



**2009 Business Plan and Budget  
Version 3.1**

**Texas Regional Entity**

**Approved by:  
Texas Regional Entity Board of Directors**

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## Introduction

<b>Total RE Resources</b> (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	26.95			
Non-statutory FTEs	5.05			
Total FTEs	32.0			
Statutory Expenses	\$6,167,024	\$6,167,024		
Non-statutory Expenses	\$871,997	\$871,997		
Total Expenses	<u>\$7,039,021</u>	<u>\$7,039,021</u>		
ERO Funding/Assessments	\$3,430,700	\$3,430,700		
Other Funding Sources	\$70,000	\$70,000		
Non-statutory Funding	\$871,997	\$871,997		
Total Funding	<u>\$4,372,697</u>	<u>\$4,372,697</u>		
NEL	319,355,145 mwh	319,355,145 mwh		
NEL %	100.0%	100.0%		

Texas Regional Entity (Texas RE) is an independent division of Electric Reliability Council of Texas, Inc. (ERCOT ISO), a Texas non-profit corporation. The vision of Texas RE is to preserve and enhance reliability across the ERCOT Region by encouraging a culture of compliance among all users, owners, and operators of the bulk-power system.

In May 2007, Texas RE executed a Delegation Agreement with North American Electric Reliability Corporation (NERC), the Electric Reliability Organization (ERO) certified by the Federal Energy Regulatory Commission (the Commission), pursuant to Section 215(c) of the Federal Power Act (FPA). In response to subsequent orders by the Commission, Texas RE and NERC signed an Amended and Restated Delegation Agreement on March 28, 2008.

The Commission authorized NERC to develop standards for the reliable operation and planning of the Bulk-Power System, to enforce compliance with those standards, and to conduct periodic assessments of the reliability and adequacy of the Bulk-Power System in North America. The Commission further authorized NERC to delegate these responsibilities to regional entities through Delegation Agreements approved by the Commission, and the Commission provides oversight of the ERO and regional entity performance in the United States, pursuant to the FPA.

In the May 2007 Delegation Agreement and the March 28, 2008 Amended and Restated Delegation Agreement (collectively "the Delegation Agreement"), NERC delegates to Texas RE certain responsibilities and authorities of a regional entity as defined in the FPA, regulations adopted by the Commission (including but not limited to Order N. 672 in Docket No. RM05-30-000), and other directives of the Commission, including the authority to propose, develop, monitor, assess, and enforce reliability standards and ERCOT Region-Specific regional reliability standards ("Regional Standards") and variances within the ERCOT Region, in accordance with the NERC Rules of Procedure (ROP). Texas RE's activities under the Delegation Agreement are referred to herein as statutory activities.

All proposed reliability standards and Regional Standards and variances must be submitted by the ERO to the Commission and must be approved by the Commission as just, reasonable, not unduly discriminatory or preferential, and in the public interest to be effective and enforceable. The ERO and regional entities monitor compliance with the reliability standards, and they may direct violators to comply with the standards and impose penalties for violations in accordance with the NERC ROP, subject to review by and appeal to the Commission. While the ERO is responsible for compliance and enforcement under Commission oversight, the Commission is

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authorized by the FPA to also investigate compliance and impose penalties independently of the ERO.

In addition to Texas RE's statutory activities, Texas RE investigates, audits, and reports on compliance with the ERCOT Region reliability-based Protocols and Operating Guides (Protocols) for the Public Utility Commission of Texas (PUCT). Texas RE's Protocol-related activities are referred to herein as Non-statutory activities. Texas RE coordinates with PUCT staff regarding enforcement of potential Protocol violations, but the PUCT prosecutes any Protocol violations that result in enforcement actions. Due process is provided to any entity that is reported to have violated a Protocol, pursuant to state law, and the PUCT makes all final decisions regarding Protocol violations.

## Vision

The vision of Texas Regional Entity, an independent division of Electric Reliability Council of Texas, Inc., is to preserve and enhance reliability across the ERCOT Region by encouraging a culture of compliance among all users, owners, and operators of the bulk-power system.

## Mission

In order to fulfill its obligations, Texas Regional Entity will act in accordance with its Delegation Agreement, NERC Rules of Procedure and the PUCT approved ERCOT Compliance Process to:

- Monitor, report, and enforce compliance with NERC Reliability Standards by all users, owners, and operators of the bulk-power system in the ERCOT Region.
- Develop regional variances or standards which go beyond, add details to or implement NERC Reliability Standards.
- Monitor and report compliance with ERCOT Protocols by all Market Participants in the ERCOT Region.

## Membership and Governance

Because Texas RE is an independent division of ERCOT ISO, members of ERCOT ISO are also members of Texas RE. These members can be from any ERCOT ISO Segment (as listed below), and, except for the Consumer Segment, must have an actual financial interest in the retail or wholesale electric market in the ERCOT Region and be able to do business in one of these markets. ERCOT ISO 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 bulk power system has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

In order to maintain clear independence from and not be unduly influenced by the owners, operators, and users of the bulk power system being monitored, Texas RE is a functionally separate and independent division of ERCOT ISO. Texas RE is led by a chief executive officer with the title CEO and Chief Compliance Officer (CCO) who manages the general affairs of Texas RE as its chief executive officer, who reports to the Board of Directors or a subcommittee thereof for administrative purposes. The Texas RE employees maintain office space that is separated from ERCOT ISO office space by a secured access point. Texas RE and its employees function independently of the ERCOT ISO and its officers, and Texas RE creates, monitors, and operates under an independent budget and maintains separate books and records from ERCOT ISO. Texas RE uses certain administrative services provided by ERCOT

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ISO employees, but Texas RE pays a cost reimbursement based rate for goods or services provided by ERCOT ISO, pursuant to the Service Level Agreement.

Texas RE's board is comprised of the sixteen (16) directors of the ERCOT ISO board, including the Chair of the PUCT, as an ex officio non-voting member, the ERCOT ISO CEO as an ex-officio voting member, five (5) Unaffiliated Directors (not affiliated with any ERCOT ISO market participant), and directors from the following market Segments:

- A. Three (3) Consumers:
  - 1. Public Counsel (representing residential consumers and small commercial consumers, as an ex officio voting member)
  - 2. Large Commercial (peak demand >1000 kilowatts)
  - 3. Industrial Consumer
- B. 1 Independent Retail Electric Provider (and one segment alternate)
- C. 1 Generator (and one segment alternate)
- D. 1 Independent Power Marketer (and one segment alternate)
- E. 1 Investor Owned Utility and (and one segment alternate)
- F. 1 Municipal (and one segment alternate)
- G. 1 Cooperative (and one segment alternate)

The Texas RE directors maintain independence from their role as ERCOT ISO directors by holding board and committee meetings separately from ERCOT ISO meetings and by not having any role regarding Texas RE's Statutory compliance and enforcement activities (as described below).

## Statutory Functional Scope

In accordance with the Delegation Agreement and in compliance with the NERC ROP, Texas RE performs the following Statutory Functions:

- A. Propose Reliability Standards, Regional Variances or modifications thereof to NERC and develop needed Regional Standards through Texas RE's standards development procedure.
- B. Monitor and enforce approved Reliability Standards (including Regional Standards and Regional Variances) within the ERCOT Region through Texas RE's Compliance Monitoring and Enforcement Program (CMEP).
- C. Perform delegation-related services on behalf of NERC, in furtherance of NERC's responsibilities as the ERO under the FPA, including:
  - 1. Organization registration and certification.
  - 2. Assessment and performance analysis of the present and future reliability, adequacy, and security of the bulk-power system.
  - 3. Promote effective training and education of reliability personnel and assist in the certification of operating personnel.
  - 4. Promote situational awareness and the security and protection of critical infrastructure.

## Non-Statutory Functional Scope

In addition to its Statutory functions, Texas RE monitors and investigates compliance with the ERCOT Region Protocols needed to safely and reliably operate the electric transmission system and support wholesale and retail markets. The ERCOT Region Protocols contain the market rules for planning and operating reliable interconnected bulk electric system in the ERCOT

Region. To ensure that the reliability of the interconnected bulk electric system is maintained, all ERCOT Region market participants involved in planning, operating, or using this system must understand and comply with these requirements. The PUCT oversees the enforcement process. Further explanation of the Non-Statutory budget is included in the Non-Statutory section of the Budget & Business Plan.

## Planning Cycle

Texas RE's financial process for the 2009 budget planning cycle employed a zero-based budgeting methodology. Each request for resources was evaluated and justified to ensure that resource requests were efficient and matched the departmental plan for the coming year. Each department manager was responsible for budgeting department resources for the 2009 planning cycle. The budget requests were evaluated for reasonableness and cost efficiency to ensure that the planning process would be successful. The budget assumptions associated with this planning cycle are as follows:

- 2009 will be the 2nd full year of operations for Texas RE.
- The budget process ensured that all of the functions were appropriately budgeted to:
  - Discharge all of the NERC Delegation Agreement requirements.
  - Continue monitoring & reporting on protocol compliance and non-compliance.
  - Ensure Texas RE continues to improve its processes by utilizing technology to enhance its operations.
  - Guarantee Texas RE has appropriate cash on hand by establishing a 60-day cash on hand reserve. The reserve represents approximately 60 days of operating expenses. This benchmark was chosen due to its common usage in financial markets as an indication of appropriate cash reserves to be held by organizations that receive bond-financing, though Texas RE does not have bond-financing.
- The reserve is to be treated as a non-operating expense item for purposes of budgeting, but will ensure that Texas RE has sufficient cash on hand.
- Labor expense and allocations for Statutory (Federal) functions and Non-Statutory (Protocol) functions were projected based on current time-tracking and expected trends.
- Increased Statutory Compliance labor resulted due to:
  - Additional and longer audits required, due to increased number of FERC-approved Reliability Standards and increased number of Registered Entities.
  - Increased emphasis on situational awareness and cyber-security.
  - Increase in Legal and Regulatory (investigations, contested matters, required communications with NERC, FERC, and PUCT, and regulatory matters).
- Invest in technology improvements and process automation.
- Non-statutory requirements will not increase.
  - Efficiencies experienced on QSE audits, due to statutory audits and statutory event analysis.
  - Projected allocation to the Non-Statutory function is reduced to less than 15% of the total budget.
- Increase in labor costs of 43% for 2009 (Headcount increasing 30%):
- Tight labor market for experienced Electrical Engineers with Electric Power Systems experience is driving salary up.
- Surplus funds from prior years (2007 & 2008) are expected to offset 2009 funding requirements (balance remaining is forecast to be \$1.8M).
- Texas RE Staff will relocate outside of its present location due to space requirements.
- FTE's are calculated based on hours of work spent performing activities as compared to 2,080 labor hours available in a full-time employee work-year.
- Services are received by Texas RE from ERCOT ISO for additional support services not included in Texas RE's direct expenses. These services are identified and priced in the

Memorandum of Understanding (including exhibits) between Texas RE and ERCOT ISO.

Texas RE staff reviews the organization's financials, monthly against plan, and documents the variances and emerging trends. Texas RE routinely forecasts expenses for the balance of the fiscal year. This ensures that the regional entity is maintaining fiscal discipline and that the Texas RE will be good stewards of the resources appropriated for the purposes of fulfilling the delegation agreement requirements.

## 2009 Primary Objectives

Texas RE's Primary Goals for 2009 are to:

- A. Effectively communicate with the industry, regulators, and other stakeholders
  - Build cooperative relationships with all registered entities, industry segments, ERCOT Region market participant committees and working groups, and regulators through regular, consistent messaging regarding all of Texas RE's program areas. Continuing strong communications and cooperative relationships will be especially crucial in the year 2009, because the ERCOT Region plans to implement its nodal market system in December 2008.
  - Continue to improve the established communications and relationships with NERC and the other Regional Entities during this second full year for the ERO and Regional Entities to operate under the approved delegation agreements.
  - Deliver a consistent message through a variety of electronic media (including the quarterly newsletter) as a timely and efficient means of providing important information to the industry and the public.
  - Continue to enhance the Texas RE online presence to build identity, awareness, and provide useful information about Texas RE and its mission, through the improved and separate Texas RE public Web site (planned for launch by the end of 2008) which will:
    - Increase awareness of Texas RE's mission and NERC and ERCOT Region-specific requirements for compliance
    - Provide comprehensive information and resources on standards, compliance, and registration requirements, including enforcement of compliance, changes to standards and requirements, and answers to frequently asked questions;
    - Act as a gateway to the externally hosted applications and related external Web sites
    - Attract qualified and diverse staff
    - Promote new information and educational opportunities
    - Serve as the foundation for additional information systems
- B. Prepare and obtain approval of an appropriate Texas RE Business Plan & Budget and Conduct Texas RE Operations within the approved Budget
- C. Effectively manage the NERC Compliance Monitoring and Enforcement Program (CMEP)
- D. Monitor, investigate and report reliability-related non-compliance with ERCOT Region Protocols

- E. Effectively manage the Texas RE Standards Development Process
- F. Establish Key Performance Indicators and Benchmarks for Texas RE operations.

