entity will host a minimum of two different compliance workshops each year.
7. NERC standards and compliance staff will conduct at least one joint workshop for industry each year; focusing on inter-relationships and feedback mechanisms.
8. Any incremental costs of hosting workshops and other educational activities where Texas RE must obtain outside conference facilities will be recovered through attendance fees in most cases.
9. NERC will contract for professional training for NERC and Regional Entity staffs to improve their effectiveness, including training in facilitation, negotiation, project management, and leadership.

10. No significant changes are expected in system operator certification CEH requirements through 2013.

2012 Goals and Key Deliverables

- Develop technical materials for and present at least two (2) different full-day Standards and Compliance workshops for registered entities.
- Present workshops, webinars, or other industry outreach supporting industry adoption of the refined NERC event analysis process and any other new or modified NERC procedures or programs.
- Create and publish at least bi-monthly newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, lessons-learned, Compliance Application Notices, Compliance Application Reports, other compliance-related information, and Texas RE and NERC activities.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance working groups.
- Oversee and facilitate the System Operator testing program.
- Participate in the NERC-Regional Entity Training and Education Group conference calls and meetings.
- Provide limited training materials and subject matter expert presenters to support the ERCOT region Operations Training Seminar.
- Maintain a database for tracking workshop participants and feedback, and use this feedback to continue to improve future workshops.

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

- The majority of funding received (92%) for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total personnel costs, indirect expenses, and fixed asset requirements.
- The remaining funding (8%) is received from attendance fees associated with the workshops. These fees are designed to offset all direct workshop and seminar expenses, excluding the above mentioned categories.

Personnel Expenses

- Headcount is reducing slightly to 1.75 FTEs from 1.84 FTEs in 2012 for this program, primarily due to the elimination of Texas RE's facilitation of the Operations Training Seminar. However, personnel expenses of \$237K are being budgeted which is an increase of \$28K. The increase is primarily for merit and benefits increases.

Meeting Expenses

- Any outside costs or expenses incurred by Texas RE will be reimbursed to Texas RE through fees paid by attendees. At this time, Texas RE does not anticipate requiring outside conference space, so it anticipates the outside expenses for furniture rental, food, and beverage will cost approximately \$10K per workshop. If Texas RE requires outside conference space, it will increase the attendance fee as required. Meeting expenses for 2012 are budgeted at \$30K, which is a decrease of approximately \$186K. This decrease is because Texas RE will not be facilitating the Operations Training Seminar that it facilitated and hosted in 2011 as well as applying some expected cost reductions for the workshop expenses.

Operating Expenses

- This program will incur minimal Operating Expenses in 2012.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at \$114K, which reflects a decrease of \$25K year-over-year.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at \$6K; this is about \$2K less than 2011.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Training, Education and Operator Certification					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ 343,544	\$ 343,544	\$ -	\$ 323,547	\$ (19,998)
Penalty Sanctions	965	965	-	21,216	20,251
Total Texas RE Funding	\$ 344,509	\$ 344,509	\$ -	\$ 344,763	\$ 253
Membership Dues	1,327	1,327	-	1,019	(308)
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	215,500	136,000	(79,500)	30,000	(185,500)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 561,336	\$ 481,836	\$ (79,500)	\$ 375,781	\$ (185,555)
Expenses					
Personnel Expenses					
Salaries	\$ 155,953	\$ 134,149	\$ (21,805)	\$ 172,069	\$ 16,116
Payroll Taxes	13,831	10,732	(3,099)	15,130	1,299
Benefits	17,311	16,098	(1,213)	25,200	7,889
Retirement Costs	22,613	18,781	(3,832)	24,950	2,337
Total Personnel Expenses	\$ 209,709	\$ 179,759	\$ (29,950)	\$ 237,349	\$ 27,641
Meeting Expenses					
Meetings	\$ 215,500	\$ 106,000	\$ (109,500)	\$ 30,000	\$ (185,500)
Travel	301	301	0	310	9
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 215,801	\$ 106,301	\$ (109,500)	\$ 30,310	\$ (185,491)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	28	28	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ 28	\$ 28	\$ -	\$ -
Total Direct Expenses	\$ 425,510	\$ 286,088	\$ (139,422)	\$ 267,659	\$ (157,851)
Indirect Expenses	\$ 138,695	\$ 121,517	\$ (17,178)	\$ 113,887	\$ (24,808)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 138,695	\$ 407,606	\$ (156,600)	\$ 381,547	\$ (182,658)
Change in Assets	\$ (2,869)	\$ 74,230	\$ 77,100	\$ (5,765)	\$ (2,896)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ 7,928	\$ 8,099	171	\$ 5,765	\$ (2,163)
Change in Fixed Assets	7,928	8,099	171	5,765	(2,163)
TOTAL CHANGE IN NET ASSETS	\$ 5,059	\$ 82,329	\$ 77,271	\$ 0	\$ (5,059)

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security			
(in whole dollars)			
	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.03	0.75	(1.28)
Direct Expenses	\$ 283,248	\$ 151,348	\$ (131,899)
Indirect Expenses	\$ 153,017	\$ 48,809	\$ (104,208)
Inc(Dec) in Fixed Assets	\$ (8,746)	\$ (2,471)	\$ 6,275
Total Funding Requirement	\$ 433,099	\$ 197,686	\$ (235,413)

Program Scope and Functional Description

This program includes two distinctly unique parts: Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. (Most of the CIP resources functionally reside in the Compliance, Enforcement and Organizational Registration and Certification Program.)

2012 Key Assumptions

SITUATION AWARENESS AND INFRASTRUCTURE SECURITY PROGRAM

1. NERC and the Regional Entities will continue to evaluate and coordinate their differing and complementary roles in CIP and Situation Awareness for budgeting and/or operational purposes.
2. During 2011 NERC made a significant investment to support the implementation of a situation awareness tool for FERC, NERC, and Regional Entities. NERC will incur ongoing licensing, maintenance, and support services fees for SAFNR within its budget with no attendant impact on the Reliability Coordinator budgets and may seek FERC funding support. Regional Entities will be responsible for costs associated with establishing and maintaining monitoring displays.
3. NERC will fund and implement a new alerts system in 2012 that provides increased functionality to satisfy NERC's business needs in alerts development and processing and to ensure the alerts are issued to the appropriate parties.
4. During 2012, NERC will continue to undertake significant activities and funding to facilitate third party development and management of North American Phasor Concentration System (NASCON) software and regional node communication integration. Commencing in 2013, NERC anticipates a reduced need for a direct NERC funding role related to NASPI development, with any NERC funding tied to NERC's internal situation awareness capabilities.

CRITICAL INFRASTRUCTURE PROTECTION

It is anticipated that major incidents, events, threats, or vulnerabilities may result in re-prioritization of CIP initiatives through 2015.

1. NERC's Critical Infrastructure Protection Program Area will have responsibility for the identification and management of the specialized critical infrastructure protection resources needed to support overall ERO CIP goals and objectives, as well as the specialized CIP resources needs of the other program areas (e.g. Standards, Compliance, Situation Awareness).
2. NERC and the Regional Entities will face increased competition in attracting well-qualified staff to address expanding CIP challenges, particularly in cyber security.
3. CIP activities will continue to increase significantly across the electricity sector. Risk analysis, incident response, CIP compliance requirements, information sharing and intelligence, CIP standards oversight, security training and awareness, and other functions are expected to increase NERC CIP resource requirements throughout the planning period. In light of these resources pressures, throughout the planning period, NERC and Regional Entities will need to establish strategic priorities and CIP resource allocations to support those priorities.
4. NERC will strengthen CIP partnership with U.S. and Canadian Government authorities to facilitate two-way information exchanges that enhance and expand knowledge of critical infrastructure threats and risk. NERC will promote CIP incident reporting and work with the Regional Entities to conduct security event and incident analysis and improve security practices in conjunction with the ES-ISAC.
5. In support of the Compliance program, the Technical Feasibility Exception (TFE) program will continue to require significant staffing resources within NERC and across the industry as Regional Entities perform reviews and gauge compensating measures. TFE development, review and approval will result in additional compensating measure validation checks, quarterly reporting tracking, and change management. Experiences gained through existing operations will be utilized to guide the development of resource recommendations.
6. Staff resources necessary to effectively conduct industry-wide CIP audits will continue to be a challenge. There are too few auditors with the necessary skill and experience to monitor compliance with all CIP requirements. Active training and recruitment will be critical to success of the ERO CIP audit program.
7. The new CIP-002 V4 standard is expected to result in a substantial increase in the number of entities and critical assets required to be monitored for CIP compliance in 2012-2015.
8. NERC and the Regional Entities will develop and support a training and implementation program for registered entities to successfully implement CIP-002 V4. The training and implementation program will be based on a well-developed audit plan and provide technical application guidance.
9. NERC will develop a robust ES-ISAC and Threat and Vulnerability Management Program (TVMP) with the following organic capabilities:

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- Bi-directional sharing of sanitized information and other intelligence products with government and federal law enforcement agencies;
 - A secure communications portal for information sharing with electricity sector stakeholders;
 - ERO-wide visibility and situational awareness of network infrastructure to monitor for cybersecurity threats and identify ICS/EMS/SCADA control system protocols and signature vulnerabilities and provide reporting to potentially affected entities in near real time;
 - Industry-wide awareness of emerging threats and risks;
 - Security incident analysis and lessons-learned that enhance the electricity sector security posture.
10. More comprehensive understanding of confidential and time sensitive standards development processes is necessary. In the event of a national security emergency the NERC Board may direct development of a standard in response to the emergency that is deemed confidential with information that can only be shared on a “need to know” basis. This will require resources to develop an infrastructure capable of accommodating these obligations.
11. The Cyber Risk Preparedness Assessment (CRPA) program is designed to assess the current cyber resiliency capabilities of BPS entities and the adequacy of existing reliability mechanisms related to the highly unique nature of cyber threats. This sustaining program is a valuable resource to both NERC and industry and is expected to expand considerably through 2015 as more entities take advantage of the opportunity provided by the CRPA experience.
12. The NERC Sufficiency Review Program will be re-architected to address CIP-002v4.
13. NERC will collaborate with governmental organizations including federal agencies, law enforcement, and DOE national laboratories to:
- Develop case studies at government determined critical facilities to further understanding regarding requirements for “flow of power.”
 - Develop certification guidelines for the Smart Grid Cybersecurity Operator.
 - Partner with the Industrial Control Systems Cyber Emergency Response Team (ICS-CERT) to share threat, vulnerability, and security incident information.
 - Investigate benchmarking of vendor products and systems that improve cybersecurity protection.
 - Develop joint security Advisory products
 - Develop a comprehensive Cybersecurity Risk Management Process Guideline for the enterprise electricity sector
 - Integrate security event analysis from government agencies and national laboratories.
14. The ERO will implement requirements of the ESCC Roadmap and Coordinated Action Plan in coordination with the Critical Infrastructure Protection Committee (CIPC) and industry volunteers to support the:
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- a. Severe Impact Resilience Task Force (SIR TF)
 - b. Cyber Attack Task Force (CA TF)
 - c. Smart Grid/Cyber Security Task Force (SGCS TF)
 - d. GeoMagnetic Disturbance Task Force (GMD TF)
 - e. Spare Equipment Database Task Force (SED TF)
 - f. NERC Crisis Response Plan
15. CIP Compliance Application Notice (CAN) guidance is expected to be provided in greater volume and with increased frequency to registered entities.
 16. National level security exercises will be conducted to examine industry's cybersecurity and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control system, SCADA, and information technology assets.
 17. NERC will develop a comprehensive cyber security training program that validates knowledge and technical competency.