## Major 2009 Cost Impacts

Statutory expenses are increasing by over 57% or \$2.2M from the 2008 forecast. This increase is primarily being driven by the following items:

1. Adding 5 additional staff will increase salary and benefits by almost \$600K.
2. Increases for existing staff (merit, promotion and market) totals approximately (salary & benefits) \$240K.
3. Texas RE has experienced some vacancies in staffing during 2008; the resulting difference is estimated to be \$60K.
4. Shifting salary from non-statutory to statutory due to better time estimation is increasing statutory salary and benefits \$106K.
5. Due to the need to relocate Texas RE offices, rent will be increasing by more than \$400K.
6. Texas RE is also establishing a cash reserve for 2009, which is approximately \$855K. This represents the 60 days cash on hand target which assures Texas RE will be appropriately funded.

## Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

## Section A — 2009 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program Resources</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	1.70	1.70
Total Direct Expenses	\$ 215,454	\$ 171,739	\$ 176,491
Total Indirect Expenses <sup>1</sup>	\$ 185,044	\$ 221,277	\$ 308,524
Total Expenses	\$ 400,498	\$ 393,016	\$ 485,014

<sup>1</sup> Indirect expense is allocated to the programs based on the FTEs within the program compared to total FTEs for all programs. The resulting percentage is then applied to the Administrative Services budgets to ensure that each program receives its pro-rata share of the Administrative Services expense.

#### Background

Texas RE may develop, through its own standards development process, separate Regional Standards that are specific to the ERCOT Region and go beyond, add detail to, or implement NERC Reliability Standards. Texas RE may also utilize the same process to obtain a Regional Variance to a NERC Standard; or develop Regional Standards that cover matters not addressed in NERC Reliability Standards. Regional criteria may be developed separately from NERC Reliability Standards, or may be proposed as 'Regional Standards. Regional criteria that exist separately from NERC Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

Regional Standards shall provide for as much uniformity as possible for Reliability Standards across the interconnected bulk power system of the North American continent. Such 'Regional Standards' shall be more stringent than a continent-wide Reliability Standard, or shall be a regional difference that addresses matters that the continent-wide Reliability Standard does not or is necessitated by a physical difference in the bulk power system.

#### Program Description and Functions Performed

Texas RE's Reliability Standards Development Process will be overseen by a Reliability Standards Committee (RSC) whose purpose is to see that all stakeholder interests are fairly represented in the development of Regional Standards. The RSC will be a broad-based, representative committee consisting of representatives from each of the seven ERCOT Region market participant segments. Participation is open to any person or entity with an interest in the reliability of the ERCOT Region Bulk Power System.

Among other responsibilities, the RSC will review each proposal for development of a new Regional Standard, a variance to a NERC standard, or a modification to or deletion of an existing Regional Standard, to determine if the proposal should be pursued. RSC also oversees the modification to the standards development process. If it so determined, the RSC will forward to the ERCOT Reliability and Operations Subcommittee (ROS) to appoint a reliability standard drafting team that has the necessary technical expertise, competencies, and diversity of views needed to develop the proposed standard. Development of each Regional Standard will include at least one time period for receipt of public comment before the proposed standard is submitted for an approval vote. A separate ballot pool will be established for each standard to allow Registered Ballot Body (RBB) with interest on a particular standard to participate on the voting activity. Upon evaluating the voting results, RSC will determine whether to forward the Regional Standard and the associated package to the Texas RE Board for approval. Finally, if approved by the Board, the Regional Standard will be forwarded to NERC for evaluation and approval and subsequent filing with FERC for its approval. Once FERC approves a

standard and the effective date reached, compliance with the standard is legally binding on all applicable owners, operators, and users within the Texas RE footprint.

Texas RE's Reliability Standards Development Process is designed to build and verify consensus for each Regional Standard. The open, inclusive, balanced and transparent process ensures that the resulting standards are just, reasonable, and nondiscriminatory. Participation by industry experts and compliance personnel ensures that the standards are technically sound, unambiguous, and measurable.

Texas RE's Reliability Standards Group will be responsible for coordinating and facilitating all aspects of the 'Regional Standards' development process. Staff will be actively involved in the NERC Reliability Standards Program, participate on the Reliability Standards Drafting Teams and participate on NERC Readiness Evaluations. The Reliability Standards Group will review each Reliability Standard and notify impacted entities of any new requirements as well as communicate all reliability standards-related information to stakeholders. Staff will also identify any possible training needed by responsible entity personnel to promote understanding and compliance with the new or revised reliability standards.

### **2009 Goals and Objectives**

The goals of the Reliability Standards Program for 2009 are to:

1. Meet all FERC and NERC directives with regard to Regional Standards development and procedures.
2. Develop Regional Standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
3. Work closely with the ERO and NERC Registered Entities within the Texas RE enforcement footprint to develop separate Regional Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or otherwise address issues that are not addressed in NERC Reliability Standards.
4. Ensure consistency and quality of Regional Standards without causing undue restrictions or adverse impacts on competitive electricity markets.
5. Ensure Texas RE Reliability Standards development process is aligned to meet agreed-upon expectations.
6. Streamline and improve the Texas RE's Reliability Standards development process and associated tools.
7. Participate and be actively involved in various NERC Reliability Standards Program and related functions.

### **Staffing Needs**

#### **Hiring Plans**

Based on the existing and proposed work as outlined in this business plan Texas RE will maintain the standards program area staff at 2008 levels, however 1 FTE did not start until the 1Q of 2008, therefore there is a slight increase reflected in 2009.

#### **Shared Employees**

Not applicable

#### **Contractors**

Not applicable

**Reliability Standards Program**

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Reliability Standards</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 215,454	\$ 215,454	\$ -	\$ 176,491	\$ (38,963)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 215,454</b>	<b>\$ 215,454</b>	<b>\$ -</b>	<b>\$ 176,491</b>	<b>\$ (38,963)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 144,806	\$ 125,691	\$ (19,115)	\$ 127,238	\$ 1,547
Payroll Taxes	12,019	10,827	(1,192)	10,179	(648)
Benefits	17,377	13,930	(3,447)	14,320	390
Retirement Costs	16,942	16,981	39	18,450	1,469
<b>Total Personnel Expenses</b>	<b>\$ 191,144</b>	<b>\$ 167,429</b>	<b>\$ (23,715)</b>	<b>\$ 170,187</b>	<b>\$ 2,758</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	8,500	3,500	(5,000)	4,344	844
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 9,310</b>	<b>\$ 4,310</b>	<b>\$ (5,000)</b>	<b>\$ 4,344</b>	<b>\$ 34</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,960	1,960
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	15,000	-	(15,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 15,000</b>	<b>\$ -</b>	<b>\$ (15,000)</b>	<b>\$ 1,960</b>	<b>\$ 1,960</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 215,454</b>	<b>\$ 171,739</b>	<b>\$ (43,715)</b>	<b>\$ 176,491</b>	<b>\$ 4,752</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 43,715</b>	<b>\$ 43,715</b>	<b>\$ -</b>	<b>\$ (43,715)</b>

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Expenses are higher related to maintaining full staff in 2009.

#### **Meeting Expenses**

- Travel expenses are virtually unchanged from the 2008 forecast to the 2009 budget.

#### **Operating Expenses**

- Operating expenses include fees related to dues and professional fees.

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

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	6.40	12.40	14.15
Total Direct Expenses	\$ 892,898	\$1,186,451	\$1,628,935
Total Indirect Expenses <sup>1</sup>	\$ 589,827	\$1,614,023	\$2,578,245
Total Expenses	\$1,482,725	\$2,800,474	\$4,207,180

### Overview

The purpose of Texas RE's Compliance Monitoring and Enforcement Program (CMEP) is to maintain the reliability of the ERCOT Region Bulk Power System. NERC oversees each Regional Entity's Compliance Program. Texas RE is responsible for monitoring, assessing, and enforcing compliance with NERC Reliability Standards, Regional Standards, and requirements by the owners, operators, and users of the bulk power system in the ERCOT Region. The CMEP activities make up the majority of the work currently done by Texas RE and the other Regional Entities. The CMEP focuses on four primary areas: identification and registration of organizations responsible for complying with Reliability Standards (Organization Registration and Certification), monitoring of the registered entities for compliance with Reliability Standards (Compliance Monitoring), determination and reporting to NERC of violations of Reliability Standards by registered entities (Enforcement Actions), and ensure correction of noncompliance and violations when identified (Mitigation of Violations). Texas RE maintains processes and procedures for data gathering, reporting, investigating, auditing, assessing, penalizing and sanctioning violators, and mitigating non-compliance.

The CMEP is a relatively new program. As such, Texas RE has focused its efforts on building new policies and procedures to support the evolving requirements that are being developed at the national level. As the organization begins to mature in 2009, Texas RE will review its organizational structure, processes and procedures with the intent to improve the quality of its work and begin the task of analyzing how we can mitigate the cost of compliance. The reliability of the Bulk Power System will always remain the unquestionable number one priority of the organization.

### Organization Registration and Certification Program Description and Functions

Texas RE is responsible for identifying and registering each entity that is responsible for performing each NERC function in the ERCOT Region, in accordance with Section 500 of the NERC ROP. These Registered Entities are responsible for complying with all applicable reliability standards. Texas RE must maintain an accurate registration list of all owners, operators, and users of the bulk power system for compliance monitoring purposes.

The amount of work related to entity registration is higher than expected in 2008 and is predicted to remain at a high level through 2009 due to on-going changes to responsibilities and definitions of the Register Entity functions, additional NERC and FERC procedural requirements, and the unique requirements and procedures required by the ERCOT Region Protocols.

Specifically, NERC is expected to approve the new definition of the Load Serving Entity (LSE) function before the end of 2008, which will drive the need to implement LSE registrations (which could number between 35 and several hundred, depending upon the final definition) during 2009. Additionally, the joint

registration (JRO) process (joint registrations with split tasks and responsibilities on a sub-requirement level between Registered Entities) requires significant review and approval by Texas RE and is expected to significantly impact work load. If the anticipated joint registrations for the transmission operator (TOP) function are completed during 2008 as expected, Texas RE estimates that nine certification audits will be added in the ERCOT Region in 2009 to support the 28 new TOP entities. Only 9 of the TOP certification audits are included in the 2009 business plan and budget.

Additionally, some registrations have been contested, particularly due to some of the unique procedures in the ERCOT Region Protocol. Texas RE has a regional registration appeals process and its staff must support Texas RE's position on appeals made by entities through the NERC and FERC appeal process. It is predicted that significant effort will continue to be expended in this area in 2009. Registration and, in some cases, certification of the organizations responsible for complying with the standards will be an ongoing activity.

The list of registered entities in the ERCOT Region continues to evolve and currently includes:

- 93 Generator Owners
- 58 Generator Operators
- 24 Transmission Planners
- 28 Transmission Owners
- 39 Distribution Providers
- 34 Purchasing Selling Entities
- 1 Transmission Operator, Reliability Coordinator, Balancing Authority, Planning Authority, Resource Planner, Transmission Service Provider, and Interchange Authority (ERCOT ISO)

#### **2009 Goals Organization Registration and Certification:**

1. Maintain an accurate registration list of all owners, operators, and users of the bulk power system by establishing a schedule to verify entity registration and contact information.
2. Provide updated registered entity information to NERC and appropriate government authorities.
3. Participate in development of registration procedures, policies and databases with NERC and FERC, and implement and communicate changes as necessary.
4. Appropriately address all registration appeals to completion.
5. Implement organization certification in accordance with NERC processes, some of which are still under development – conduct required audits.
6. Maintain processes and procedures for carrying out the delegated certification activities that are required by the certification standards.
7. Complete a review of policies and procedures with the goal of improving clarity of communications with registered entities and to determine how it may be possible to mitigate the cost of compliance without impacting reliability.
8. Implement recommendations from the upcoming NERC audit of Texas RE.

#### **Compliance Monitoring and Enforcement Program Description and Functions**

Through a rigorous program of monitoring, audits, assessments, investigations, mitigation activities, and the imposition of penalties and sanctions for non-compliance with reliability standards, Texas RE will strive to maintain a high level of reliable operation of the ERCOT Region Bulk Power System by its owners, operators, and users. Ensuring the reliable operation of the Bulk Power System will benefit all owners, operators, and users of the Bulk Power System in the ERCOT Region.

The CMEP currently has 86 NERC Reliability Standards that were approved by FERC in 2007, and eight (8) Cyber Security Reliability Standards that were approved by FERC in 2008. The 86 standards approved in 2007 have more than 3,000 requirements and sub-requirements. There are more NERC

Reliability Standards in the development and approval process, and Texas RE anticipates that at least some Regional Standards will be approved starting in 2008.

A key, and the most well known component of the CMEP is the compliance audit, but Texas RE uses eight (8) different monitoring processes to collect information to confirm compliance with NERC Reliability Standards:

1. Compliance Audits,
2. Self-Certifications,
3. Spot Checking,
4. Compliance Violation Investigations,
5. Self-Reporting,
6. Periodic Data Submittals,
7. Exception Reporting, and
8. Complaints

Texas RE maintains a program of proactive enforcement audits and reviews. Each owner, operator, or user of the Bulk Power System is responsible for complying with NERC Reliability Standards, Regional Standards, and Texas RE audits these Reliability Standards on a recurring basis using an approved audit plan coordinated with NERC and augmented for regional needs. A Compliance Audit is performed to determine compliance with applicable Reliability Standards on a three and/or six-year cycle, depending on the entity's registration, and an audit report is issued for each audit.

In any years that a registered entity does not receive a Compliance Audit, Texas RE will require a compliance Self-Certification from the entity, using electronic forms developed and distributed by Texas RE. The entity must certify that it is in compliance with each designated measure or disclose any non-compliance and submit the self-certification to the Texas RE by the date specified in the request by the Texas RE. Texas RE may require Registered Entities to self-certify their compliance with reliability standards at other times as well. Texas RE performs Spot Checks of registered entities to (1) confirm compliance certified on Self-Certifications, (2) follow up on Self Reports and Periodic Data Submittals, (3) confirm completion of mitigation plans, and (4) follow up on complaints or other indications of non-compliance. Texas RE may perform Spot Checks by telephone, site visit, or a data or document request. Deficiencies found in Self-Certifications and Spot Checks are treated as if they were audit findings of violations.

A Compliance Violation Investigation is a more involved, possibly time consuming, and formal process than a compliance analysis, and the investigation team includes NERC staff and FERC staff. At this time, Texas RE is estimating to complete 54 compliance analyses in 2009, which is the same estimate used for 2008.

To date, there have been no major events analyzed using the CVI process in the ERCOT Region. It is anticipated that there will be at least one CVI in 2008 based on activity to date, but it is impossible to accurately predict CVI level activity in 2009. The inability to predict workload and thus to be prepared for this type of work is very difficult.

The budget for Compliance Audits is based on the current number of registered entities in the ERCOT Region. There is little probability that this number will decrease, and some evidence that it could increase significantly beyond current levels. An example would be the proposal to add 28 TOP registered entities through joint registration with the ERCOT ISO. Such a change would require a revision to our audit schedule and would most likely result in a need to request additional resources at a later date,

## **2009 Compliance Monitoring and Enforcement Program Goals and Objectives**

1. Complete Compliance Audits per the 2009 schedule including additional audits required by joint registrations.
2. Conduct required Compliance Violation Investigations (budgeted for 1).
3. Conduct compliance analysis of all significant events and other system disturbances.
4. Analyze and investigate all Complaints.
5. Complete Self-Certifications for all registered entities.
6. Perform Spot Checks.
7. Continue to work with other regional entities to improve auditing consistency and reduce the cost of audits for Registered Entities with operations in multiple regions.
8. Complete a review of policies and procedures with the goal of improving the clarity of communications with Register Entities, to determine how to mitigate the cost of compliance without impacting reliability, and meeting compliance with NERC ROP modifications and NERC guidance.
9. Implement recommendations from the upcoming NERC audit of Texas RE.

### **Staffing Needs**

#### **Hiring Plans**

Based on the existing and proposed work as outlined in this business plan Texas RE will need to increase staffing for the compliance enforcement and organization registration and certification program area to a total of 14.15 FTEs for 2009.

#### **Shared Employees**

Not applicable

#### **Contractors**

Not applicable

**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 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
<b>Funding</b>					
Assessments	\$ 892,898	\$ 892,898	\$ -	\$ 1,628,935	\$ 736,037
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 892,898</b>	<b>\$ 892,898</b>	<b>\$ -</b>	<b>\$ 1,628,935</b>	<b>\$ 736,037</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 584,760	\$ 838,426	\$ 253,666	\$ 1,164,106	\$ 325,680
Payroll Taxes	48,535	74,651	26,116	93,128	18,477
Benefits	70,171	107,828	37,657	134,510	26,682
Retirement Costs	68,417	104,736	36,319	163,258	58,522
<b>Total Personnel Expenses</b>	<b>\$ 771,883</b>	<b>\$ 1,125,641</b>	<b>\$ 353,758</b>	<b>\$ 1,555,003</b>	<b>\$ 429,362</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	46,205	60,000	13,795	73,199	13,199
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 47,015</b>	<b>\$ 60,810</b>	<b>\$ 13,795</b>	<b>\$ 73,199</b>	<b>\$ 12,389</b>
<b>Operating Expenses</b>					
Consultants	\$ -	-	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	600	600
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	132	132
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	74,000	-	(74,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 74,000</b>	<b>\$ -</b>	<b>\$ (74,000)</b>	<b>\$ 732</b>	<b>\$ 732</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 892,898</b>	<b>\$ 1,186,451</b>	<b>\$ 293,553</b>	<b>\$ 1,628,935</b>	<b>\$ 442,484</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (293,553)</b>	<b>\$ (293,553)</b>	<b>\$ -</b>	<b>\$ 293,553</b>

### **Summary of 2008 projection and 2009 budgeted funding and expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Expenses are higher related to maintaining the 2008 budgeted personnel and due to adding an additional 1.8 FTEs in 2009. This represents approximately \$165K in annual expenses.
- In 2008, there were several vacancies throughout the operating year that are expected to be filled before the 2009 operating year, thus increasing total personnel expenses. This represents approximately \$130K in annual expenses.
- Finally, due to more time being spent on statutory activities, there was a shift in expenses from non-statutory to statutory personnel expenses. This represents approximately \$30K in annual expenses.

#### **Meeting Expenses**

- Travel expenses are approximately 22% higher in 2009 due to travel rate increases and additional audits scheduled for 2009.

#### **Operating Expenses**

- Operating expenses include fees related to dues and professional fees. This expense category is negligible.

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## Reliability Readiness Evaluation and Improvement Program

<b>Reliability Readiness Evaluation and Improvement Program Resources</b>			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.40	0.30	0.00
Total Direct Expenses	\$ 58,345	\$ 43,225	\$ 0
Total Indirect Expenses <sup>1</sup>	\$ 34,696	\$ 39,049	\$ 0
Total Expenses	\$ 93,041	\$ 82,274	\$ 0

### Background

Reliability Readiness Evaluation is being eliminated in 2009, based on a restructuring plan proposal made by NERC. The function continues to exist, however is located within the Compliance, Registration and Certification function and will serve to ensure that Texas RE will be able to conduct certification audits.

**Reliability Readiness Evaluation and Improvement Program**

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Reliability Readiness Evaluation and Improvement</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 58,345	\$ 58,345	\$ -	\$ -	\$ (58,345)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 58,345</b>	<b>\$ 58,345</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (58,345)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 32,368	\$ 32,368	\$ -	\$ -	\$ (32,368)
Payroll Taxes	2,686	2,686	-	-	(2,686)
Benefits	3,884	3,884	-	-	(3,884)
Retirement Costs	3,787	3,787	-	-	(3,787)
<b>Total Personnel Expenses</b>	<b>\$ 42,725</b>	<b>\$ 42,725</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (42,725)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,620	500	(10,120)	-	(500)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 10,620</b>	<b>\$ 500</b>	<b>\$ (10,120)</b>	<b>\$ -</b>	<b>\$ (500)</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	5,000	-	(5,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ (5,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 58,345</b>	<b>\$ 43,225</b>	<b>\$ (15,120)</b>	<b>\$ -</b>	<b>\$ (43,225)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 15,120</b>	<b>\$ 15,120</b>	<b>\$ -</b>	<b>\$ (15,120)</b>

## Training, Education, and Operator Certification Program

<b>Training, Education, and Operator Certification Program Resources</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.38	0.40	0.60
Total Direct Expenses	\$ 143,503	\$ 51,763	\$ 176,415
Total Indirect Expenses <sup>1</sup>	\$ 34,696	\$ 52,065	\$ 106,397
Total Expenses	\$ 178,199	\$ 103,828	\$ 282,812

### Background

The Training, Education and Operator Certification Program is being expanded to include 3 major functions: Operator Training and Certification, Compliance Awareness, and Auditor Training.

Texas RE Staff chairs and actively participates on the Operations Training Seminar Oversight Working Group which is responsible for developing, planning, arranging, and monitoring the annual ERCOT ISO Operations Training Seminar. The working group is responsible for measuring how the Seminar is meeting objectives which provide training on power system fundamentals, current events, and other timely issues determined by the working group. Emphasis is placed on topics that focus on enhancing the performance of bulk power system operating personnel. The target audience for the seminar is ERCOT ISO System Operators, Qualified Scheduling Entity (QSE) Operators, and Transmission/Distribution System Provider (TDSP) Operators and those who provide management, supervision, and support for the operators. The seminar is also open to Power Generation Company (PGC) Operators, Wholesale Power Marketers, Retail Electric Providers, and others associated with the bulk power system.

Texas RE held two Compliance Workshops in 2008. These workshops focused on helping registered entities to better understand the Reliability Compliance Process and to communicate changes in requirements and the processes. This forum is focused on communications and is training in the traditional sense.

Auditor training has relied on NERC sources historically.

### Program Description and Functions Performed

#### Operator Training & Certification

Developing training and education programs for bulk power system operating personnel and other targeted audiences is an important component of the Texas RE. Providing a training and education program for the operating personnel of owners, operators, and users of the bulk power system relating to their compliance with Regional Standards and other reliability-related job functions helps to achieve a higher level of knowledge and competence. It also helps to promote a culture of compliance within the industry, and thereby helps to further ensure the reliable operation of the ERCOT Region Bulk Power System. Beginning in 2007, NERC's Continuing Education Hours (CEH) programs have been offered for attending the ERCOT Training Seminar. System Operators attending the seminar received up to 19 CEHs. Many of these hours can also be used to satisfy NERC and ERCOT ISO requirements for system emergency training.

The Twenty-Fifth Annual ERCOT ISO Operations Training Seminar, was held in March and April of 2008, and offered up to 27 CEHs and up to 25.5 Emergency Operation (EOP) training hours. A similar program is planned for 2009.

Texas RE Staff will also continue to coordinate and facilitate the ERCOT ISO Operator Certification Test given to System Operators and operations support personnel. Texas RE Staff will continue to maintain and update the ERCOT ISO Fundamentals Training Manual which was designed and written to serve as a study tool for System Operator Certification Tests and to serve as a readily available reference document. The Manual contains descriptions of fundamental topics in electrical power and ERCOT ISO power system operations.

#### Compliance Workshops

Texas RE will schedule two Compliance workshops in 2009. The workshops will be designed to address the highest priority issues at the time for the Registered Entities.

#### Auditor Training

Texas RE will develop a new training program that will expand the goal of improving auditing skills to include methods to improve consistency between audit teams within Texas RE and also between Texas RE and other regions.

### **2009 Goals and Objectives**

1. Coordinate and facilitate the annual Operator Training Seminar in 2009.
2. Create internal training programs for Texas RE staff.
3. Coordinate and facilitate 2 compliance workshops to be attended by registered entities and other stakeholders.
4. Assist with developing and providing training to registered entities as needed (i.e. cyber-security).

### **Staffing Needs**

#### **Hiring Plans**

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .2 FTEs of staff for 2009.

#### **Shared Employees**

Not applicable

#### **Contractors**

Not applicable

**Training, Education, and Operator Certification Program**

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Training and Education</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 73,503	\$ 73,503	\$ -	\$ 106,415	\$ 32,912
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	70,000	-	(70,000)	70,000	70,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 143,503</b>	<b>\$ 73,503</b>	<b>\$ (70,000)</b>	<b>\$ 176,415</b>	<b>\$ 102,912</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 38,154	\$ 38,154	\$ -	\$ 52,608	\$ 14,454
Payroll Taxes	3,167	3,167	-	4,209	1,042
Benefits	4,578	4,578	-	5,524	946
Retirement Costs	4,464	4,464	-	7,628	3,164
<b>Total Personnel Expenses</b>	<b>\$ 50,363</b>	<b>\$ 50,363</b>	<b>\$ -</b>	<b>\$ 69,969</b>	<b>\$ 19,606</b>
<b>Meeting Expenses</b>					
Meetings	\$ 70,000	\$ -	\$ (70,000)	\$ 105,000	\$ 105,000
Travel	10,140	1,400	(8,740)	1,446	46
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 80,140</b>	<b>\$ 1,400</b>	<b>\$ (78,740)</b>	<b>\$ 106,446</b>	<b>\$ 105,046</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	13,000	-	(13,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 13,000</b>	<b>\$ -</b>	<b>\$ (13,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 143,503</b>	<b>\$ 51,763</b>	<b>\$ (91,740)</b>	<b>\$ 176,415</b>	<b>\$ 124,652</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 21,740</b>	<b>\$ 21,740</b>	<b>\$ -</b>	<b>\$ (21,740)</b>

## **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

### **Funding Sources**

- Funding is received through assessment income and training reimbursements. The program funding streams are designed to fully fund total expenses.
- Expect to receive \$70K in training reimbursement fees to offset the cost of the operator training seminar.

### **Personnel Expenses**

- Expenses are higher related to the addition of .20 FTEs for 2009, which is higher than the 2008 forecast of personnel for the full year.

### **Meeting Expenses**

- Travel expenses are virtually unchanged.
- Meeting expenses are expected to be \$105K. \$70K related to the operator training seminar and \$35K for 2 other workshops to be held throughout the year to facilitate expanded training.

### **Operating Expenses**

- None expected.