2012 Goals and Key Deliverables

SITUATION AWARENESS AND CRITICAL INFRASTRUCTURE PROTECTION PROGRAM

- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, Phase 2 will be completed in coordination with ERCOT (the RC) and NERC.
- Texas RE will support more rigorous utilization of data for Situation Awareness, including regular weekly reporting to NERC along with providing current information on on-going events in the ERCOT Region.
- Texas RE will continue to monitor and follow up on NERC alerts, such as the Facility Rating Right-of-Way alert. Texas RE anticipates that the volume of alerts will be similar to 2011, or approximately eighteen, with half of the alerts expected to require responses and analysis.
- Texas RE staff will participate in the Reliability Assessment metrics development.
- Texas RE's cyber security staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely with the Electricity Sector – Information Sharing and Analysis Center (ES-ISAC).

CRITICAL INFRASTRUCTURE PROTECTION PROGRAM

- Texas RE CIP staff will continue to contribute to the development of the CIP Standards and the Compliance Application Notices (CAN).
- Texas RE CIP staff will develop and deliver training materials to such programs as the Operator Training Seminar, CIP Workshops, and other outreach programs.
- Texas RE CIP staff will pursue, obtain, and maintain industry certifications such as the Certified Information Systems Auditor (CISA) and Certified Information Systems Security Professional (CISSP).

- Texas RE CIP staff will continue to participate in NERC and regional groups such as the Critical Infrastructure Protection Working Group, CIP Compliance Working Group, and Critical Infrastructure Protection Committee.
- Texas RE CIP staff will attend industry association meetings such as The Information Systems Audit and Control Association (ISACA) in order to stay current with topics relevant to infrastructure security.
- Participate in the NERC CIP conference calls and meetings to advance national coordination and cooperation and improve CIP processes and systems.
- Attend NERC CIP training sessions.

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

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

Personnel Expenses

- Situation Awareness and Infrastructure Security headcount is decreasing by 1.28 FTEs. Personnel expenses for 2012 are being budgeted at \$150K. Transfers away from this activity are resulting in a net decrease to personnel expenses \$132K (most work has been shifted to the CMEP program and Reliability Assessment and Performance Assessment). The transfers are not expected to impact workflow and the preceding items are expected to be accomplished including the normal activities of this area.
- Texas RE reallocated time and expense in the 2012 budget that was previously in Situation Awareness due to the development of related programs in other areas. Much of Situation Awareness involves initial event review in the Event Analysis program and Facility Ratings Alert program which are both budgeted in the Reliability Assessment and Performance Analysis section of the 2012 budget. Another change is the time and expense for the Cyber Security aspect of Situation Awareness have also been reallocated to the Compliance section of the 2012 budget since, as the practice has developed, most of the work is performed in that area.

Meeting Expenses

- Travel is virtually flat year-over-year. The travel related to the CIP audits is budgeted in the Compliance area. The travel expense budgeted under Situation Awareness and Infrastructure Security is primarily for attending workgroup meetings.

Operating Expenses

- This program will incur minimal Operating Expenses in 2012.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at \$49K, which reflects a decrease of \$104K year-over-year due to lower administrative services costs and fewer personnel, which is the basis of the allocation.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at \$2K; this is about \$6K less than 2011.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Situation Awareness and Infrastructure Security					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ 430,571	\$ 430,571	\$ -	\$ 188,157	\$ (242,414)
Penalty Sanctions	1,064	1,064	-	9,093	8,028
Total Texas RE Funding	\$ 431,636	\$ 431,636	\$ -	\$ 197,250	\$ (234,386)
Membership Dues	1,464	1,464	-	437	(1,027)
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 433,099	\$ 433,099	\$ -	\$ 197,686	\$ (235,413)
Expenses					
Personnel Expenses					
Salaries	\$ 209,656	\$ 183,670	\$ (25,986)	\$ 111,755	\$ (97,901)
Payroll Taxes	18,651	14,694	(3,958)	9,897	(8,754)
Benefits	23,272	22,040	(1,231)	12,186	(11,086)
Retirement Costs	30,400	25,714	(4,686)	16,204	(14,196)
Total Personnel Expenses	\$ 281,980	\$ 246,118	\$ (35,862)	\$ 150,042	\$ (131,937)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,268	634	(634)	1,306	38
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 1,268	\$ 634	\$ (634)	\$ 1,306	\$ 38
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	224	224	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ 224	\$ 224	\$ -	\$ -
Total Direct Expenses	\$ 283,248	\$ 246,976	\$ (36,272)	\$ 151,348	\$ (131,899)
Indirect Expenses	\$ 153,017	\$ 164,444	\$ 11,427	\$ 48,809	\$ (104,208)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 436,265	\$ 411,420	\$ (24,845)	\$ 200,157	\$ (236,108)
Change in Assets	\$ (3,166)	\$ 21,679	\$ 24,845	\$ (2,471)	\$ 695
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ 8,746	\$ 10,960	\$ 2,214	\$ 2,471	\$ (6,275)
Change in Fixed Assets	8,747	10,960	2,214	2,471	(6,275)
TOTAL CHANGE IN NET ASSETS	\$ 5,581	\$ 32,640	\$ 27,059	\$ 0	\$ (5,581)

Administrative Services

Administrative Services (in whole dollars)			
	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	10.86	10.75	(0.11)
Total Direct Expenses	\$ 3,066,298	3,285,615	\$ 219,317
Inc(Dec) in Fixed Assets	\$ (164,335)	(155,668)	\$ 8,667
Less: Other Funding Sources	\$ (600)	(70,500)	\$ (69,900)
Total Allocation to Statutory Programs as Indirect Expenses	\$ (2,991,807)	(3,285,615)	\$ (293,808)
Funding Requirement for Working Capital	\$ 127,459	(466,263)	\$ (593,722)

Assumptions

1. In 2012, NERC will establish an ERO-wide risk assessment framework. This function will include internal audit capabilities with respect to NERC's compliance with the Rules of Procedure and other legal requirements, as well as the compliance by Regional Entities with the Regional Delegation Agreement. This framework will also address the roles and responsibilities of the NERC Board of Trustees, Board committees and the various standing committees.
2. NERC and the Regional Entities will continue to work collaboratively to improve the efficiency and effectiveness of ERO processes, taking into consideration the results and recommendations of NERC's business process improvement initiative.
3. As part of its business process initiative, NERC is conducting a detailed and structured assessment of the technology platforms that support each of the major business processes including such factors as the inventory of users, capability of the tools for supporting the existing processes, opportunities to enhance program and process efficiency, the cross-process support provided by the tools, the support provided by the tools for regional entity and other stakeholder input processes, etc. NERC will seek input and feedback from the Regional Entities as part of this initiative. The intent of this assessment is to establish a baseline view of the tools and capabilities that are available to support NERC and ERO business process needs, as well as identify the IT needs that are not being met by the existing infrastructure that could be satisfied with other tools, such as SharePoint. Taking into consideration the outputs of this initiative, NERC and the Regional Entities will collaborate to develop and implement the most effective and efficient protocols and tools for the exchange of data and information between and among the Regions and NERC while optimizing organizational efficiencies as contemplated by the delegation agreements. Funding responsibility will be addressed based on specific organizational needs taking into account agreed upon common objectives and requirements for the applicable budget year.

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4. NERC and the Regional Entities will continue to make improvements to their individual and collective business planning and budgeting processes, as well as cash flow forecasting and budget management practices.
 5. NERC and the Regional Entities will maximize the cost effective use of conference facilities for hosting ERO meetings and conferences.
 6. NERC and the Regional Entities will work together to evaluate and implement, where practical, joint purchasing activities and cost control measures to reduce costs of common operating expenses.
 7. NERC and the Regional Entities will continue to maintain reserves and/or lines of credit to assure adequate funding resources, including the ability to request supplemental funding, for extended, major investigations and contested proceedings. NERC and the Regional Entities should plan to have short-term and intermediate term internal means to handle funding of hearings to permit effective due process for registered entities.
 8. NERC and the Regional Entities will continue to face challenges and will require resources and programs to support the hiring and retention of qualified personnel.
 9. Increased support services resources may be required to facilitate and support operations requirements and achievement of objectives.
 10. Technology (software and hardware) investments will be required to support accounting, human resources and communications requirements and objectives.
 11. Health care premiums, liability insurance and leasehold operating costs will likely continue to increase during the planning period.

Methodology for Allocation of Administrative Services Expenses to Programs

- Texas RE allocates its indirect expenses to the functional areas via a headcount allocation. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.
- Texas RE maintains the Fines and Penalty money collected and it is used to reduce the amount of the assessments to the region.
- Texas RE also makes adjustments to its cash reserve using the General and Administrative (G&A) function.
- Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on headcount to all of the direct activities.

Technical Committees and Member Forums

Technical Committees and Member Forums			
(in whole dollars)			
	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	-
Direct Expenses	\$ -		\$ -
Inc(Dec) in Fixed Assets	\$ -		\$ -
Working Capital Requirement	\$ -		\$ -

Program Scope and Functional Description

Texas RE staff will support all membership activities, including membership registration and voting, and will continue to facilitate and provide limited administrative support for the eleven (11) member Texas RE Member Representatives Committee (MRC), including the scheduling and coordinating of MRC and membership meetings, distributing and posting of meeting materials and minutes, maintaining applicable areas of the Texas RE website, and facilitating membership and MRC announcements and communication. Texas RE will also provide requested support, including subject matter experts, to other ERCOT region stakeholder groups that are focused on events (Performance Disturbance Compliance Working Group or PDCWG) or compliance with NERC standards (such as the NERC Reliability Working Group or NRWG).