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program Resources</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.25	1.35	2.20
Total Direct Expenses	\$ 574,242	\$ 221,020	\$ 365,180
Total Indirect Expenses <sup>1</sup>	\$ 485,740	\$ 182,228	\$ 399,266
Total Expenses	\$1,059,982	\$ 403,248	\$ 764,446

### Background

The Reliability Assessment and Performance Analysis Program has two major functions. The first is to conduct compliance analyses of systems events to determine whether any non-compliance with the standards are the root cause of the event and how these events relate to the reliability of the Bulk Power System. The second is to create regular reports that are required by NERC, Texas RE's Board and the Public Utility Commission of Texas (PUCT) that provide insight into how the Bulk Power System is performing. In addition to the regular reports, this program also supports special reports and data requests.

### Program Description and Functions Performed

#### Event Analysis

Texas RE directly monitors data from the ERCOT ISO IT systems to determine if Bulk Power System events occurred having potential reliability issues. In addition, the ERCOT ISO, through a working agreement with Texas RE, reports any incidents that they believe impact system reliability issues or that are potential reliability standards or Protocol violations. Texas RE reviews events from both of these sources to determine the root cause of the event and determine whether additional review is needed to address either reliability concerns or possible violations. This analysis is needed to determine if the system(s) and equipment involved are operating correctly and are being properly applied, maintained, and/or tested. During its analysis process, Texas RE makes a number of requests for data and documentation from registered entities and may need to have on-site visits with the registered entities.

Currently, Texas RE has 1.4 dedicated staff for the reliability assessment function. To enable us to improve our ability to respond more quickly to events we are increasing staff to 2.2 FTEs.

#### Reporting

ERCOT ISO prepares three reliability assessments each year for the region: a long-term reliability assessment report; a summer assessment report; and a winter assessment report. These reports analyze electricity demand and the adequacy of supply in the ERCOT Region as well as examine the adequacy of the transmission system. Texas RE reviews these assessments to understand any changes in the reliability of the transmission system and if any new threats to reliability are uncovered. Reliability assessment reports will also be prepared in response to unusual events or to support requests from NERC, FERC or the PUCT. Results of independent assessments of the overall reliability and adequacy of the ERCOT Bulk Power System will be reviewed and reported for 2009 summer, 2009/2010 winter, and 2009-2018.

This group also supports the preparation of reports for the Texas RE Board and the PUCT.

### **2009 Goals and Objectives**

1. Selectively monitor system operations and extract data at various intervals to meet reporting requirements and assess performance and compliance with NERC and Regional Standards.
2. Periodic data submittal review and analysis.
3. Ensure that there is sufficient resources to conduct event analyses and provide analytical reports related to reliability.

### **Staffing Needs**

#### **Hiring Plans**

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .8 FTEs for 2009.

#### **Shared Employees**

Not applicable

#### **Contractors**

Not applicable

**Reliability Assessment and Performance Analysis Program**

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 574,242	\$ 574,242	\$ -	\$ 365,180	\$ (209,062)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 574,242</b>	<b>\$ 574,242</b>	<b>\$ -</b>	<b>\$ 365,180</b>	<b>\$ (209,062)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 385,676	\$ 180,090	\$ (205,586)	\$ 270,100	\$ 90,010
Payroll Taxes	32,011	10,857	(21,154)	21,608	10,751
Benefits	46,281	12,887	(33,394)	31,191	18,304
Retirement Costs	45,124	14,576	(30,548)	39,165	24,589
<b>Total Personnel Expenses</b>	<b>\$ 509,092</b>	<b>\$ 218,410</b>	<b>\$ (290,682)</b>	<b>\$ 362,063</b>	<b>\$ 143,653</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	4,340	1,800	(2,540)	3,117	1,317
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 5,150</b>	<b>\$ 2,610</b>	<b>\$ (2,540)</b>	<b>\$ 3,117</b>	<b>\$ 507</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	60,000	-	(60,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 60,000</b>	<b>\$ -</b>	<b>\$ (60,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 574,242</b>	<b>\$ 221,020</b>	<b>\$ (353,222)</b>	<b>\$ 365,180</b>	<b>\$ 144,160</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 353,222</b>	<b>\$ 353,222</b>	<b>\$ -</b>	<b>\$ (353,222)</b>

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Expenses are expected to be lower and reflect the expected labor required in 2009 based on an assessment of time tracking. For 2008, it was assumed that there would be substantially more hours required to complete the requisite work-load. The difference in FTEs forecast for 2008 from the 2008 budget were reallocated to primarily the Compliance, Registration and Certification program areas as necessary.

#### **Meeting Expenses**

- Travel expenses are expected to be \$3K to facilitate the travel needs of this function as it relates to NERC meetings and travel associated with this function.

#### **Operating Expenses**

- None expected.

## Situation Awareness and Infrastructure Security Program

<b>Situational Awareness and Infrastructure Security Program Resources</b>			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.40	0.60	1.50
Total Direct Expenses	\$ 46,925	\$ 43,325	\$ 159,129
Total Indirect Expenses <sup>1</sup>	\$ 34,696	\$ 78,098	\$ 268,443
Total Expenses	\$ 81,621	\$ 121,423	\$ 427,572

### Background

This program supports two distinct functions. Situational Analysis is focused on near real-time analysis of the Bulk Power System for ERCOT ISO. Infrastructure Security focuses on protecting tangible assets from a variety of threats. The majority of activity for this program in 2009 relates to Infrastructure Security, however, some resources are also planned for Situational Analysis.

### Infrastructure Security Program

Responsible Entities must become compliant with Critical Infrastructure Protection (CIP) Standards based on the NERC implementation schedules. ERCOT ISO is the only designated Balancing Authority (BA), Transmission Operator (TOP), and Reliability Coordinator (RC) in the ERCOT Region and was required to self-certify compliance to NERC's Urgent Action Cyber Security Standard 1200. As such, ERCOT ISO must be either compliant or substantially compliant with all CIP Standards requirements by the end of the second quarter 2008; either auditably compliant or compliant with all of the CIP Standards requirements by the end of the second quarter 2009; and auditably compliant with all CIP Standards requirements by the end of the second quarter 2010.

Entities registered in the ERCOT Region as Transmission Owners, Generator Owners, Generator Operators, or Load-Serving Entities have begun work on being compliant with all CIP Standards requirements during the second quarter 2007. These registered entities must also be substantially compliant or compliant with all CIP Standards requirements within twelve months after registration is completed; compliant or auditably compliant with all CIP Standards Requirements within twenty-four months after registration is completed; and auditably compliant with all CIP Standards Requirements within thirty-six months after registration is completed. All new registered entities must also become compliant with all CIP Standards requirements in accordance with the compliance schedule.

The Texas RE will continue to play an active role during the implementation of the CIP Standards requirements. To provide time for Responsible Entities to examine their policies and procedures, to assemble the necessary documentation, and to meet the requirements of the CIP Standards, compliance assessment began in 2007. Status reports are also being requested from Responsible Entities to verify that entities are on schedule and meeting the implementation plan. NERC expects its regional entities to provide assistance and education on the CIP Standards to ease the transition. Texas RE is budgeting to provide training to registered entities and other stakeholders under the training function budget. Some of the content in this training will be related to cyber-security and will be internally developed.

### Program Description and Functions Performed

This program will support activities associated with cyber security, including monitoring and enforcement of compliance with the CIP (CIP-001 thru 009) Standards. The intent of the NERC CIP Standards is to ensure that all entities responsible for the reliability of the Bulk Power System identify and protect critical cyber assets that control or could impact the reliability of the Bulk Power System. The CIP Standards

requirements are being communicated to all responsible entities to ensure compliance in accordance with the Cyber Security Standards Implementation Plan. This requires a significant amount of communication with the ERCOT ISO Security Department and entities responsible for complying with the CIP Standards. Compliance Audits, self-certifications, and spot checks will be required to verify compliance.

#### Situational Awareness

Currently, Texas RE relies significantly on the ERCOT ISO to provide details on situational issues. Texas RE Staff have direct access to historical data via the data warehouse. Starting in mid 2008 Texas RE will work with the ERCOT ISO to install a real-time monitoring workstation and any needed training to allow Texas RE to monitor the real-time events on the system.

#### **2009 Goals and Objectives**

1. Implement first CIP audit with ERCOT ISO
2. Maintain a real-time link to the ERCOT ISO system including a Situational Awareness workstation.
3. Ensure system information is communicated to NERC and FERC in a timely manner.
4. Develop and deliver CIP education plan and workshop for registered entities.
5. Enhance Texas RE website with CIP information and links

#### **Staffing Needs**

##### **Hiring Plans**

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .9 FTEs of staff for 2009. However, this position will already have been added in 2008, but will be added mid-year.

##### **Shared Employees**

Not applicable

##### **Contractors**

Not applicable

**Situation Awareness and Infrastructure Security Program**

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Situational Awareness and Infrastructure Security</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 46,925	\$ 46,925	\$ -	\$ 159,129	\$ 112,204
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 46,925</b>	<b>\$ 46,925</b>	<b>\$ -</b>	<b>\$ 159,129</b>	<b>\$ 112,204</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 32,368	\$ 32,368	\$ -	\$ 118,842	\$ 86,474
Payroll Taxes	2,687	2,687	-	9,507	6,820
Benefits	3,883	3,883	-	12,479	8,596
Retirement Costs	3,787	3,787	-	17,232	13,445
<b>Total Personnel Expenses</b>	<b>\$ 42,725</b>	<b>\$ 42,725</b>	<b>\$ -</b>	<b>\$ 158,060</b>	<b>\$ 115,335</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	200	600	400	1,069	469
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 200</b>	<b>\$ 600</b>	<b>\$ 400</b>	<b>\$ 1,069</b>	<b>\$ 469</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	4,000	-	(4,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ (4,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 46,925</b>	<b>\$ 43,325</b>	<b>\$ (3,600)</b>	<b>\$ 159,129</b>	<b>\$ 115,804</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 3,600</b>	<b>\$ 3,600</b>	<b>\$ -</b>	<b>\$ (3,600)</b>

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Expenses are expected to be higher due to the need to dedicate a full-time Staff position to the CIP function as well as have additional fractional labor support from other areas to collaborate on CIP related standards and projects and situational awareness.

#### **Meeting Expenses**

- Travel expenses are expected to be \$1K to facilitate the travel needs of this function as it relates to NERC meetings.

#### **Operating Expenses**

- None expected.

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	4.5	4.0	6.8
Total Indirect Expenses	\$1,364,699	\$2,186,741	\$3,660,875

### General and Administrative

#### Functional Description

The CEO & CCO carries on the general affairs of the Texas RE. The CEO & CCO is independent of any registered entity and reports exclusively to the Texas RE Board of Directors. The CEO & CCO is responsible for:

- Overseeing and managing the activities of Texas RE.
- Making final decisions with respect to 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 the Texas RE.

An Executive Assistant will be responsible for providing executive-level administrative support to the Texas RE CEO & CCO. The Executive Assistant will also perform general office manager activities and provide support to other Texas RE Staff as needed.

#### 2009 Goals and Objectives

1. Communicate and maintain effective relationships with the industry, regulators, and other stakeholders.
2. Conduct base operations with the approved budget.
3. Effectively manage the NERC Compliance Monitoring and Enforcement Program.
4. Monitor and investigate Non-Compliance with ERCOT Region Protocols and Operating Guides.
5. Manage Texas RE's Standards development process.
6. Establish Key Performance Indicators and Benchmarks for Texas RE operation.

#### Staffing Needs

##### Hiring Plans

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional 2.0 FTEs of staff for 2009. These positions are in support of the IT and Legal

functions. However, these positions have been budgeted within the G&A function budget to maintain confidentiality.

**Shared Employees**

Texas RE does receive Facilities, Treasury, Finance, Human Resources, Legal, and Information Technology support from ERCOT ISO. There is a Memorandum of Understanding outlining the details of the services and the associated expenses, a summary of which is attached.

**Contractors**

Not applicable

Section A — 2009 Business Plan

**General and Administrative**

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>General and Administrative</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 1,206,639	\$ 1,206,639	\$ -	\$ 257,531	\$ (949,108)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	92,500	92,500	-	(92,500)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,206,639</b>	<b>\$ 1,299,139</b>	<b>\$ 92,500</b>	<b>\$ 257,531</b>	<b>\$ (1,041,608)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 500,157	\$ 500,157	\$ -	\$ 764,074	\$ 263,917
Payroll Taxes	41,513	41,513	-	61,126	19,613
Benefits	60,021	60,021	-	61,605	1,584
Retirement Costs	58,518	58,518	-	110,791	52,273
<b>Total Personnel Expenses</b>	<b>\$ 660,209</b>	<b>\$ 660,209</b>	<b>\$ -</b>	<b>\$ 997,596</b>	<b>\$ 337,387</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	6,480	12,120	5,640	12,820	700
Conference Calls	1,000	-	(1,000)	-	-
<b>Total Meeting Expenses</b>	<b>\$ 7,480</b>	<b>\$ 12,120</b>	<b>\$ 4,640</b>	<b>\$ 12,820</b>	<b>\$ 700</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000
Contracts	89,000	203,585	114,585	280,654	77,069
Office Rent	80,000	165,000	85,000	517,550	352,550
Office Costs	15,950	10,788	(5,162)	13,320	2,532
Professional Services	160,000	311,700	151,700	30,000	(281,700)
Computer Purchase & Maintenance	123,000	149,500	26,500	200,400	50,900
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	10,515	10,515
Contingency	71,000	-	(71,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 538,950</b>	<b>\$ 840,573</b>	<b>\$ 301,623</b>	<b>\$ 1,058,439</b>	<b>\$ 217,866</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 855,000</b>	<b>\$ 855,000</b>
<b>Total Expenses</b>	<b>\$ 1,206,639</b>	<b>\$ 1,512,902</b>	<b>\$ 306,263</b>	<b>\$ 2,923,855</b>	<b>\$ 1,410,953</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (213,763)</b>	<b>\$ (213,763)</b>	<b>\$ (2,666,324)</b>	<b>\$ (2,452,561)</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

## **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

### **Personnel Expenses**

- Salaries and benefits for all of the support departments are budgeted within the G&A department to ensure personnel confidentiality.
- There are some headcount additions within the Legal and IT department for 2009 which are reflected in the G&A department. Personnel expenses are expected to be higher due to the need to add 1 content coordinator position for IT and 1 legal counsel position for Legal & Regulatory affairs.
- Finally, the 2009 budget assumes full staff for the full year.

### **Meeting Expenses**

- Travel expenses are virtually unchanged from 2008's forecast to the 2009 budget.

### **Operating Expenses**

- Operating expenses are increasing by more than \$217K. This increase is primarily attributed to the increase in service costs for support services and Texas RE's anticipated rent increase, offset by reductions in expected legal expenses incurred under the G&A department.

## Legal and Regulatory

### Functional Description

Texas RE Legal and Regulatory provides legal advice and counsel to Texas RE management, board, and staff on all legal and regulatory matters affecting Texas RE, including corporate governance, transactions, personnel, governmental relations, communications, and regulatory matters. Legal staff also retains and oversees the work of outside counsel as needed. Legal and regulatory staff anticipates that the primary regulatory emphasis during 2009 will include NERC registration appeals, investigation oversight, settlement coordination, and enforcement proceedings under the CMEP, but staff will continue to review and provide feedback to NERC regarding new and modified standards, procedures, and templates used in the CMEP process. Texas RE attorneys, or outside counsel overseen by Texas RE attorneys, will represent the Texas RE in its quasi-prosecutorial role in CMEP enforcement hearings, and in NERC, FERC, and PUCT rulemakings and other proceedings. Specific objectives include:

### 2009 Goals and Objectives

1. Coordinate Texas RE board information, meetings, and materials and maintain corporate bylaws and board procedures as required by the Delegation Agreement, NERC Rules, and FERC Orders.
2. Represent Texas RE in all NERC, FERC, regulatory matters, and legal proceedings.
3. Oversee prosecution of CMEP hearings of contested enforcement matters.
4. Oversee investigations to ensure accurate and complete documentation is maintained and appropriate and consistent procedures are followed.
5. Communicate and maintain effective relationships with NERC, FERC, the PUCT, and other governmental authorities.
6. Manage and oversee all Texas RE registration and enforcement action appeals.
7. Review Texas RE enforcement actions, penalties, and sanctions for consistency.
8. Participate in settlement processes and review all settlements for consistent application of the CMEP.
9. Review and provide input to NERC regarding new and modified standards, procedures, forms, and templates.

**Legal and Regulatory**

Funding sources and related expenses for the legal & regulatory section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Legal and Regulatory</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 92,050	\$ 92,050	\$ -	\$ 314,394	\$ 222,344
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 92,050</b>	<b>\$ 92,050</b>	<b>\$ -</b>	<b>\$ 314,394</b>	<b>\$ 222,344</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	2,740	4,300	1,560	8,994	4,694
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,550</b>	<b>\$ 5,110</b>	<b>\$ 1,560</b>	<b>\$ 8,994</b>	<b>\$ 3,884</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	2,400	2,400
Professional Services	60,000	300,000	240,000	300,000	-
Computer Purchase & Maintenance	-	-	-	3,000	3,000
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	28,000	-	(28,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 88,500</b>	<b>\$ 300,000</b>	<b>\$ 211,500</b>	<b>\$ 305,400</b>	<b>\$ 5,400</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 92,050</b>	<b>\$ 305,110</b>	<b>\$ 213,060</b>	<b>\$ 314,394</b>	<b>\$ 9,284</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (213,060)</b>	<b>\$ (213,060)</b>	<b>\$ -</b>	<b>\$ 213,060</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

#### **Meeting Expenses**

- Travel expenses are expected to approximately double in legal due to the addition of a legal counsel for 2009.

#### **Operating Expenses**

- Legal expenses were budgeted in 2008 under both the G&A department and the legal department. The forecast for 2008 is higher related to legal based on increased outside legal counsel expenses as well as an increase in activity related to Compliance, Registration and Certification. The 2009 budget is approximately \$5K higher due to additional legal bar related expenses, fees and dues expenses.

## Information Technology

### Functional Description

IT Staff will provide a broad range of information technology support to Texas RE.

IT Staff will work with Texas RE management to develop a technological strategy to reach Texas RE's long-term goals and meet immediate system and hardware needs. IT Staff will perform a variety of technical and administrative tasks in the planning, development, deployment, support, and security of enterprise systems and computer applications and systems, including providing training and technical support to the users and assisting with compliance to Critical Infrastructure Protection Standards.

To ensure that tools provided to Texas RE by ERCOT ISO and vendors are well maintained, service levels remain high, and costs are controlled, IT Staff will provide vendor management and coordinate with ERCOT ISO IT Staff on day-to-day support, administration, and future requirements.

IT Staff also has the general responsibility to keep Texas RE systems up-to-date with evolving industry standards. IT Staff will work with partners, regional entities, and NERC to that end.

IT Staff will manage the design, implementation, support, and maintenance of the tools and delivery mechanisms to support the communication of information to the market, specifically the Texas RE Web site, Texas RE e-mail boxes and lists, e-newsletters, and Web-based training.

IT Staff will also manage the design, implementation, support, and maintenance of Texas RE data and records management tools to support the ability of Texas RE Staff and registered entities to comply with NERC standards and implement ERCOT Regional Standards; specifically, such tools include the compliance data portal and tracking tool, the Reliability Standards tracking tool, and the electronic document management system. IT Staff will also assist with the transition of Texas RE Staff's ability to receive or view necessary data in ERCOT ISO nodal systems. IT Staff will also participate in the design and development of database models, Web-enabled applications, data extraction and delivery methods, and data presentation.

### 2009 Goals and Objectives

IT objectives for 2009 include the following:

1. Determine long-term system needs and develop strategy.
2. Assist in determining and meeting immediate system and hardware needs.
3. Manage vendors to ensure quality of services and applications, responsiveness to Texas RE needs, and cost controls.
4. Liaise with ERCOT ISO IT Staff regarding IT systems and tools.
5. Work effectively with technological partners, other regional entities, and NERC to ensure that Texas RE is in keeping with industry standards.
6. Assist in ensuring all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security.

## Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Information Technology</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 11,650	\$ 11,650	\$ -	\$ 383,500	\$ 371,850
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 11,650</b>	<b>\$ 11,650</b>	<b>\$ -</b>	<b>\$ 383,500</b>	<b>\$ 371,850</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	150	-	(150)	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 150</b>	<b>\$ -</b>	<b>\$ (150)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	-	-
Professional Services	-	40,000	40,000	60,000	20,000
Computer Purchase & Maintenance	-	289,501	289,501	323,500	33,999
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	11,000	-	(11,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 11,500</b>	<b>\$ 329,501</b>	<b>\$ 318,001</b>	<b>\$ 383,500</b>	<b>\$ 53,999</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 11,650</b>	<b>\$ 329,501</b>	<b>\$ 317,851</b>	<b>\$ 383,500</b>	<b>\$ 53,999</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (317,851)</b>	<b>\$ (317,851)</b>	<b>\$ -</b>	<b>\$ 317,851</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

#### **Meeting Expenses**

- None expected.

#### **Operating Expenses**

- Approximately \$54K higher due to the full year hosting and maintenance of the Texas RE web site.

## **Human Resources**

### **Functional Description**

The Human Resources function is captured in the General & Administrative expenses and is included as a component of the expenses charged to Texas RE by ERCOT ISO for support services outlined in the Memorandum of Understanding.

## **Finance and Accounting**

### **Functional Description**

The Finance Staff will provide a broad range of support to Texas RE personnel and department managers. Finance Staff is required to formulate and monitor the Texas RE budget for controlling funds to implement the Texas RE's objectives and will also review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Finance Staff will guide the annual budget process for the Texas RE and measure performance of all key aspects of the Texas RE to ensure performance matches or exceeds expectations, including the analysis of trends affecting budget needs and developing periodic financial reports. Finance Staff will liaise with ERCOT Finance Staff to ensure all finance and budget-related requirements are communicated, met, and adhered to.

Texas RE's monthly general ledger close activities will be managed by Texas RE financial personnel. Finance Staff are required to ensure Texas RE appropriately accounts for all Statutory and Non-Statutory expenses and revenue appropriately. This will involve generating monthly financial reports that will be communicated to the CEO and CCO, the budget managers and the Board of Directors.

Finance 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.

### **2009 Goals and Objectives**

1. Ensure that the accounting and finance functions are appropriately managed at Texas RE.
2. Keep the Chief Executive Officer/Chief Compliance Officer informed of budget, expenditure and total operational financial performance.
3. Ensure that Texas RE receives an unqualified opinion on the audit of the financial statements.
4. Continue to support NERC finance staff in coordination of quarterly and annual reporting requirements.
5. Review workflow and adjust as required to better enable Texas RE staff operational success.

## Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Finance and Accounting</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 54,360	\$ 54,360	\$ -	\$ 39,126	\$ (15,234)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 54,360</b>	<b>\$ 54,360</b>	<b>\$ -</b>	<b>\$ 39,126</b>	<b>\$ (15,234)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,860	2,500	(1,360)	2,481	(19)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,860</b>	<b>\$ 2,500</b>	<b>\$ (1,360)</b>	<b>\$ 2,481</b>	<b>\$ (19)</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	-	-
Professional Services	36,000	36,728	728	36,000	(728)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	645	645
Contingency	14,000	-	(14,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 50,500</b>	<b>\$ 36,728</b>	<b>\$ (13,772)</b>	<b>\$ 36,645</b>	<b>\$ (83)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 54,360</b>	<b>\$ 39,228</b>	<b>\$ (15,132)</b>	<b>\$ 39,126</b>	<b>\$ (102)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 15,132</b>	<b>\$ 15,132</b>	<b>\$ -</b>	<b>\$ (15,132)</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

#### **Meeting Expenses**

- Travel is the only expense category and is virtually unchanged from the 2008 forecast to the 2009 budget.

#### **Operating Expenses**

- Expenses are virtually unchanged between the 2008 forecast and the 2009 budget.

## Section B — 2009 Budget

## 2008 Budget and Projection and 2009 Budget Comparisons

Table 1

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>STATUTORY</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 3,226,066	\$ 3,226,066	\$ -	\$ 3,430,700	\$ 204,634
Workshops	70,000	-	(70,000)	70,000	70,000
Interest	-	92,500	92,500	-	(92,500)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 3,296,066</b>	<b>\$ 3,318,566</b>	<b>\$ 22,500</b>	<b>\$ 3,500,700</b>	<b>\$ 182,134</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,718,289	\$ 1,747,254	\$ 28,965	\$ 2,496,968	\$ 749,714
Payroll Taxes	142,617	146,388	3,771	192,152	45,763
Benefits	206,195	207,011	816	268,261	61,250
Retirement Costs	201,040	206,849	5,809	355,497	148,648
<b>Total Personnel Expenses</b>	<b>\$ 2,268,141</b>	<b>\$ 2,307,502</b>	<b>\$ 39,361</b>	<b>\$ 3,312,877</b>	<b>\$ 1,005,375</b>
<b>Meeting Expenses</b>					
Meetings	\$ 73,240	\$ 3,240	\$ (70,000)	\$ 105,000	\$ 101,760
Travel	93,235	86,720	(6,515)	107,470	20,750
Conference Calls	1,000	-	(1,000)	-	-
<b>Total Meeting Expenses</b>	<b>\$ 167,475</b>	<b>\$ 89,960</b>	<b>\$ (77,515)</b>	<b>\$ 212,470</b>	<b>\$ 122,510</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000
Contracts	89,000	203,585	114,585	280,654	77,069
Office Rent	80,000	165,000	85,000	517,550	352,550
Office Costs	17,450	10,788	(6,662)	18,280	7,492
Professional Services	256,000	688,428	432,428	426,000	(262,428)
Computer Purchase & Maint.	123,000	439,001	316,001	527,032	88,031
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	11,160	11,160
Contingency	295,000	-	(295,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 860,450</b>	<b>\$ 1,506,802</b>	<b>\$ 646,352</b>	<b>\$ 1,786,676</b>	<b>\$ 279,874</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 855,000</b>	<b>\$ 855,000</b>
<b>Total Expenses</b>	<b>\$ 3,296,066</b>	<b>\$ 3,904,264</b>	<b>\$ 608,198</b>	<b>\$ 6,167,024</b>	<b>\$ 2,262,760</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (585,698)</b>	<b>\$ (585,698)</b>	<b>\$ (2,666,324)</b>	<b>\$ (2,080,626)</b>