The MRC meets six to eight times per year to discuss Texas RE business plans, budgets, and funding, metrics, and other matters relevant to Texas RE's operations and purpose, including compliance and the reliability of the BPS. The MRC normally meets prior to the Texas RE Board meetings and provides feedback and input to Texas RE staff and Board of Directors. The chair and vice chair of MRC are also on the Texas RE Board. This position is budgeted under G&A to protect the confidentiality of compensation.

2012 Key Assumptions

- Texas RE will have one annual membership meeting.
- Most members register at the beginning of each year, but membership registration is available year-round.
- Texas RE will hold six to eight MRC meetings per year.
- The MRC will not have a significant number of working groups or subcommittees, but Technical Committees and Member Forums staff attend other ERCOT region working groups that discuss reliability or compliance.
- MRC might review and discuss NERC Event Analysis Lessons Learned, NERC Compliance Application Notices (CANs), and NERC Compliance Analysis Reports.
- NRWG will review and discuss NERC Event Analysis Lessons Learned, NERC CANs, and NERC Compliance Analysis Reports.

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- Texas RE subject matter experts will provide approximately 20 hours of support for or training regarding compliance and event analysis-related discussions at MRC or NRWG.
 - Support of the RSC is included in the Reliability Standards Program.
 - Meetings will be held at the Texas RE office or, in the case of regional stakeholder meetings, at stakeholder offices, so no outside meeting space will be required.

2012 Goals and Key Deliverables

The goal of the technical committee and member forums program is to coordinate membership registration, voting, and communications, and to provide and facilitate a mechanism for owners, users, and operators of the BPS to communicate, coordinate best practices (including discussions of NERC CANs, Compliance Analysis Reports, and Event Lessons Learned), and to provide input to Texas RE staff and the Texas RE Board of Directors.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect expenses are funded by program areas.

Personnel Expenses

- This activity is remaining constant at 0.5 FTEs. For salary confidentiality purposes the personnel expenses are accumulated under the G&A activity.

Meeting Expenses

- The meeting expenses associated with membership and committees are reflected under the G&A activity as well for consistency. The revenue and expenses are contained to one area that will allow appropriate accounting.

Operating Expenses

- There are no significant operating expenses for this area.

Indirect Expenses

- This is an indirect activity and therefore does not receive an allocation of indirect expense. This activity fully allocates through the G&A activity allocation.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2012 business plan are included in General & Administrative.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Technical Committees and Member Forums					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions				-	
Total Texas RE Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -		-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General and Administrative

General and Administrative (in whole dollars) Approved 2011			
	Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.71	1.75	0.04
Direct Expenses	\$ 1,143,056	\$ 1,252,971	\$ 109,915
Inc(Dec) in Fixed Assets	\$ (115,952)	\$ (89,184)	\$ 26,768
Working Capital Requirement	\$ 127,459	\$ (466,263)	\$ (593,722)

Program Scope and Functional Description

This activity includes the President and CEO who carries out the general affairs of Texas RE. A significant amount of the CEO's time is expended for and charged to CMEP and other operational activities. Additionally, this budget reflects an executive assistant, who provides administrative support and assists in maintaining internal controls (by providing for segregation of duties for procurement, vendor approval and similar activities). A significant portion of the time expended by the G&A staff is expended for and allocated to core activities including standards, compliance monitoring, enforcement, registration, training, situation awareness, reliability assessment, and performance analysis, training, and other indirect activities. The CEO reports exclusively to the Texas RE Board of Directors. The CEO is responsible for:

- Overseeing and managing the activities of Texas RE.
- Making final decisions with respect to non-contested enforcement related to compliance actions for violations of reliability standards.
- Making employment-related decisions for all employees of Texas RE.
- Making an annual report and periodic reports to Texas RE's Board concerning the activities and expenditures of Texas RE.
- Ensuring that Texas RE files all required reports with NERC.
- Monitoring the expenditures of the monies received by Texas RE to ensure that such are deployed in accordance with the approved Texas RE Budget (in cooperation with the Finance Staff).
- Retaining or terminating outside counsel or other advisors as deemed appropriate.
- Performing such other duties as may be determined from time to time by Texas RE's Board, for the benefit of Texas RE.

2012 Key Assumptions

- Texas RE will perform all statutory activities in the ERCOT region as the Regional Entity.
- Texas RE will also perform non-statutory activities as the Reliability Monitor for the ERCOT region.

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- Texas RE statutory staff will increase from 49 statutory employees to 58 statutory employees, and total staff will be 63 employees (including 5 Protocol employees).
 - Where possible, all appropriate direct program expenses will be direct costs to the respective program and function. Only corporate services expenses and personnel will remain in administrative services.
 - Technical Committees and Members Forum FTEs and expenses are included within this activity due to compensation confidentiality for employees and because Members forum revenue is recorded within the G&A activity. Due to these items being included within G&A, there is no need to break the operating expenses out into the Members Forum activity.

2012 Goals and Key Deliverables

- Communicate and maintain effective relationships with the Board, industry, regulators, and other stakeholders.
- Ensure that Texas RE is appropriately staffed and managed to maximize stakeholder value, maintain independence, and perform all delegated responsibilities.
- Effectively manage the NERC Compliance Monitoring and Enforcement Program.
- Maintain situational awareness and timely analyze system events.
- Manage Texas RE's Standards Development Process.
- Establish key performance indicators and benchmarks for Texas RE operations.

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

- Indirect program costs are allocated to the direct programs.
- Texas RE is reducing assessments by \$479K in 2012. This reduction is related to Texas RE's change in cash reserves from a 75 day cash reserve to a 60 cash reserve.
- Texas RE is expecting to earn approximately \$13K in interest income that will be used to further reduce assessments in the region. The increase in interest income is related to actively managing the cash in Texas RE's bank accounts and is approximately \$12K higher than the 2011 budget.

Personnel Expenses

- In 2012, G&A reflects the personnel expenses of the G&A activity, HR activity, and Technical Committees and Member Forums activities. The HR Manager's salary and benefits are being reflected under G&A for salary confidentiality purposes.
- The amount of time personnel are performing direct activities related to standards, compliance monitoring, enforcement, registration, training, situation awareness, and reliability assessment and performance analysis, as well as other indirect activities, are being appropriately budgeted in those respective areas, hence the decrease in the G&A activity FTE count year-over-year.

Meeting Expenses

- The budget of \$6K is for all hosting of meetings that cannot be hosted at Texas RE offices for membership, NERC, workgroup, or employee purposes.
- Travel is increasing \$2K, for a total of \$46K; primarily due to added Board related travel expenses included under the G&A budget.

Operating Expenses

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- Professional services of \$256K for 2012 reflects Board of director expenses and a director recruiting fee provision to cover any need for director recruitment, for a net increase of \$35K.
- Depreciation expense of \$164K for 2012 is an increase of \$48K due to higher than previously budgeted book values for leasehold improvements and furniture.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets is \$0 due to the allocation of fixed asset purchases and depreciation to direct program areas.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
General and Administrative					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ 126,859	\$ 126,859	\$ -	\$ (479,263)	\$ (606,122)
Penalty Sanctions	-	-	-	-	-
Total Texas RE Funding	\$ 126,859	\$ 126,859	\$ -	\$ (479,263)	\$ (606,122)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	600	13,000	12,400	13,000	12,400
Miscellaneous	-	-	-	-	-
Total Funding	\$ 127,459	\$ 139,859	\$ 12,400	\$ (466,263)	\$ (593,722)
Expenses					
Personnel Expenses					
Salaries	\$ 161,154	\$ 165,014	\$ 3,859	\$ 189,550	\$ 28,396
Payroll Taxes	13,056	13,201	145	17,635	4,579
Benefits	24,663	19,802	(4,861)	24,282	(381)
Retirement Costs	21,311	23,102	1,791	17,485	(3,826)
Total Personnel Expenses	\$ 220,184	\$ 221,118	\$ 934	\$ 248,952	\$ 28,768
Meeting Expenses					
Meetings	\$ 13,100	\$ 9,250	\$ (3,850)	\$ 6,000	\$ (7,100)
Travel	44,094	41,622	(2,472)	46,305	2,211
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 57,194	\$ 50,872	\$ (6,322)	\$ 52,305	\$ (4,889)
Operating Expenses					
Consultants & Contracts	\$ 780	\$ 3,287	\$ 2,507	\$ 2,500	\$ 1,720
Office Rent	499,000	450,000	(49,000)	499,000	-
Office Costs	29,145	69,986	40,841	30,030	885
Professional Services	220,800	196,159	(24,641)	256,000	35,200
Miscellaneous	-	-	-	-	-
Depreciation	115,952	176,980	61,028	164,184	48,232
Total Operating Expenses	\$ 865,677	\$ 896,412	\$ 30,735	\$ 951,714	\$ 86,037
Total Direct Expenses	\$ 1,143,056	\$ 1,168,402	\$ 25,346	\$ 1,252,971	\$ 109,915
Indirect Expenses	\$ (1,143,056)	\$ (1,028,543)	\$ 114,513	\$ (1,252,971)	\$ (109,915)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ 139,859	\$ 139,859	\$ -	\$ -
Change in Assets	\$ 127,459	\$ (0)	\$ (127,459)	\$ (466,263)	\$ (593,722)
Fixed Assets					
Depreciation	(115,952)	(176,980)	(61,028)	(164,184)	(48,232)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	75,000	75,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ 115,952	\$ 176,980	\$ 61,028	\$ 89,184	\$ (26,768)
Allocation of Fixed Assets	\$ (115,952)	\$ (176,980)	\$ (61,028)	\$ (89,184)	\$ 26,768
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ 127,459	\$ (0)	\$ (127,459)	\$ (466,263)	\$ (593,722)

Legal and Regulatory

Legal and Regulatory (in whole dollars) Approved 2011			
	Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.02	3.00	(0.02)
Direct Expenses	\$ 398,705	\$ 434,117	\$ 35,412
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

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

Although the Legal and Regulatory employees report to the General Counsel (including two corporate counsel, an external relations liaison, a training coordinator, and four paralegal staff), a significant portion of the time of Legal and Regulatory employees is expended for and allocated to core activities including primarily enforcement, but also compliance monitoring, registration, event analysis, training, and technical committees.

Legal and Regulatory employees support the Enforcement Program by preparing and reviewing violation documentation such as notification letters, requests for information, settlement agreements, and disposition documents; tracking violation and penalty information; and reporting required information to NERC. They support the Compliance and Events groups by assisting with requests for information. The external relations liaison and training coordinator facilitate and coordinate materials and speakers for the MRC meetings and workshops, oversee the production of newsletters, maintain and update website content, and coordinate needed subject matter experts for regional technical committees such as the NRWG.

For 2012, Legal and Regulatory employees will increase by two (to support increased enforcement and compliance activities, data tracking, and reporting) but the expenses allocated to this activity area will remain at 3.00 FTEs.

2012 Key Assumptions

The Legal and Regulatory program makes the following assumptions for 2012:

- The volume of legal work required for corporate governance, personnel, NERC registration, transactional work, and standards development will remain at 2011 levels.

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- The number of enforcement actions will continue to increase, causing the screening, review, advice, assistance, reporting, and possible prosecution of enforcement matters to also continue to increase.
 - The volume of legal work required for enforcement settlements will continue to increase, with the majority of possible violations handled through the settlement process.
 - The time expended on each enforcement matter will continue to remain high or slightly increase in 2012, but Texas RE anticipates that it will have only one large or two small contested enforcement hearings.
 - The legal support for event analysis and event investigations will increase, particularly for review of requests for information, as the event analysis process and investigations become more rigorous.
 - Texas RE is budgeting only one contested enforcement hearing initiated in 2012 and anticipates no significant registration disputes or hearings in 2012.
 - Outside counsel will be used to assist in contested enforcement cases, but minimal outside counsel will be used for corporate or human resource matters.
 - Legal and Regulatory time needed for governmental, other external relations, and communications will remain consistent with 2011.
 - The time spent preparing materials and reports for and supporting Board and Board committee meetings will remain consistent with 2011.
 - Although Legal and Regulatory staff will support membership registration and the Member Representatives Committee, these activities will be primarily expensed to Technical Committees and Members Forum.
 - Texas RE Legal staff will continue to oversee a corporate ethics and antitrust compliance program, including new hire and annual training for all employees.

2012 Goals and Key Deliverables

The Legal and Regulatory program goals and deliverables include:

- Provide timely useful legal advice to the CEO, the Board, and all program areas.
- Effectively communicate information to the Board and Texas RE members.
- Prepare and provide Board orientation and training materials.
- Oversee membership registration and maintain an accurate roster of members.
- Provide training materials to Human Resources for new hire employee training and conduct annual employee ethics and antitrust compliance training for all employees.

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- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives.
 - Timely file all documents required by NERC or FERC.
 - Provide advice and assistance and coordinate with NERC regarding all enforcement program documents.
 - Assist with the prosecution and any appeal of contested enforcement matters.
 - Provide advice and counsel regarding disputed registration or other matters.
 - Review and provide advice regarding all regulatory filings.
 - Provide advice and oversee risk management and insurance programs.
 - Negotiate and prepare or approve all contracts.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- The total number of Legal & Regulatory FTEs is remaining consistent with 2011 at 3.00 FTEs. The amount of time personnel are performing direct activities related to compliance, enforcement, events, and registration are being appropriately budgeted in those respective areas.

Meeting Expenses

- Travel is being budgeted at \$7K and is remaining fairly consistent with 2011. Travel is expected to increase less than \$1K for an inflationary adjustment.

Operating Expenses

- The consultants and contracts cost for Ethicspoint of \$1.9K is being recorded under contracts in 2012.
- Office costs for Legal and Regulatory are virtually flat year-over-year.
- The professional services for external legal expenses are \$18K for corporate related legal matters.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Legal and Regulatory					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Texas RE Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 274,717	\$ 278,450	\$ 3,733	\$ 307,061	\$ 32,344
Payroll Taxes	24,410	22,276	(2,134)	28,454	4,044
Benefits	31,154	33,414	2,260	44,487	13,333
Retirement Costs	39,834	38,983	(851)	24,524	(15,310)
Total Personnel Expenses	\$ 370,114	\$ 373,123	\$ 3,009	\$ 404,526	\$ 34,412
Meeting Expenses					
Meetings	\$ -	\$ 57	\$ 57	\$ -	\$ -
Travel	6,551	10,023	3,471	7,425	874
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 6,551	\$ 10,080	\$ 3,529	\$ 7,425	\$ 874
Operating Expenses					
Consultants & Contracts	\$ 1,800	\$ 2,050	\$ 250	\$ 1,854	\$ 54
Office Rent	-	-	-	-	-
Office Costs	2,240	2,780	540	2,312	72
Professional Services	18,000	56,827	38,827	18,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 22,040	\$ 61,657	\$ 39,617	\$ 22,166	\$ 126
Total Direct Expenses	\$ 398,705	\$ 444,859	\$ 46,154	\$ 434,117	\$ 35,412
Indirect Expenses	\$ (398,705)	\$ (444,859)	\$ (46,154)	\$ (434,117)	\$ (35,412)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Information Technology

Information Technology (in whole dollars) Approved 2011			
	Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.60	2.50	(0.10)
Direct Expenses	\$ 1,041,557	\$ 1,076,888	\$ 35,332
Inc(Dec) in Fixed Assets	\$ (48,383)	\$ (66,484)	\$ (18,101)
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

Texas RE's Information Technology (IT) program provides a broad range of information technology and security support to Texas RE, including the following: management of CIP compliant IT and security operations, physical security, electronic security, data center operations, IT & security-related vendor management, strategy, planning, development, and deployment of enterprise systems, application, and training, research, and planning for improvement and efficiency of business process and operations.

The IT program includes administration and maintenance of facilities, hardware (servers, security devices, computers and peripherals), systems (email, storage, backups, networks, electronic security, secure communications, and databases), software, and applications such as the Texas RE Intranet, varied business process databases, public Web site, regional standards tracking web services, and document management system. 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 federal and regional requirements. IT & Security staff manages multiple vendors, oversees day-to-day support and administration, and plans for future requirements.

Texas RE IT staff will continue several operational initiatives in 2012 in support of Texas RE's information infrastructure implemented in 2010. These initiatives include identifying and fulfilling technology needs to reinforce and improve overall operations; refining IT policies and procedures to develop secure efficiencies through the use of technology and to prepare for eventualities; and providing additional employee training on both existing and emerging best practices. Texas RE IT staff also foresees that the early part of 2012 will be devoted to executing carry-over projects related to Texas RE's intranet, extranet, document management system, business operations efficiency improvements, and PUCT Protocol compliance operations.

Although much of 2012 will be focused on maintaining the security and stability of Texas RE's electronic operations, Texas RE IT staff also will work with Texas RE management to update its long-term technology strategy plans ensuring Texas RE is consistent with ERO strategic goals. Strategic focus will be placed on implementing necessary measures for added security; standardizing policies and procedures; increasing Texas RE efficiency and meeting the needs of the mobile workforce; and planning for system integration and communications, both internal and external (FERC, NERC, PUCT and other Regional Entities).

2012 Key Assumptions

- Texas RE will continue to outsource several key IT and security services that are not within the core competencies, cost containment plan, and strategic direction of the IT & Security program (facility hosting and related services, networking, physical security, service desk support, etc.) to third-party vendors. A small Texas RE staff will oversee the vendors and the related policies, service, performance, and costs.
- Texas RE will not increase IT FTEs but will meet its needs with adequately qualified staff by augmenting employees with temporary contractors, used mainly for development or project work. IT employees will cross-train to serve as backups and mentors to each other.

2012 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including the application, software, and service portfolio; IT and security budget; infrastructure; service support (employee access, service desk/service requests, events, incidents, problems, changes, releases, configuration); service design and delivery (service level, risk, capacity, availability, continuity, information security, compliance, architecture); service transition; demand; and hardware and network security in a secure and efficient manner, with the following strategy:
 - Continue to maintain a small number of employees to oversee the strategy, policies and procedures, service and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.
 - Continue to outsource several key IT and security services that are not within the core competencies, cost containment plan, and strategic direction of the IT program (facility hosting and related services, networking, physical security, service desk support, etc.) to third-party vendors.
 - Augment employees with temporary contractors for required development or project work to meet business needs.
- Assist business staff with development of IT-related project requirements, and prioritize and oversee all IT or security-related projects.
- Monitor and update long-term strategy in response to business needs, including regularly meeting with managers and soliciting input from staff.
- Coordinate and share best practices with other Regional Entities and NERC as a member of the Information Technology Steering Group.
- Confirm and monitor baseline metrics for Texas RE usage (storage, networks, support requests, etc.) for the purpose of scaling services appropriately, and conduct periodic assessments of Texas RE's information infrastructure to ensure compliance with related data and security standards and requirements.
- Train and support Texas RE staff on software and applications.

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

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- The total number of IT FTEs is remaining consistent with 2011, due in part to efficiencies gained through the purchase of technology and implementation of best practices. In the future this tradeoff may reverse between the uses of FTEs versus contractors where efficiencies are best realized. This approach will be reviewed on an annual basis and decided appropriately. The amount of time personnel are performing direct activities related to compliance, enforcement, registration and certification are being appropriately budgeted in those respective areas.
- Personnel expenses are being recorded separately from the G&A program. This is due to no one employee's salary being separately identifiable.

Meeting Expenses

- IT anticipates hosting one Information Technology Steering Group meeting at Texas RE's offices. This is resulting in meeting costs of \$1K for 2012.
- Travel is expected to increase \$22K for a total of \$26K in 2012, due to the implementation of a geographically diverse data center, participation in regional and national working groups, and training where appropriate.
- The expected increase over the prior year budget for conference calls is \$6K for a total of \$18K and is resulting from an upward trend in expense for 2011. Conference calls expense after 2012 is expected to level out while reducing the need for some travel.

Operating Expenses

- Consultant expenses are decreasing year-over-year \$268K for a total of \$71K. The 2012 budget reflects a full year of managed hosting and managed services. In 2011, that budget was reflected under managed services. These types of expenses have been further defined and allocated to capital projects, fixed assets, managed services or professional services as necessary. Office costs are increasing \$82K for a total of \$256K to accommodate maintenance agreement expenses which are higher than the 2011 budget.
- Professional services of \$108K are being added to the 2012 budget. This includes IT services requirements for operations which are budgeted at \$46K and \$62K budgeted for security guard services (which was previously budgeted under G&A).
- Depreciation expense of \$308K is an increase of \$165K and reflects higher than budgeted 2010 and 2011 fixed asset purchases, as well as projected 2012 purchases of IT & Security assets.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets is \$0 due to the allocation of fixed asset purchases and depreciation to direct program areas.
- Texas RE will be adding additional FTEs which will result in approximately \$32K of fixed asset purchases in 2012. Additionally, there are approximately \$210K in hardware upgrades, expansion and capacity enhancements that will be required to ensure the platform remains stable and efficient
- Texas RE anticipates some development of applications and systems to further improve the operations of Texas RE ; these projects might include some enhancements such as:
 - Implementation of an Event Analysis application.
 - Further development of the document management system platform.
 - Implementation of employee performance application as needed.
 - Implementation of standards development application.
 - Implementation of asset management tools for IT & Security tools.
 - Consolidation of existing reporting applications.
 - Improve security systems for electronic and physical security.
 - Improve network and storage systems as needed.