## Personnel Analysis

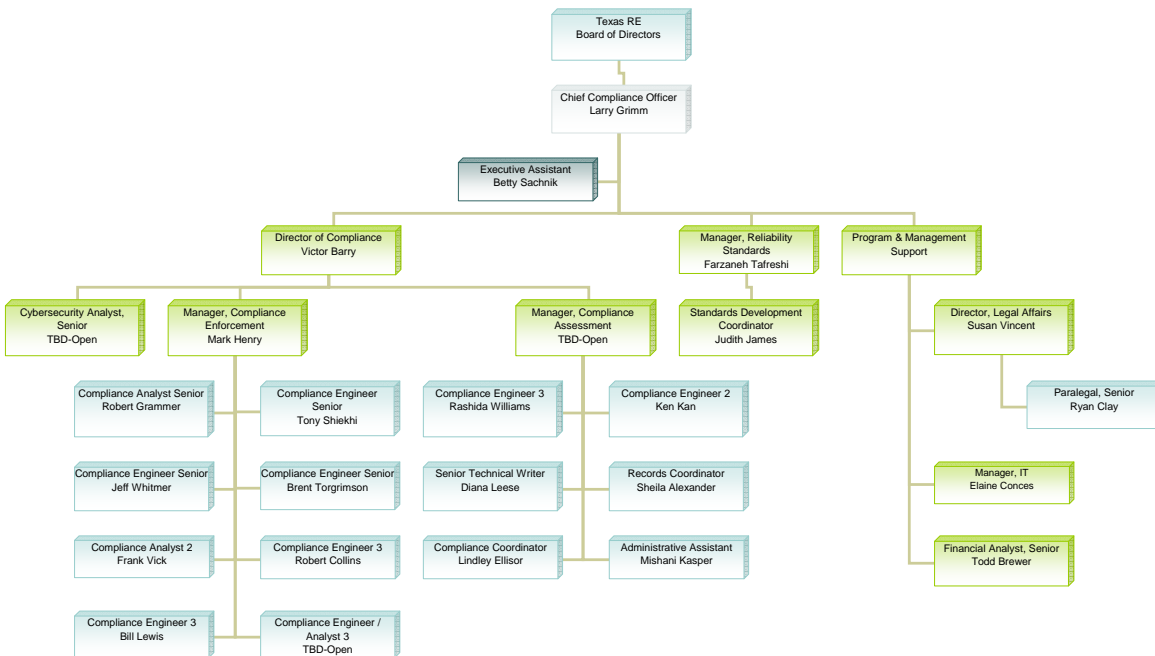
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection	Draft 1 2009 Budget
<b>STATUTORY</b>					
<b>Operational Programs</b>					
Reliability Standards	2.00	1.70	1.70	0.00	1.7
Compliance and Organization Registration and Certification	6.40	12.40	14.15	1.75	13.7
Reliability Readiness Audit and Improvement	0.40	0.30	0.00	-0.30	0.5
Training and Education	0.38	0.40	0.60	0.20	0.6
Reliability Assessment and Performance Analysis	5.25	1.35	2.20	0.80	2.2
Situational Awareness and Infrastructure Security	0.40	0.60	1.50	0.90	1.5
<b>Total FTEs Operational Programs</b>	<b>14.83</b>	<b>16.75</b>	<b>20.15</b>	<b>3.35</b>	<b>20.2</b>
<b>Administrative Programs</b>					
General & Administrative	1.50	1.35	1.70	0.35	6.8
Information Technology	0.75	0.70	1.70	1.00	0.0
Legal and Regulatory	1.50	1.25	2.55	1.30	0.0
Accounting	0.75	0.70	0.85	0.15	0.0
<b>Total FTEs Administrative Programs</b>	<b>4.50</b>	<b>4.00</b>	<b>6.80</b>	<b>2.80</b>	<b>6.8</b>
<b>Total FTEs</b>	<b>19.33</b>	<b>20.75</b>	<b>26.95</b>	<b>6.15</b>	<b>26.9</b>

## 2008 Organizational Chart

**Table 3**

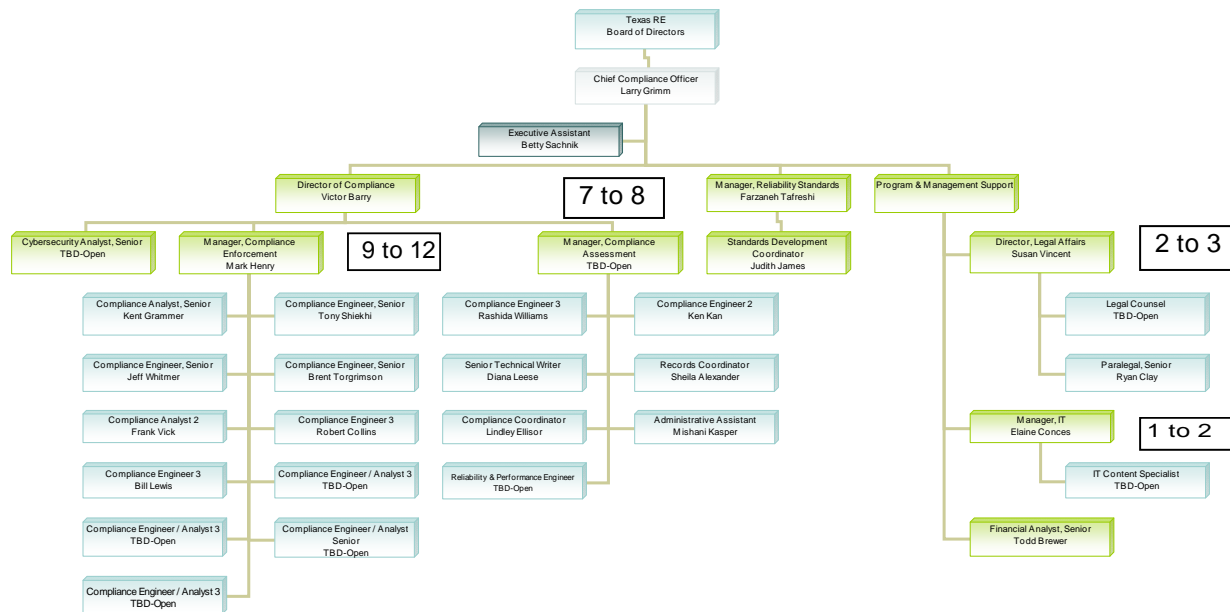
Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.



## 2009 Organizational Chart

**Table 4**

Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.



## Reserve Balance

**Table 5**

<b>Working Capital Reserve Analysis 2008-2009</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2007</b>	3,252,021
Plus: 2008 ERO Funding (from LSEs or designees)	3,226,066
Plus: 2008 Other Funding Sources (Cash basis)	92,500
Less: 2008 Projected Expenses & Capital Expenditures (Cash basis)	<u>(3,904,264)</u>
<b>Projected Working Capital Reserve (Deficit), December 31, 2008</b>	<b><u>2,666,323</u></b>
Desired Working Capital Reserve, December 31, 2009 <sup>1</sup>	855,000
Less: Projected Working Capital Balance December 31, 2008	2,666,323
<b>Increase/(Decrease) in Assessments to Achieve Desired Working Capital Reserve</b>	<b><u>(1,811,323)</u></b>
2009 Assessment for Expenses and Capital Expenditures, Excluding Working Capital Reserve (Cash basis)	5,312,024
Less: Other Sources of Income	(70,000)
Adjustment to Achieve Desired Working Capital Balance	<u>(1,811,323)</u>
<b>2009 Assessment</b>	<b><u>3,430,700</u></b>

<sup>1</sup> On June 17, 2008 Texas RE's Board of Directors approved the budget reflecting a desired 60-day cash on hand balance to be reserved for Texas RE.

## Regional Entity Assessment Analysis

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 45, of the 2009 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### Supplemental Funding

Table B-1

Outside Funding Breakdown By Program	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
<b>Training and Education</b>					
Systems Operators Training Seminar	\$ 70,000	\$ -	\$ 70,000	\$ 70,000	
<b>Total</b>	\$ 70,000	\$ -	\$ 70,000	\$ 70,000	
<b>General and Administrative</b>					
Interest Income	\$ -	\$ 92,500	\$ -	\$ (92,500)	-100.00%
<b>Total</b>	\$ -	\$ 92,500	\$ -	\$ (92,500)	-100.00%
<b>Total Outside Funding</b>	\$ 70,000	\$ 92,500	\$ 70,000	\$ (22,500)	-24.32%

#### Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
<b>Salaries</b>					
Salary	\$ 1,718,289	\$ 1,747,254	\$ 2,496,968	\$ 749,714	42.91%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
<b>Total Salaries</b>	\$ 1,718,289	\$ 1,747,254	\$ 2,496,968	\$ 749,714	42.91%
<b>Payroll Taxes</b>					
FICA	\$ 103,892	\$ 105,677	\$ 149,398	\$ 43,721	41.4%
Medicare	23,261	24,986	34,347	9,361	37.5%
SUI	13,746	13,978	6,005	(7,973)	-57.0%
FUI	1,718	1,747	2,402	655	37.5%
<b>Total Payroll Taxes</b>	\$ 142,617	\$ 146,388	\$ 192,152	\$ 45,763	31.3%
<b>Benefits</b>					
Workers Compensation	\$ 27,493	\$ 27,956	\$ 38,430	\$ 10,474	37.5%
Medical Insurance	171,742	172,095	217,290	45,196	26.3%
Life-LTD Insurance	1,200	1,200	1,440	240	20.0%
Reimbursable Resource	5,760	5,760	11,100	5,340	92.7%
<b>Total Benefits</b>	\$ 206,195	\$ 207,011	\$ 268,261	\$ 61,250	29.6%
<b>Retirement</b>					
Profit Sharing Plan / SERP	\$ 154,646	\$ 157,253	\$ 249,697	\$ 92,444	58.8%
Savings Plan	46,394	49,596	105,800	56,204	113.3%
<b>Total Retirement</b>	\$ 201,040	\$ 206,849	\$ 355,497	\$ 148,648	71.9%
<b>Total Personnel Costs</b>	\$ 2,268,141	\$ 2,307,502	\$ 3,312,877	\$ 1,005,375	43.6%

## Meeting Expenses

Table B-3

## Meeting Expenses

<b>Meeting Expenses by Business Plan Category</b>	<b>Budget 2008</b>	<b>Projection 2008</b>	<b>Budget 2009</b>	<b>Variance</b>	<b>Variance %</b>
Reliability Standards	\$ 810	\$ 810	\$ -	\$ (810)	-100.00%
Compliance and Organization Registration and Certification	810	810	-	(810)	-100.00%
Reliability Assessment and Performance Analysis	810	810	-	(810)	-100.00%
Training and Education	\$ 70,000	\$ -	\$ 105,000	\$ 105,000	
Legal and Regulatory	810	810	-	(810)	-100.00%
<b>Total Meeting Expenses</b>	<b>\$ 73,240</b>	<b>\$ 3,240</b>	<b>\$ 105,000</b>	<b>\$ 101,760</b>	<b>3140.74%</b>

<b>Travel Expenses by Business Plan Category</b>	<b>Budget 2008</b>	<b>Projection 2008</b>	<b>Budget 2009</b>	<b>Variance</b>	<b>Variance %</b>
Reliability Standards	\$ 8,500	\$ 3,500	\$ 4,344	\$ 844	24.11%
Compliance and Organization Registration and Certification	46,205	60,000	66,187	6,187	10.31%
Reliability Readiness Audit and Improvement	10,620	500	7,012	6,512	1302.40%
Reliability Assessment and Performance Analysis	4,340	1,800	3,117	1,317	73.17%
Training and Education	10,140	1,400	1,446	46	3.29%
Situational Awareness and Infrastructure Security	200	600	1,069	469	78.17%
General and Administrative	6,480	12,120	12,820	700	5.78%
Legal and Regulatory	2,740	4,300	8,994	4,694	109.16%
Information Technology	150	-	-	-	
Accounting and Finance	3,860	2,500	2,481	(19)	-0.76%
<b>Total Travel Expenses</b>	<b>\$ 93,235</b>	<b>\$ 86,720</b>	<b>\$ 107,470</b>	<b>\$ 20,750</b>	<b>23.93%</b>

<b>Conference Call Expenses by Business Plan Category</b>	<b>Budget 2008</b>	<b>Projection 2008</b>	<b>Budget 2009</b>	<b>Variance</b>	<b>Variance %</b>
General and Administrative	\$ 1,000	\$ -	\$ -	\$ -	
<b>Total Conference Calls</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Meeting Expenses</b>	<b>\$ 167,475</b>	<b>\$ 89,960</b>	<b>\$ 212,470</b>	<b>\$ 122,510</b>	<b>136.18%</b>