Information Technology

Funding sources and related expenses for the information technology section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Information Technology					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ -	\$ -	\$ -		\$ -
Penalty Sanctions	-	-	-		-
Total Texas RE Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-		-
Federal Grants	-	-	-		-
Services & Software	-	-	-		-
Workshops	-	-	-		-
Interest	-	-	-		-
Miscellaneous	-	-	-		-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 267,102	\$ 251,374	\$ (15,728)	\$ 215,760	\$ (51,342)
Payroll Taxes	23,733	20,110	(3,623)	19,477	(4,255)
Benefits	37,535	30,165	(7,370)	31,566	(5,970)
Retirement Costs	38,730	35,192	(3,537)	21,285	(17,445)
Total Personnel Expenses	<u>\$ 367,100</u>	<u>\$ 336,841</u>	<u>\$ (30,259)</u>	<u>\$ 288,088</u>	<u>\$ (79,011)</u>
Meeting Expenses					
Meetings	\$ 2,000	\$ 1,667	\$ (333)	\$ 1,200	\$ (800)
Travel	3,805	13,237	9,432	25,904	22,099
Conference Calls	12,000	15,000	3,000	18,000	6,000
Total Meeting Expenses	<u>\$ 17,805</u>	<u>\$ 29,904</u>	<u>\$ 12,099</u>	<u>\$ 45,104</u>	<u>\$ 27,299</u>
Operating Expenses					
Consultants & Contracts	\$ 339,034	\$ 179,355	\$ (159,679)	\$ 70,920	\$ (268,114)
Office Rent	-	-	-	-	-
Office Costs	174,235	204,346	30,111	256,292	82,057
Professional Services	-	-	-	108,000	108,000
Miscellaneous	-	-	-	-	-
Depreciation	143,383	122,243	(21,140)	308,484	165,101
Total Operating Expenses	<u>\$ 656,652</u>	<u>\$ 505,944</u>	<u>\$ (150,708)</u>	<u>\$ 743,696</u>	<u>\$ 87,044</u>
Total Direct Expenses	<u>\$ 1,041,557</u>	<u>\$ 872,689</u>	<u>\$ (168,867)</u>	<u>\$ 1,076,888</u>	<u>\$ 35,332</u>
Indirect Expenses	<u>\$ (1,041,557)</u>	<u>\$ (872,689)</u>	<u>\$ 168,867</u>	<u>\$ (1,076,888)</u>	<u>\$ (35,332)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	(143,383)	(122,243)	21,140	(308,484)	(165,101)
Computer & Software CapEx	95,000	125,000	30,000	242,000	147,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ 48,383</u>	<u>\$ (2,757)</u>	<u>\$ (51,140)</u>	<u>\$ 66,484</u>	<u>\$ 18,101</u>
Allocation of Fixed Assets	\$ (48,383)	\$ 2,757	\$ 51,140	\$ (66,484)	\$ (18,101)
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Human Resources

Human Resources (in whole dollars) Approved 2011			
	Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.03	1.00	(0.03)
Direct Expenses	\$ 9,123	\$ 48,772	\$ 39,649
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Texas RE Human Resources program provides a broad range of support to all Texas RE employees. The HR function consists of delivery and enforcement of all personnel and employment related policies, procedures, and documents. HR is responsible for administering all employee benefits programs, recruiting, the new hire process, orientation, partnering with managers to develop and counsel employees, and maintaining competitive market analysis on all Texas RE positions. HR maintains the Human Resources Information System (HRIS) and the Payroll Master File and ensures Department of Labor compliance with all federal and state requirements. HR will continue to develop and enhance the culture of Texas RE as it grows, with an effort to improve retention, maintain low employee turnover, and attract top talent for new positions. HR minimizes risk to the organization by ensuring that employees are treated in a fair and consistent manner and that the Texas RE employment policies are followed on a regular basis.

2012 Key Assumptions

- Texas RE Human Resources program will consist of 1 position, the HR Manager.
- HR will begin to enhance and improve various policies, procedures, systems, and programs which were originally put into place for “start-up” and necessary based on timing of the spin-off event.
- HR will analyze key HRIS data for purposes of being a strategy partner to management.

2012 Goals and Key Deliverables

- Reduce the length of time of the recruitment process (from open requisition to offer letter).
- Enhance employee benefits plans and expand services to employees.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.
- Improve the performance review process for all employees.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- Personnel expenses are being recorded in the G&A program. This is due to one employee's salary being separately identifiable.

Meeting Expenses

- Travel is budgeted to accommodate two HR related training sessions and is virtually flat year-over-year.

Operating Expenses

- Consultants and contracts expense were previously budgeted under employee benefits in 2011. In 2012, there will \$24K in recruitment expenses for staff positions. In 2011, the amount budgeted was \$20K and it was budgeted under G&A.
- Professional services includes \$23K budgeted under G&A employee benefits in 2011 related to employee background checking, legal services and technical services that are likely to be incurred in 2012. This represents an increase of \$16K.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Human Resources

Funding sources and related expenses for the human resources section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Human Resources					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ -	\$ -	\$ -		\$ -
Penalty Sanctions	\$ -				
Total Texas RE Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-		-
Federal Grants	-	-	-		-
Services & Software	-	-	-		-
Workshops	-	-	-		-
Interest	-	-	-		-
Miscellaneous	-	-	-		-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,363	1,363	(0)	1,404	41
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 1,363	\$ 1,363	\$ (0)	\$ 1,404	\$ 41
Operating Expenses					
Consultants & Contracts	\$ -	\$ 500	\$ 500	\$ 24,000	\$ 24,000
Office Rent	-	-	-	-	-
Office Costs	260	332	72	268	8
Professional Services	7,500	6,750	(750)	23,100	15,600
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 7,760	\$ 7,582	\$ (178)	\$ 47,368	\$ 39,608
Total Direct Expenses	\$ 9,123	\$ 8,945	\$ (178)	\$ 48,772	\$ 39,649
Indirect Expenses	\$ (9,123)	\$ (8,945)	\$ 178	\$ (48,772)	\$ (39,649)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Finance and Accounting

Finance and Accounting (in whole dollars) Approved 2011			
	Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Direct Expenses	\$ 473,858	\$ 472,867	\$ (991)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Finance and Accounting staff provide a broad range of support to Texas RE's management and personnel. Finance and Accounting staff are required to formulate and monitor Texas RE budget for controlling funds to implement Texas RE's objectives and also to review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Finance and Accounting staff guide the annual budget process for Texas RE and measure performance of all key aspects of Texas RE to ensure performance matches or exceeds expectations, including the analysis of trends affecting budget needs and developing periodic financial reports. Texas RE's monthly general ledger close activities will be managed by Texas RE Finance and Accounting personnel. The Finance and Accounting staff are required to ensure Texas RE appropriately accounts for all statutory and non-statutory expenses and revenue. This involves generating monthly financial reports that are communicated to the CEO, appropriate staff and the Board.

Texas RE Finance and Accounting will also direct the financial affairs of the organization and prepare financial analyses of operations, including interim and final financial statements with supporting schedules, for the guidance of management. Additionally, Texas RE Finance and Accounting will have responsibility for the company's financial plans and policies, its accounting practices, the conduct of its relationships with banking institutions, the maintenance of its fiscal records, and the preparation of financial reports. Texas RE Finance and Accounting will be centrally responsible for general accounting, accounts payable, accounts receivable, payroll processing, fixed asset accounting, cost accounting, budgetary controls, cash management, tax reporting, and corporate risk management.

The Finance and Accounting staff are required to generate quarterly and annual financial reports to be filed with NERC as well as other ad hoc reporting that may be required.

2012 Key Assumptions

- Statutory finance and accounting staff will remain consistent with 2011.
- The volume of transactions will approximate that of 2010 and 2011.
- There will be no accounting system changes.
- Payroll processing and expense reporting functions will continue to be outsourced.
- There will be continued use and management of the travel function which is integrated within the expense reporting system. This requires additional reconciliation time; however it has been absorbed into existing staff.

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- There will be no additional banking requirements. Texas RE has six bank accounts and one corporate credit card account, which increased by 4 accounts in 2011. The additional work related to management and reconciliation has been absorbed by existing staff.

2012 Goals and Key Deliverables

- Ensure that the accounting, finance, and budgeting functions are appropriately managed at Texas RE.
- Keep the CEO informed of budget, expenditures, and total operational financial performance.
- Continue to provide financial reports to the Board.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.
- Continue to support and coordinate with NERC finance staff to meet quarterly and annual reporting requirements as well as any additional financial reports.
- Provide workflow and financial reports to Texas RE management and adjust as required to better enable Texas RE staff operational success.

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

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- Personnel expenses are being recorded separately from the G&A program. This is due to no one employee's salary being separately identifiable.

Meeting Expenses

- Travel costs are virtually flat year-over-year due to use of conference calls for REBG meetings.

Operating Expenses

- Consultants and contracts of \$8K reflect the annual maintenance costs for the accounting system. The cost is flat year-over-year.
- Office costs are increasing \$37K in the Finance and Accounting activity for a total budget of \$40K in 2012 due to increases in credit card transactions and travel booking fees, as well as property taxes, (property taxes were budgeted for \$28K under G&A in 2011).
- Professional services are budgeted at \$160K and reflect reductions from 2011 related to lower pricing obtained for accounting support services, insurance and audit fees. The expected decrease for 2012 is \$49K. The budget in 2011 was established before the separation from ERCOT and some areas were overstated.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Finance and Accounting

Funding sources and related expenses for the finance and accounting section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
Finance and Accounting					
	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Texas RE Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 187,145	\$ 186,113	\$ (1,032)	\$ 199,422	\$ 12,277
Payroll Taxes	16,614	14,889	(1,725)	18,196	1,582
Benefits	20,938	22,334	1,396	25,416	4,478
Retirement Costs	27,136	26,056	(1,080)	19,916	(7,220)
Total Personnel Expenses	<u>\$ 251,833</u>	<u>\$ 249,392</u>	<u>\$ (2,441)</u>	<u>\$ 262,950</u>	<u>\$ 11,117</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,619	1,600	(19)	1,652	33
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 1,619</u>	<u>\$ 1,600</u>	<u>\$ (19)</u>	<u>\$ 1,652</u>	<u>\$ 33</u>
Operating Expenses					
Consultants & Contracts	\$ 8,000	\$ 8,000	\$ -	\$ 8,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	3,205	3,000	(205)	40,065	36,860
Professional Services	209,200	187,261	(21,939)	160,200	(49,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 220,405</u>	<u>\$ 198,261</u>	<u>\$ (22,144)</u>	<u>\$ 208,265</u>	<u>\$ (12,140)</u>
Total Direct Expenses	<u>\$ 473,858</u>	<u>\$ 449,253</u>	<u>\$ (24,605)</u>	<u>\$ 472,867</u>	<u>\$ (991)</u>
Indirect Expenses	<u>\$ (473,858)</u>	<u>\$ (449,253)</u>	<u>\$ 24,605</u>	<u>\$ (472,867)</u>	<u>\$ 991</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Section B – Supplemental Financial Information 2012 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2010	1,999,423
Less: Penalty sanctions to be used as offset to 2012 assessments ¹	(572,830)
Plus: 2011 Texas RE Funding (from LSEs or designees)	9,247,823
Plus: 2011 Other funding sources	176,500
Less: 2011 Projected expenses & capital expenditures	(8,657,031)
Projected Working Capital Reserve (Deficit), December 31, 2011	2,193,885
Desired Working Capital Reserve, December 31, 2012 ²	1,727,622
Less: Projected Working Capital Reserve, December 31, 2011	(2,193,885)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(466,263)
Amended 2012 Expenses and Capital Expenditures	10,613,459
Less: Penalty Sanctions ¹	(572,830)
Less: Other Funding Sources	(70,500)
Adjustment to achieve desired Working Capital Reserve	(466,263)
Amended 2012 Texas RE Assessment	9,503,866

¹ Represents collections on or prior to June 30, 2011.

² The Texas RE board approved a desired 60-day working capital reserve in 2012.

Explanation of Changes in Reserve Policy from Prior Years

- Texas RE is reducing its 75-day cash reserve requirement in 2012, to a 60-day cash reserve requirement. The result of this is a \$466K reduction in reserves.
- Texas RE is contemplating applying for a \$500K line of credit with its bank to ensure there is appropriate liquidity for contingencies.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 10 of the 2012 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 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, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to June 30, 2011 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; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. 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, 2011	Date Received	Amount Received
	11/15/2010	198,600
	12/15/2010	150,000
	1/19/2011	28,000
	1/28/2011	18,000
	3/14/2011	3,000
	3/16/2011	35,000
	3/23/2011	900
	3/23/2011	900
	3/23/2011	900
	3/23/2011	900
	3/23/2011	900
	3/29/2011	50,000
	3/29/2011	2,500
	4/4/2011	3,000
	4/11/2011	4,000
	4/11/2011	16,000
	4/18/2011	9,000
	4/27/2011	12,000
	4/28/2011	11,000
	5/13/2011	6,000
	5/23/2011	8,000
	5/25/2011	5,000
	6/13/2011	1,230
	6/30/2011	5,000
	6/30/2011	3,000
Total Penalties Received		\$ 572,830

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program	Budget 2011	Projection 2011	Budget 2012	Variance 2011 Budget v 2012 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 215,500	\$ 136,000	\$ 30,000	\$ (185,500)
Total	\$ 215,500	\$ 136,000	\$ 30,000	\$ (185,500)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Membership Dues	\$ 27,500	\$ 27,500	\$ 27,500	\$ -
Interest Income	600	13,000	13,000	12,400
Total	\$ 28,100	\$ 40,500	\$ 40,500	\$ 12,400
Total Outside Funding	\$ 243,600	\$ 176,500	\$ 70,500	\$ (173,100)

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Texas RE is providing the same number of workshops and will be charging workshop attendees for the direct expenses associated with conducting those workshops.
- However, Texas RE is eliminating the Operations Training Seminar from its budget due to ERCOT wishing to provide the training service to the ERCOT region.
- Texas RE is budgeting increased interest income based on more active management of bank accounts.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2011 Budget v 2012 Budget	Variance %
Salaries					
Salary	\$ 4,795,004	\$ 4,595,167	\$ 5,854,972	\$ 1,059,968	22%
Total Salaries	\$ 4,795,004	\$ 4,595,167	\$ 5,854,972	\$ 1,059,968	22%
Total Payroll Taxes					
	\$ 423,650	\$ 367,613	\$ 521,980	\$ 98,331	23%
Benefits					
Life, Health, Vision, etc.	\$ 589,499	\$ 551,420	\$ 806,045	\$ 216,546	37%
Total Benefits	\$ 589,499	\$ 551,420	\$ 806,045	\$ 216,546	37%
Retirement					
401(k) Contr. & Employee Matching	\$ 693,219	\$ 643,323	\$ 799,971	\$ 106,752	15%
Total Retirement	\$ 693,219	\$ 643,323	\$ 799,971	\$ 106,752	15%
Total Personnel Costs					
	\$ 6,501,372	\$ 6,157,524	\$ 7,982,969	\$ 1,481,597	23%
FTEs					
	49.00	49.00	58.00		
Cost per FTE					
Salaries	\$ 97,857	\$ 93,779	\$ 100,948	\$ 3,091	3.2%
Payroll Taxes	8,646	7,502	9,000	354	4.1%
Benefits	12,031	11,253	13,897	1,867	15.5%
Retirement	14,147	13,129	13,793	(355)	-2.5%
Total Cost per FTE	\$ 132,681	\$ 125,664	\$ 137,637	\$ 4,956	3.7%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Texas RE salaries per FTE are in line with expectations based on the changes in headcount and the salary assumptions.
- Payroll taxes are higher due to higher staff counts in 2012. Though Texas RE is exempt from paying FUTA due to our 501(c)(3) status, our state unemployment experience rating is not expected to decline.
- Texas RE is expecting a rate increase for health insurance benefits provided to employees of nearly 10%. Medical inflation is trending between 10% - 20% and since this is Texas RE's first renewal period, we expect to be at the lower end of the price increase. Also included in benefits expense is training expenses for employees that were previously recorded under the miscellaneous expense category.
- Benefits expense also reflects an increase in relocation expense from 2011, bringing the total anticipated expense to \$40K.
- The retirement expenses are budgeted based on historical trend and adjusted for increases in staff.

Table B-5 – Consultants and Contracts

Consultants	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Consultants					
Consultants	\$ 20,000	\$ 20,000	\$ 24,000	\$ 4,000	20.00%
Consultants Total	\$ 20,000	\$ 20,000	\$ 24,000	\$ 4,000	20%
Contracts	2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Contracts					
IT-Managed Service Fees	510,368	281,120	165,176	(345,192)	-67.64%
IT Hosting Fees	75,623	75,623	70,920	(4,703)	-6.22%
Contracts	880	880	2,620	1,740	197.73%
Maintenance for Accounting System	8,000	8,000	8,000	-	0.00%
EthicsPoint	1,700	1,700	1,854	154	9.06%
	-	-	-	-	-
Contracts Total	\$ 596,571	\$ 367,323	\$ 248,570	\$ (348,001)	-58%
Total Consulting and Contracts	\$ 616,571	\$ 387,323	\$ 272,570	\$ (344,001)	-56%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Consultant's expense of \$24K is reflecting recruiter fees that are separate from the other expense charged to personnel expenses. Additionally, for 2012, the expense item is reflected under the HR activity code unlike 2011, when it was primarily budgeted under another activity code.
- IT managed service fees are for Managed Hosting Services and Infrastructure Services, Reliability Standards Tracking Site, 24-hour Managed Security Service Provider for Networks, Service Desk, Managed Exchange Services, and compliance software. The total expense of \$165K in 2012 is \$345K less than 2011's budget due to IT staff performing of many of these tasks internally as well as securing a lower cost compliance portal system.
- IT hosting fees represent Data Centers (Primary and Backup), Electronic Security Equipment Maintenance and Subscription \$71K.
- There is \$8K budgeted for the accounting system maintenance expense.
- There is \$2K for EthicsPoint budgeted in 2012 under contracts category.

Table B-6 – Office Rent

Office Rent	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Office Rent & Facilities	\$ 475,000	\$ 450,000	\$ 499,000	24,000	5.05%
Security (moved to Professional Services)	24,000	-	-	(24,000)	-100.00%
Total Office Rent	\$ 499,000	\$ 450,000	\$ 499,000	\$ 0	0.00%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Rent expense is budgeted in 2012 at \$499K, which is equivalent to 2011.

Table B-7 – Office Costs

Office Costs	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Office Supplies	\$ 9,600	\$ 10,200	\$ 11,988	\$ 2,388	24.88%
Computer Supplies & Maintenance	44,744	89,678	99,090	54,346	121.46%
Cell Phone Costs/Telephone	36,240	18,000	17,760	(18,480)	-50.99%
Postage	1,440	1,440	1,596	156	10.83%
Express Shipping	4,000	4,000	4,126	126	3.15%
Stationary Forms	2,350	2,350	1,836	(514)	-21.87%
Reports - Graphics	1,000	1,000	1,030	30	3.00%
Internet Expense	105,655	130,000	139,200	33,545	31.75%
Subscriptions & Publications	1,240	1,240	5,579	4,339	349.92%
Equipment Repair/Srv. Contracts	9,820	25,000	24,000	14,180	144.40%
Property Taxes	27,600	28,000	32,400	4,800	17.39%
Bank Charges	600	600	624	24	4.00%
Dues	4,950	4,950	5,100	150	3.03%
Total Office Costs	\$ 249,239	\$ 316,458	\$ 344,329	\$ 95,090	38.15%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- General office supplies for 2012 are \$12K which is an increase of \$2K primarily for staffing level increases.
- There will be maintenance agreements up for renewal, small non-capitalizable items purchased over the course of the year, such as mice, cords, power strips, small UPS units, etc. In total, computer supplies and maintenance purchases will increase by \$54K for a total of \$99K. The primary increase is attributed to the maintenance agreement for Texas RE's PI software.
- Telephone is budgeted to be \$18K in 2012. This expense is decreasing \$18K primarily related to online meeting service costs reflected under meeting expense.
- Other items, such as, postage, express shipping, stationary, reports, subscriptions, publications, bank charges, and dues are not changing materially.
- Internet expense is increasing \$34K for a total of \$139K. Texas RE pays for connectivity for a primary data center and a backup data center and requires service enhancements for optimum performance.
- Equipment repair and services for the Local Area Network, Equipment Service Support, Network Server Hardware Service and Warranty is expected to total approximately \$24K; which is an increase of \$14K in 2012.
- Property taxes associated with Texas RE hardware, furniture and leasehold improvement are expected to be higher in 2012 by \$5K, for a total of \$32K
- Subscriptions are increasing for electronic knowledgebase access for IT and other areas.