Section B — 2009 Regional Entity Budget

Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Recruitment	\$ -	\$ -	\$ 6,000	\$ 6,000	
<b>Consultants Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
<b>Contracts - Software</b>					
Support Department Allocation	\$ 89,000	\$ 203,585	\$ 280,654	\$ 77,069	37.86%
<b>Contracts - Software Total</b>	<b>\$ 89,000</b>	<b>\$ 203,585</b>	<b>\$ 280,654</b>	<b>\$ 77,069</b>	<b>37.86%</b>

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent & Facilities Support	\$ 80,000	\$ 165,000	\$ 517,550	\$ 352,550	213.67%
<b>Total Office Rent</b>	<b>\$ 80,000</b>	<b>\$ 165,000</b>	<b>\$ 517,550</b>	<b>\$ 352,550</b>	<b>213.67%</b>

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Supplies	\$ 12,950	\$ 7,528	\$ 8,400	\$ 872	11.58%
Dues	500	360	5,080	\$ 4,720	1311.11%
Postage	1,000	200	1,200	\$ 1,000	500.00%
Express Shipping	1,000	900	1,200	\$ 300	33.33%
Reports - Graphics	1,000	600	1,200	\$ 600	100.00%
Stationary Forms	1,000	1,200	1,200	\$ -	0.00%
<b>Total Office Costs</b>	<b>\$ 17,450</b>	<b>\$ 10,788</b>	<b>\$ 18,280</b>	<b>\$ 7,492</b>	<b>69.45%</b>

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Outside Legal	\$ 220,000	\$ 300,000	\$ 300,000	\$ -	0.00%
Accounting & Auditing Fees	36,000	36,728	36,000	\$ (728)	-1.98%
Other Consulting Fees	-	131,700	30,000	\$ (101,700)	-77.22%
Website Hosting and Maintenance	-	40,000	60,000	\$ 20,000	50.00%
<b>Total Services</b>	<b>\$ 256,000</b>	<b>\$ 508,428</b>	<b>\$ 426,000</b>	<b>\$ (82,428)</b>	<b>-16.21%</b>

Section B — 2009 Regional Entity Budget

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Software	\$ -		\$ 3,932	\$ 3,932	
IT Administration	\$ 123,000	\$ 150,195	\$ 200,400	\$ 50,205	33.43%
Computer Projects	\$ -	\$ 288,806	\$ 322,700		
<b>Total Computer</b>	<b>\$ 123,000</b>	<b>\$ 439,001</b>	<b>\$ 527,032</b>	<b>\$ 54,137</b>	<b>20.05%</b>

Table B-10

Miscellaneous	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Employee Seminars & Training	\$ -	\$ -	\$ 11,160	\$ 11,160	
<b>Total Computer</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,160</b>	<b>\$ 11,160</b>	

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Cash/Contingency Reserve	\$ -	\$ -	\$ 855,000	\$ 855,000	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 855,000</b>	<b>\$ 855,000</b>	

## Section C — 2009 RE Non-Statutory Business Plan and Budget

<b>Non Statutory</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.67	4.50	5.05
Total Direct Expenses	848,782	775,885	871,997
Total Indirect Expenses			
Total Expenses	848,782	775,885	871,997

### Non-Statutory Functional Scope

In addition to its statutory functions, Texas RE monitors, audits, assesses, investigates, and reports on compliance with the reliability-related ERCOT Protocols, for the Public Utility Commission of Texas (PUCT), which is needed to safely and reliably operate the electric transmission system. The ERCOT Protocols contain the market rules for planning and operating reliable interconnected Bulk Electric System in the ERCOT Region. To ensure that the reliability of the interconnected Bulk Electric System is maintained, all ERCOT Region market participants involved in planning, operating, owning, or using this system must understand and comply with these requirements. The PUCT makes all final decisions regarding violations of Protocols and prosecutes any Protocol violations that result in enforcement actions. As part of its Non-statutory activities, Texas RE also monitors the Protocol revision process, and provides comments regarding reliability-related Protocol revisions.

In accordance with P.U.C. SUBST. R. 25.503, and the PUCT-approved “ERCOT Compliance Process“, Texas RE monitors material occurrences of non-compliance with ERCOT Protocols, which includes occurrences that have the potential to impede ERCOT ISO operations, or represent a risk to system reliability. In accordance with the approved ERCOT ISO Compliance Process, Texas RE:

- A. Maintains a record of all material occurrences of non-compliance with ERCOT Protocols and tracks recurrence of such material occurrences of non-compliance.
- B. Obtains needed information from market participants in order to review and assess system disturbances and potential material occurrences of non-compliance with the ERCOT Protocols.
- C. Promptly provides information to and responds to questions from market participants to allow the market participant to understand and respond to alleged material occurrences of non-compliance with ERCOT Protocols.
- D. Maintains a record of the resolution of such material occurrences of non-compliance and of corrective actions taken by the market participant in each instance.
- E. Informs the PUCT staff immediately of any material occurrence of non-compliance.
- F. Informs the PUCT staff of the resolution of any material occurrence of non-compliance.

Texas RE staff use daily electronic time tracking to document the time spent performing Non-statutory activities. In addition, Texas RE G&A expenses are proportionately allocated to the Non-statutory budget, based upon the time spent performing Non-statutory activities.

Texas RE estimates approximately (14%) percent of Texas RE staff time will be dedicated to monitoring, auditing, assessing, investigating, and reporting on compliance with the ERCOT Protocols and commenting on ERCOT Protocol revision requests. Funding for these Non-statutory activities is provided through the ERCOT System Administration Fee, which is based upon the fee factor approved by the ERCOT Board and the PUCT to support ERCOT activities and Texas RE Non-Statutory activities which are subject to PUCT oversight.

## **Major 2009 Cost Impacts**

### **Funding Sources**

- Funding is received only through ERCOT ISO to pay for these expenses.

### **Personnel Expenses**

- Personnel expenses are less than the 2008 forecast. Texas RE is recognizing approximately \$14K less in personnel expenses due to a lower percentage of work performed for non-statutory purposes.

### **Meeting Expenses**

- No significant change expected for 2009.

### **Operating Expenses**

- Expenses are expected to be higher in 2009 due to the space requirements of Texas RE. The rent expense for 2009 is anticipated to be significantly higher due to the need to procure space outside of Texas REs current location.

## 2008 Budget and Projection and 2009 Budget Comparisons

Table 1

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>NON-STATUTORY</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Revenue	\$ 848,782	\$ 775,885	\$ (72,897)	\$ 871,997	\$ 96,112
<b>Total Funding</b>	<b>\$ 848,782</b>	<b>\$ 775,885</b>	<b>\$ (72,897)</b>	<b>\$ 871,997</b>	<b>\$ 96,112</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 524,494	\$ 457,692	\$ (66,802)	\$ 448,080	\$ (9,612)
Payroll Taxes	43,533	36,615	(6,918)	35,846	(769)
Benefits	62,939	48,057	(14,882)	45,942	(2,115)
Retirement Costs	61,366	66,365	4,999	64,972	(1,394)
<b>Total Personnel Expenses</b>	<b>\$ 692,332</b>	<b>\$ 608,730</b>	<b>\$ (83,602)</b>	<b>\$ 594,840</b>	<b>\$ (13,890)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,900	4,172	272	2,181	(1,991)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,900</b>	<b>\$ 4,172</b>	<b>\$ 272</b>	<b>\$ 2,181</b>	<b>\$ (1,991)</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	68,000	65,044	(2,956)	118,200	53,156
Office Costs	2,550	804	(1,746)	480	(324)
Professional Services	82,000	70,630	(11,370)	89,900	19,270
Computer Purchase & Maint.	-	26,505	26,505	36,396	9,891
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	30,000	30,000
<b>Total Operating Expenses</b>	<b>\$ 152,550</b>	<b>\$ 162,983</b>	<b>\$ 10,433</b>	<b>\$ 274,976</b>	<b>\$ 111,993</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 848,782</b>	<b>\$ 775,885</b>	<b>\$ (72,897)</b>	<b>\$ 871,997</b>	<b>\$ 96,112</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
<b>NON-STATUTORY</b>				
<b>Operational Programs</b>				
Protocol	3.17	3.10	3.85	0.75
<b>Total FTEs Operational Programs</b>	<b>3.17</b>	<b>3.10</b>	<b>3.85</b>	<b>0.75</b>
<b>Administrative Programs</b>				
General & Administrative	2.50	1.40	1.20	-0.20
<b>Total FTEs Administrative Programs</b>	<b>2.50</b>	<b>1.40</b>	<b>1.20</b>	<b>-0.20</b>
<b>Total FTEs</b>	<b>5.67</b>	<b>4.50</b>	<b>5.05</b>	<b>0.55</b>



**2009 Business Plan and Budget  
Version 3.1**

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**Texas Regional Entity**

**Approved by:  
Texas Regional Entity Board of Directors**

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**Submitted:  
August 8, 2008**

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## Introduction

<b>Total RE Resources</b> (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	26.95			
Non-statutory FTEs	5.05			
Total FTEs	32.0			
Statutory Expenses	\$6,167,024	\$6,167,024		
Non-statutory Expenses	\$871,997	\$871,997		
Total Expenses	\$7,039,021	\$7,039,021		
ERO Funding/Assessments	\$3,430,700	\$3,430,700		
Other Funding Sources	\$70,000	\$70,000		
Non-statutory Funding	\$871,997	\$871,997		
Total Funding	\$4,372,697	\$4,372,697		
NEL	319,355,145 mwh	319,355,145 mwh		
NEL %	100.0%	100.0%		

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Texas Regional Entity (Texas RE) is an independent division of Electric Reliability Council of Texas, Inc. (ERCOT ISO), a Texas non-profit corporation. The vision of Texas RE is to preserve and enhance reliability across the ERCOT Region by encouraging a culture of compliance among all users, owners, and operators of the bulk-power system.

In May 2007, Texas RE executed a Delegation Agreement with North American Electric Reliability Corporation (NERC), the Electric Reliability Organization (ERO) certified by the Federal Energy Regulatory Commission (the Commission), pursuant to Section 215(c) of the Federal Power Act (FPA). In response to subsequent orders by the Commission, Texas RE and NERC signed an Amended and Restated Delegation Agreement on March 28, 2008.

The Commission authorized NERC to develop standards for the reliable operation and planning of the Bulk-Power System, to enforce compliance with those standards, and to conduct periodic assessments of the reliability and adequacy of the Bulk-Power System in North America. The Commission further authorized NERC to delegate these responsibilities to regional entities through Delegation Agreements approved by the Commission, and the Commission provides oversight of the ERO and regional entity performance in the United States, pursuant to the FPA.

In the May 2007 Delegation Agreement and the March 28, 2008 Amended and Restated Delegation Agreement (collectively "the Delegation Agreement"), NERC delegates to Texas RE certain responsibilities and authorities of a regional entity as defined in the FPA, regulations adopted by the Commission (including but not limited to Order N. 672 in Docket No. RM05-30-000), and other directives of the Commission, including the authority to propose, develop, monitor, assess, and enforce reliability standards and ERCOT Region-Specific regional reliability standards ("Regional Standards") and variances within the ERCOT Region, in accordance with the NERC Rules of Procedure (ROP). Texas RE's activities under the Delegation Agreement are referred to herein as statutory activities.

All proposed reliability standards and Regional Standards and variances must be submitted by the ERO to the Commission and must be approved by the Commission as just, reasonable, not unduly discriminatory or preferential, and in the public interest to be effective and enforceable. The ERO and regional entities monitor compliance with the reliability standards, and they may direct violators to comply with the standards and impose penalties for violations in accordance with the NERC ROP, subject to review by and appeal to the Commission. While the ERO is responsible for compliance and enforcement under Commission oversight, the Commission is

## Introduction

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authorized by the FPA to also investigate compliance and impose penalties independently of the ERO.

In addition to Texas RE's statutory activities, Texas RE investigates, audits, and reports on compliance with the ERCOT Region reliability-based Protocols and Operating Guides (Protocols) for the Public Utility Commission of Texas (PUCT). Texas RE's Protocol-related activities are referred to herein as Non-statutory activities. Texas RE coordinates with PUCT staff regarding enforcement of potential Protocol violations, but the PUCT prosecutes any Protocol violations that result in enforcement actions. Due process is provided to any entity that is reported to have violated a Protocol, pursuant to state law, and the PUCT makes all final decisions regarding Protocol violations.

## Vision

The vision of Texas Regional Entity, an independent division of Electric Reliability Council of Texas, Inc., is to preserve and enhance reliability across the ERCOT Region by encouraging a culture of compliance among all users, owners, and operators of the bulk-power system.

## Mission

In order to fulfill its obligations, Texas Regional Entity will act in accordance with its Delegation Agreement, NERC Rules of Procedure and the PUCT approved ERCOT Compliance Process to:

- Monitor, report, and enforce compliance with NERC Reliability Standards by all users, owners, and operators of the bulk-power system in the ERCOT Region.
- Develop regional variances or standards which go beyond, add details to or implement NERC Reliability Standards.
- Monitor and report compliance with ERCOT Protocols by all Market Participants in the ERCOT Region.