Table B-8 – Professional Services

Professional Services	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Outside Legal	\$ 320,000	\$ 275,101	\$ 313,500	\$ (6,500)	-2.03%
Accounting & Auditing Fees	90,000	80,000	85,200	\$ (4,800)	-5.33%
Insurance / Risk Management	85,000	75,000	75,000	(10,000)	-11.76%
IT Professional Services		-	38,106	\$ 38,106	100.00%
Employee Verification/Background Check	14,180	14,180	15,600	\$ 1,420	10.01%
Benefits Administration	20,020	15,000	7,500	\$ (12,520)	-62.54%
Board Fees	220,800	177,500	256,000	\$ 35,200	15.94%
Security (moved from rent)	-	57,200	62,394	\$ 62,394	100.00%
Total Services	\$ 750,000	\$ 693,981	\$ 853,300	\$ 103,300	13.77%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Outside legal expenses are expected to decrease \$7K, for a total 2012 budget of \$314K.
- Accounting and auditing fees (including accounting services fees) are reflecting reductions of \$5K, and are budgeted at \$85K.
- The Insurance/Risk Management budget was established in 2011 before the final rates were negotiated. Texas RE does not expect these costs to be significantly higher in 2012 because there were no claims filed against the policy and there were no insured losses. The result is a decrease of \$10K.
- IT professional services of \$38K for enhanced staffing are reflected within this account.
- Employee verification and background checking fees are reflecting a slight increase year-over-year and are \$16K for the year.
- Benefits administration costs for benefit design, plan audit and management are expected to be decreasing \$13K for a total of \$8K.
- Board fees are expected to increase \$35K to accommodate a potential recruitment fee of \$70K should that become necessary; otherwise, the expense would have been \$35K lower year-over-year.
- Security is budgeted at \$62K for 2012. In 2011, security was budgeted under rent totaling \$24K.

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Table B-10 – 2013 and 2014 Projection

Statement of Activities and Capital Expenditures - Statutory 2012 Budget & Projected 2013 and 2014 Budgets								
	2012 Budget	2013 Projection	\$ Change 12 v 13	% Change 12 v 13	2014 Projection	\$ Change 13 v 14	% Change 13 v 14	
Funding								
ERO Funding								
Texas RE Assessments	\$ 9,503,866	\$ 11,280,966	\$ 1,777,100	18.70%	\$ 12,070,633	\$ 789,667	6.5%	
Penalty Sanctions	572,830	-	(572,830)	-100.00%	-	-		
Total ERO Funding	\$ 10,076,696	\$ 11,280,966	\$ 1,204,270	12.0%	\$ 12,070,633	\$ 789,667	6.5%	
Membership Dues	27,500	29,425	1,925	7.00%	31,485	2,060	7.0%	
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshops	30,000	32,100	2,100	7.00%	34,347	2,247	7.0%	
Interest	13,000	13,910	910	7.00%	14,884	974	7.0%	
Miscellaneous	-	-	-		-	-		
Total Funding	\$ 10,147,196	\$ 11,356,401	\$ 1,209,205	11.9%	\$ 12,151,349	\$ 794,948	7.0%	
Expenses								
Personnel Expenses								
Salaries	\$ 5,854,972	\$ 6,264,820	\$ 409,848	7.0%	\$ 6,703,357	438,537	7.0%	
Payroll Taxes	521,980	558,519	36,539	7.0%	597,615	39,096	7.0%	
Benefits	806,045	862,469	56,424	7.0%	922,842	60,373	7.0%	
Retirement Costs	799,971	855,969	55,998	7.0%	915,887	59,918	7.0%	
Total Personnel Expenses	\$ 7,982,969	\$ 8,541,777	\$ 558,808	7.0%	\$ 9,139,701	\$ 597,924	7.0%	
Meeting Expenses								
Meetings	\$ 37,200	\$ 39,804	\$ 2,604	7.0%	\$ 42,590	2,786	7.0%	
Travel	359,748	384,930	25,182	7.0%	411,875	26,945	7.0%	
Conference Calls	18,000	19,260	1,260	7.0%	20,608	1,348	7.0%	
Total Meeting Expenses	\$ 414,948	\$ 443,994	\$ 29,046	7.0%	\$ 475,073	\$ 31,079	7.0%	
Operating Expenses								
Consultants & Contracts	\$ 272,570	\$ 291,650	19,080	7.0%	\$ 312,066	20,416	7.0%	
Office Rent	499,000	533,930	34,930	7.0%	571,305	37,375	7.0%	
Office Costs	344,329	368,432	24,103	7.0%	394,222	25,790	7.0%	
Professional Services	853,300	913,031	59,731	7.0%	976,943	63,912	7.0%	
Miscellaneous	-	-	-		-	-		
Depreciation	753,948	806,724	52,776	7.0%	863,195	56,471	7.0%	
Total Operating Expenses	\$ 2,723,147	\$ 2,913,767	\$ 190,620	7.0%	\$ 3,117,731	\$ 203,964	7.0%	
Total Direct Expenses	\$ 11,121,064	\$ 11,899,538	\$ 778,474	7.0%	\$ 12,732,505	\$ 832,967	7.0%	
Indirect Expenses	\$ (210,657)	\$ (225,403)	\$ (14,746)	7.0%	\$ (241,181)	\$ (15,778)	7.0%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses	\$ 10,910,407	\$ 11,674,135	\$ 763,728	7.0%	\$ 12,491,324	817,189	7.0%	
Change in Assets	\$ (763,211)	\$ (317,734)	\$ 445,477	-58.4%	\$ (339,975)	\$ (22,241)	7.0%	
Fixed Assets								
Depreciation	\$ (753,948)	\$ (806,724)	\$ (52,776)	7.0%	\$ (863,195)	\$ (56,471)	7.0%	
Computer & Software CapEx	382,000	408,740	26,740	7.0%	437,352	28,612	7.0%	
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	75,000	80,250	5,250	7.0%	85,868	5,618	7.0%	
Leasehold Improvements	-	-	-		-	-		
(Incr)Dec in Fixed Assets	\$ 296,948	\$ 317,734	\$ 20,786	7.0%	\$ 339,975	\$ 22,241	7.0%	
TOTAL CHANGE IN NET ASSETS	\$ (466,263)	\$ -	\$ 466,263	-100.0%	\$ -	\$ -	0.0%	
FTEs	58.00	62.00	4.00	7.0%	66.00	4.00	6.6%	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Assumes no increases to cash reserves and no penalties for 2013 and 2014.
- Reflects FTE increases of 4.0 FTEs in 2013 and 4.0 in 2014, which is 7% for 2013 and 6.5% increase in 2014 (2014 eliminates a fractional).
- Assumption is for a standard 7% increase across the board – due to uncertainty in the coming years' workflow, process changes, and other requirements under the delegation agreement.

Section C – 2012 Non-Statutory Activities 2012 Business Plan and Budget



Section C — 2010 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	Approved		Increase
	2011 Budget	2012 Budget	(Decrease)
Total FTEs	5.0	5.0	-
Direct Expenses	\$ 778,596	\$ 788,443	\$ 9,847
Indirect Expenses	\$ 191,379	\$ 210,657	\$ 19,278
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 969,974	\$ 999,100	\$ 29,126

Non-Statutory Functional Scope

Texas RE will continue to perform non-statutory activities in 2012 and throughout the planning period. Texas RE will remain the Texas Reliability Monitor and perform the audits, investigations, monthly metrics review, and other monitoring and reporting of market participants' compliance with the reliability-related ERCOT Protocols and Operating Guides (ERCOT Regional Rules) that it and its predecessor Texas Regional Entity performed in previous years, under the direction of the Public Utility Commission of Texas (PUCT). Texas RE will also monitor the stakeholder Regional Rules creation and modification process and assist the PUCT with comments on proposed changes to rules that impact reliability. Texas RE will not perform any enforcement activities, but will provide testimony and technical support to the PUCT for its enforcement cases.

Major 2012 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for the PUCT in 2012 and throughout the planning period.

2012 Non-Statutory Goals and Objectives

- Appropriately monitor and report to the PUCT regarding stakeholder compliance with the Regional Rules.
- Implement the 2012 Regional Rules audit plan per the posted schedule.
- Review and assess system disturbances for potential violations of ERCOT Regional Rules and report all findings to the PUCT.
- Provide technical expertise to the PUCT for the review and modification of ERCOT Regional Rules that impact reliability of the BPS and support the PUCT efforts to ensure adequate reliability metrics are developed for the new nodal market.
- Provide technical or testimony support as needed to the PUCT for its enforcement of ERCOT Regional Rules violations.

Funding Sources

- Funding will be obtained through a contract between Texas RE, the PUCT, and ERCOT, which requires ERCOT to make quarterly fixed fee payments in the amount of \$250K to Texas RE from its PUCT-approved system administration fee. Texas RE's total 2012 non-statutory budget and funding is \$999K. The 2012 non-statutory contract funding is \$29K higher than the 2011 funding of \$970K.

Personnel Expenses

- Non-statutory personnel are remaining constant at 5 FTEs, and personnel expenses are only increasing due to merit and market adjustments. One "FTE" will continue to represent the composite of time spent by administrative and management personnel who primarily perform statutory activities. The resulting increase is \$40K for salary and benefits.

Meeting Expenses

- Travel is virtually flat year-over-year and is budgeted at \$13K.

Operating Expenses

- Contract costs are virtually flat and budgeted at \$9K.
- Office Costs are less year-over-year by \$12K and do not reflect internet connectivity as a direct expense. Instead that cost is charged via the indirect allocation to non-statutory Protocol compliance.
- Protocol professional services are being decreased \$19K based on expected trends with outside counsel.

Indirect Expenses

- The non-statutory allocation of indirect expenses is increasing \$19K and will total \$211K which reflects a full year allocation of indirect expenses.

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures					
2011 Budget & 2012 Budget					
NON-STATUTORY					
Funding	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Texas RE Funding					
Texas RE Assessments	\$ -	\$ -	\$ -		\$ -
Penalty Sanctions	-	-	-		-
Total Texas RE Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues/Non-statutory Assessments	969,975	969,975	-	999,100	\$ 29,125
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 969,975	\$ 969,975	\$ -	\$ 999,100	\$ 29,125
Expenses					
Personnel Expenses					
Salaries	\$ 507,912	\$ 400,872	\$ (107,041)	\$ 541,194	\$ 33,282
Payroll Taxes	43,532	32,070	(11,462)	46,263	2,731
Benefits	71,058	48,105	(22,954)	69,773	(1,285)
Retirement Costs	73,647	56,122	(17,525)	78,473	4,826
Total Personnel Expenses	\$ 696,150	\$ 537,168	\$ (158,982)	\$ 735,703	\$ 39,553
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	12,222	10,855	(1,367)	12,593	371
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 12,222	\$ 10,855	\$ (1,367)	\$ 12,593	\$ 371
Operating Expenses					
Consultants & Contracts	\$ 8,400	\$ 7,183	\$ (1,217)	\$ 8,652	\$ 252
Office Rent	-	-	-	-	-
Office Costs	25,824	21,656	(4,168)	14,316	(11,508)
Professional Services	36,000	30,188	(5,813)	17,179	(18,821)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 70,224	\$ 59,027	\$ (11,197)	\$ 40,147	\$ (30,077)
Total Direct Expenses	\$ 778,596	\$ 607,050	\$ (171,546)	\$ 788,443	\$ 9,847
Indirect Expenses	\$ 191,379	\$ 191,379	\$ -	\$ 210,657	\$ 19,278
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 969,974	\$ 798,428	\$ (171,546)	\$ 999,100	\$ 29,126
Change in Assets	\$ -	\$ 171,547	\$ 171,547	\$ 0	\$ (0)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 171,547	\$ 171,547	\$ 0	\$ (0)

Personnel Analysis

Fractional FTEs reflect part-time, shared employees, or employees who worked in fewer than all four quarters of the year.

Total FTE's by Program Area	Approved Direct FTEs 2011 Budget	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs ¹ 2012 Budget	Total FTEs 2012 Budget	Variance from Approved 2011 Budget
NON-STATUTORY						
Operational Programs						
Protocol	4.40	4.40	4.00	0.40	4.40	0.00
Total FTEs Operational Programs	4.40	4.40	4.00	0.40	4.40	0.00
Administrative Programs						
G&A	0.60	0.60	0.00	0.60	0.60	0.00
Total FTEs Administrative Programs	0.60	0.60	0.00	0.60	0.60	0.00
Total FTEs	5.00	5.00	4.00	1.00	5.00	0.00

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

Reserve Analysis — 2011–2012

Working Capital Reserve Analysis 2011-2012	
NON-STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2010	0
Plus: 2011 Texas RE Funding (from LSEs or designees)	
Plus: 2011 Other funding sources	969,975
Less: 2011 Projected expenses & capital expenditures	(798,428)
Projected Working Capital Reserve (Deficit), December 31, 2011	<u><u>171,547</u></u>
Desired Working Capital Reserve, December 31, 2012	¹ 171,547
Less: Projected Working Capital Reserve, December 31, 2011	(171,547)
Additional funding/(release of reserves) required to achieve desired Working Capital Reserve	<u><u>0</u></u>
2012 Funding for Expenses and Capital Expenditures	999,100
Less: Other Funding Sources	-
Adjustment to achieve desired Working Capital Reserve	0
Amended 2012 Funding (reserve adjustment)	<u><u>999,100</u></u>

¹ Calculated reserves for Protocol, equates to approximately a 63 day reserve.

Section D – Supplemental Information

2012 Business Plan and Budget



Section D – Supplemental Information

2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenses by Program 2012 Budget	Statutory Total		Non-Statutory Total		Functions in Delegation Agreement										Non-Statutory Functions		
	Total	Statutory Total	Total	Non-Statutory Total	Reliability Standards (Section 330)	Compliance and Registration and Enforcement (409 & 509)	Reliability Assessment and Performance (Section 100)	Training and Education (90)	Station Awareness and Infrastructure (Section 100)	Compliance and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	
Texas RE Funding																	
Texas RE Assessments	9,503,866	9,503,866	-	-	412,751	8,016,471	1,040,204	325,547	186,157	-	(470,263)	-	-	-	-	-	-
Priority Sanctions	572,830	572,830	-	-	27,237	460,689	57,936	21,216	8,093	-	-	-	-	-	-	-	-
Total Texas RE Funding	10,076,696	10,076,696	-	-	439,987	8,477,159	1,097,140	346,763	194,250	-	(470,263)	-	-	-	-	-	-
Nonstatutory Funding	999,100	-	999,100	-	-	-	-	-	-	-	-	-	-	-	-	999,100	-
Membership Dues	27,500	27,500	-	-	1,164	22,116	2,765	1,019	437	-	-	-	-	-	-	-	-
Services & Software	30,000	30,000	-	-	-	-	-	30,000	-	-	-	-	-	-	-	-	-
Workshops	13,000	13,000	-	-	-	-	-	-	-	13,000	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	11,146,296	10,447,196	999,100	999,100	438,161	8,501,276	1,100,554	375,781	197,686	(466,263)	-	-	-	-	-	999,100	-
Expenses																	
Personnel Expenses																	
Salaries	6,595,166	5,854,972	541,194	-	216,978	3,851,660	590,517	172,089	111,755	189,550	307,061	215,760	-	199,422	-	541,194	-
Payroll Taxes	669,243	521,980	147,263	-	19,875	343,046	50,270	15,130	9,897	17,635	28,454	19,477	-	18,196	-	46,283	-
Benefits	875,819	806,045	69,773	-	24,318	546,872	71,718	25,200	12,186	24,282	44,457	31,566	-	25,416	-	69,773	-
Retirement Costs	87,844	799,971	78,733	-	31,462	558,520	85,625	24,950	16,204	17,465	24,524	19,916	-	19,916	-	78,733	-
Total Personnel Expenses	8,718,672	7,982,869	735,703	735,703	292,632	5,300,298	788,131	237,349	150,042	248,852	404,526	288,088	-	262,950	-	735,703	-
Meeting Expenses																	
Meetings	37,200	37,200	-	-	-	-	-	30,000	-	7,200	-	1,200	-	-	-	-	-
Travel	372,341	359,748	12,593	-	11,201	255,291	8,950	310	1,306	46,305	7,425	25,904	1,404	1,652	-	12,593	-
Telephone	10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	419,541	414,948	12,593	12,593	11,201	255,291	8,950	30,310	1,306	53,505	7,425	45,104	1,404	1,652	-	12,593	-
Operating Expenses																	
Consultants & Contracts	281,222	272,570	8,652	-	10,296	155,000	-	-	-	2,500	1,854	70,920	24,000	8,000	-	8,652	-
Office Rent	499,000	499,000	-	-	-	-	-	-	-	499,000	-	-	-	-	-	-	-
Office Costs	385,645	344,329	41,316	-	464	14,888	-	-	-	30,000	2,312	266,292	288	40,065	-	41,316	-
Professional Services	870,479	853,300	17,179	-	-	285,000	-	-	-	296,000	18,000	108,000	23,100	160,200	-	17,179	-
Miscellaneous	753,948	753,948	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	2,753,294	2,723,147	30,147	-	10,760	281,280	-	-	-	691,164	22,166	398,454	47,588	202,265	-	30,147	-
Total Operating Expenses	11,909,507	11,121,064	788,443	788,443	314,593	6,294,767	807,081	267,659	151,348	(1,292,871)	434,117	1,076,888	48,772	472,867	-	788,443	-
Indirect Expenses																	
Indirect Expenses	(210,657)	(210,657)	-	-	130,157	2,472,952	369,123	113,857	46,809	(1,292,871)	(634,117)	(1,076,888)	(48,772)	(472,867)	-	(210,657)	-
Other Non-Operating Expenses																	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	11,909,507	10,910,407	999,100	999,100	10,910,407	444,750	8,767,749	1,116,203	200,157	(466,263)	-	-	-	-	-	999,100	-
Change in Assets																	
Change in Assets	(783,211)	(783,211)	-	-	(6,589)	(266,473)	(15,649)	(5,765)	(2,471)	(466,263)	-	-	-	-	-	-	-
Fixed Assets																	
Depreciation	(753,948)	(753,948)	-	-	-	(281,280)	-	-	-	(164,184)	-	(398,454)	-	-	-	-	-
Computer & Software CapEx	382,000	382,000	-	-	-	140,000	-	-	-	-	-	242,000	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	75,000	75,000	-	-	-	-	-	-	-	75,000	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	296,948	296,948	-	-	296,948	141,280	-	-	-	89,184	-	66,484	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	6,589	125,183	15,649	5,765	2,471	(89,184)	-	(66,484)	-	-	-	-	-
Change in Fixed Assets	296,948	296,948	-	-	6,589	266,473	15,649	5,765	2,471	(89,184)	-	(66,484)	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	(466,263)	(466,263)	-	-	0	0	0	0	0	(466,263)	-	-	-	-	-	-	-
FTEs	63.00	56.00	5.00	5.00	56.00	2.00	36.00	4.75	1.75	0.75	0.50	3.00	1.00	2.00	5.00	5.00	-

Statement of Financial Position

- As of December 31, 2010, per audit
- As of December 31, 2011, projected
- As of December 31, 2012, as budgeted

Statement of Financial Position 2010 Audited, 2011 Projection, and 2012 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-10	Projected 31-Dec-11	Proposed 31-Dec-12
ASSETS			
Cash	3,673,153	3,281,890	2,769,466
Accounts receivable, net of allowance for uncollectible	82,069	82,069	82,069
Other receivables	-	-	-
Prepaid expenses and other current assets	-	-	-
Security deposit	215,344	215,344	215,344
Cash value of insurance policies	-	-	-
Property and equipment	2,297,929	2,028,894	1,656,946
Total Assets	6,268,495	5,608,197	4,723,825
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	783,358	413,841	413,841
Deferred income	578,370	578,370	578,370
Regional assessments collected in advance	609,414	73,814	73,814
Regulatory Liability	-	-	-
Accrued retirement liabilities	-	-	-
Total Liabilities	1,971,142	1,066,025	1,066,025
Net Assets - unrestricted	4,297,353	4,542,172	3,657,800
Total Liabilities and Net Assets	6,268,495	5,608,197	4,723,825

2012 Texas RE Combined Statutory and Non-statutory Organization Chart