## Membership and Governance

Because Texas RE is an independent division of ERCOT ISO, members of ERCOT ISO are also members of Texas RE. These members can be from any ERCOT ISO Segment (as listed below), and, except for the Consumer Segment, must have an actual financial interest in the retail or wholesale electric market in the ERCOT Region and be able to do business in one of these markets. ERCOT ISO 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 bulk power system has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

In order to maintain clear independence from and not be unduly influenced by the owners, operators, and users of the bulk power system being monitored, Texas RE is a functionally separate and independent division of ERCOT ISO. Texas RE is led by a chief executive officer with the title CEO and Chief Compliance Officer (CCO) who manages the general affairs of Texas RE as its chief executive officer, who reports to the Board of Directors or a subcommittee thereof for administrative purposes. The Texas RE employees maintain office space that is separated from ERCOT ISO office space by a secured access point. Texas RE and its employees function independently of the ERCOT ISO and its officers, and Texas RE creates, monitors, and operates under an independent budget and maintains separate books and records from ERCOT ISO. Texas RE uses certain administrative services provided by ERCOT

ISO employees, but Texas RE pays a cost reimbursement based rate for goods or services provided by ERCOT ISO, pursuant to the Service Level Agreement.

Texas RE's board is comprised of the sixteen (16) directors of the ERCOT ISO board, including the Chair of the PUCT, as an ex officio non-voting member, the ERCOT ISO CEO as an ex-officio voting member, five (5) Unaffiliated Directors (not affiliated with any ERCOT ISO market participant), and directors from the following market Segments:

- A. Three (3) Consumers:
  - 1. Public Counsel (representing residential consumers and small commercial consumers, as an ex officio voting member)
  - 2. Large Commercial (peak demand >1000 kilowatts)
  - 3. Industrial Consumer
- B. 1 Independent Retail Electric Provider (and one segment alternate)
- C. 1 Generator (and one segment alternate)
- D. 1 Independent Power Marketer (and one segment alternate)
- E. 1 Investor Owned Utility and (and one segment alternate)
- F. 1 Municipal (and one segment alternate)
- G. 1 Cooperative (and one segment alternate)

The Texas RE directors maintain independence from their role as ERCOT ISO directors by holding board and committee meetings separately from ERCOT ISO meetings and by not having any role regarding Texas RE's Statutory compliance and enforcement activities (as described below).

### **Statutory Functional Scope**

In accordance with the Delegation Agreement and in compliance with the NERC ROP, Texas RE performs the following Statutory Functions:

- A. Propose Reliability Standards, Regional Variances or modifications thereof to NERC and develop needed Regional Standards through Texas RE's standards development procedure.
- B. Monitor and enforce approved Reliability Standards (including Regional Standards and Regional Variances) within the ERCOT Region through Texas RE's Compliance Monitoring and Enforcement Program (CMEP).
- C. Perform delegation-related services on behalf of NERC, in furtherance of NERC's responsibilities as the ERO under the FPA, including:
  - 1. Organization registration and certification.
  - 2. Assessment and performance analysis of the present and future reliability, adequacy, and security of the bulk-power system.
  - 3. Promote effective training and education of reliability personnel and assist in the certification of operating personnel.
  - 4. Promote situational awareness and the security and protection of critical infrastructure.

### **Non-Statutory Functional Scope**

In addition to its Statutory functions, Texas RE monitors and investigates compliance with the ERCOT Region Protocols needed to safely and reliably operate the electric transmission system and support wholesale and retail markets. The ERCOT Region Protocols contain the market rules for planning and operating reliable interconnected bulk electric system in the ERCOT

Region. To ensure that the reliability of the interconnected bulk electric system is maintained, all ERCOT Region market participants involved in planning, operating, or using this system must understand and comply with these requirements. The PUCT oversees the enforcement process. Further explanation of the Non-Statutory budget is included in the Non-Statutory section of the Budget & Business Plan.

## Planning Cycle

Texas RE's financial process for the 2009 budget planning cycle employed a zero-based budgeting methodology. Each request for resources was evaluated and justified to ensure that resource requests were efficient and matched the departmental plan for the coming year. Each department manager was responsible for budgeting department resources for the 2009 planning cycle. The budget requests were evaluated for reasonableness and cost efficiency to ensure that the planning process would be successful. The budget assumptions associated with this planning cycle are as follows:

- 2009 will be the 2nd full year of operations for Texas RE.
- The budget process ensured that all of the functions were appropriately budgeted to:
  - Discharge all of the NERC Delegation Agreement requirements.
  - Continue monitoring & reporting on protocol compliance and non-compliance.
  - Ensure Texas RE continues to improve its processes by utilizing technology to enhance its operations.
  - Guarantee Texas RE has appropriate cash on hand [by establishing a 60-day cash on hand reserve. The reserve represents approximately 60 days of operating expenses. This benchmark was chosen due to its common usage in financial markets as an indication of appropriate cash reserves to be held by organizations that receive bond-financing, though Texas RE does not have bond-financing.](#)
- The reserve is to be treated as a non-operating expense item for purposes of budgeting, but will ensure that Texas RE has sufficient cash on hand.
- Labor expense and allocations for Statutory (Federal) functions and Non-Statutory (Protocol) functions were projected based on current time-tracking and expected trends.
- Increased Statutory Compliance labor resulted due to:
  - Additional and longer audits required, due to increased number of FERC-approved Reliability Standards and increased number of Registered Entities.
  - Increased emphasis on situational awareness and cyber-security.
  - Increase in Legal and Regulatory (investigations, contested matters, required communications with NERC, FERC, and PUCT, and regulatory matters).
- Invest in technology improvements and process automation.
- Non-statutory requirements will not increase.
  - Efficiencies experienced on QSE audits, due to statutory audits and statutory event analysis.
  - Projected allocation to the Non-Statutory function is reduced to less than 15% of the total budget.
- Increase in labor costs of 43% for 2009 (Headcount increasing 30%):
- Tight labor market for experienced Electrical Engineers with Electric Power Systems experience is driving salary up.
- Surplus funds from prior years (2007 & 2008) are expected to offset 2009 funding requirements (balance remaining is forecast to be \$1.8M).
- Texas RE Staff will relocate outside of its present location due to space requirements.
- FTE's are calculated based on hours of work spent performing activities as compared to 2,080 labor hours available in a full-time employee work-year.
- [Services are received by Texas RE from ERCOT ISO for additional support services not included in Texas RE's direct expenses. These services are identified and priced in the](#)

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[Memorandum of Understanding \(including exhibits\) between Texas RE and ERCOT ISO.](#)

Texas RE staff reviews the organization's financials, monthly against plan, and documents the variances and emerging trends. Texas RE routinely forecasts expenses for the balance of the fiscal year. This ensures that the regional entity is maintaining fiscal discipline and that the Texas RE will be good stewards of the resources appropriated for the purposes of fulfilling the delegation agreement requirements.

## 2009 Primary Objectives

Texas RE's Primary Goals for 2009 are to:

- A. Effectively communicate with the industry, regulators, and other stakeholders
  - Build cooperative relationships with all registered entities, industry segments, ERCOT Region market participant committees and working groups, and regulators through regular, consistent messaging regarding all of Texas RE's program areas. Continuing strong communications and cooperative relationships will be especially crucial in the year 2009, because the ERCOT Region plans to implement its nodal market system in December 2008.
  - Continue to improve the established communications and relationships with NERC and the other Regional Entities during this second full year for the ERO and Regional Entities to operate under the approved delegation agreements.
  - Deliver a consistent message through a variety of electronic media (including the quarterly newsletter) as a timely and efficient means of providing important information to the industry and the public.
  - Continue to enhance the Texas RE online presence to build identity, awareness, and provide useful information about Texas RE and its mission, through the improved and separate Texas RE public Web site (planned for launch by the end of 2008) which will:
    - Increase awareness of Texas RE's mission and NERC and ERCOT Region-specific requirements for compliance
    - Provide comprehensive information and resources on standards, compliance, and registration requirements, including enforcement of compliance, changes to standards and requirements, and answers to frequently asked questions;
    - Act as a gateway to the externally hosted applications and related external Web sites
    - Attract qualified and diverse staff
    - Promote new information and educational opportunities
    - Serve as the foundation for additional information systems
- B. Prepare and obtain approval of an appropriate Texas RE Business Plan & Budget and Conduct Texas RE Operations within the approved Budget
- C. Effectively manage the NERC Compliance Monitoring and Enforcement Program (CMEP)
- D. Monitor, investigate and report reliability-related non-compliance with ERCOT Region Protocols

- E. Effectively manage the Texas RE Standards Development Process
- F. Establish Key Performance Indicators and Benchmarks for Texas RE operations.

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### Major 2009 Cost Impacts

Statutory expenses are increasing by over 57% or \$2.2M from the 2008 forecast. This increase is primarily being driven by the following items:

1. Adding 5 additional staff will increase salary and benefits by almost \$600K.
2. Increases for existing staff (merit, promotion and market) totals approximately (salary & benefits) \$240K.
3. Texas RE has experienced some vacancies in staffing during 2008; the resulting difference is estimated to be \$60K.
4. Shifting salary from non-statutory to statutory due to better time estimation is increasing statutory salary and benefits \$106K.
5. Due to the need to relocate Texas RE offices, rent will be increasing by more than \$400K.
6. Texas RE is also establishing a cash reserve for 2009, which is approximately \$855K. This represents the 60 days cash on hand target which assures Texas RE will be appropriately funded.

### Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

**Section A — 2009 Business Plan**  
**Reliability Standards Program**

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	1.70	1.70
Total Direct Expenses	\$ 215,454	\$ 171,739	\$ 176,491
Total Indirect Expenses <sup>1</sup>	\$ <del>185,044</del>	\$ 221,277	\$ 308,524
Total Expenses	\$ <del>400,498</del>	\$ 393,016	\$ 485,014

<sup>1</sup> Indirect expense is allocated to the programs based on the FTEs within the program compared to total FTEs for all programs. The resulting percentage is then applied to the Administrative Services budgets to ensure that each program receives its pro-rata share of the Administrative Services expense.

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**Background**

Texas RE may develop, through its own standards development process, separate Regional Standards that are specific to the ERCOT Region and go beyond, add detail to, or implement NERC Reliability Standards. Texas RE may also utilize the same process to obtain a Regional Variance to a NERC Standard; or develop Regional Standards that cover matters not addressed in NERC Reliability Standards. Regional criteria may be developed separately from NERC Reliability Standards, or may be proposed as 'Regional Standards. Regional criteria that exist separately from NERC Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

Regional Standards shall provide for as much uniformity as possible for Reliability Standards across the interconnected bulk power system of the North American continent. Such 'Regional Standards' shall be more stringent than a continent-wide Reliability Standard, or shall be a regional difference that addresses matters that the continent-wide Reliability Standard does not or is necessitated by a physical difference in the bulk power system.

**Program Description and Functions Performed**

Texas RE's Reliability Standards Development Process will be overseen by a Reliability Standards Committee (RSC) whose purpose is to see that all stakeholder interests are fairly represented in the development of Regional Standards. The RSC will be a broad-based, representative committee consisting of representatives from each of the seven ERCOT Region market participant segments. Participation is open to any person or entity with an interest in the reliability of the ERCOT Region Bulk Power System.

Among other responsibilities, the RSC will review each proposal for development of a new Regional Standard, a variance to a NERC standard, or a modification to or deletion of an existing Regional Standard, to determine if the proposal should be pursued. RSC also oversees the modification to the standards development process. If it so determined, the RSC will forward to the ERCOT Reliability and Operations Subcommittee (ROS) to appoint a reliability standard drafting team that has the necessary technical expertise, competencies, and diversity of views needed to develop the proposed standard. Development of each Regional Standard will include at least one time period for receipt of public comment before the proposed standard is submitted for an approval vote. A separate ballot pool will be established for each standard to allow Registered Ballot Body (RBB) with interest on a particular standard to participate on the voting activity. Upon evaluating the voting results, RSC will determine whether to forward the Regional Standard and the associated package to the Texas RE Board for approval. Finally, if approved by the Board, the Regional Standard will be forwarded to NERC for evaluation and approval and subsequent filing with FERC for its approval. Once FERC approves a

standard and the effective date reached, compliance with the standard is legally binding on all applicable owners, operators, and users within the Texas RE footprint.

Texas RE's Reliability Standards Development Process is designed to build and verify consensus for each Regional Standard. The open, inclusive, balanced and transparent process ensures that the resulting standards are just, reasonable, and nondiscriminatory. Participation by industry experts and compliance personnel ensures that the standards are technically sound, unambiguous, and measurable.

Texas RE's Reliability Standards Group will be responsible for coordinating and facilitating all aspects of the 'Regional Standards' development process. Staff will be actively involved in the NERC Reliability Standards Program, participate on the Reliability Standards Drafting Teams and participate on NERC Readiness Evaluations. The Reliability Standards Group will review each Reliability Standard and notify impacted entities of any new requirements as well as communicate all reliability standards-related information to stakeholders. Staff will also identify any possible training needed by responsible entity personnel to promote understanding and compliance with the new or revised reliability standards.

### **2009 Goals and Objectives**

The goals of the Reliability Standards Program for 2009 are to:

1. Meet all FERC and NERC directives with regard to Regional Standards development and procedures.
2. Develop Regional Standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
3. Work closely with the ERO and NERC Registered Entities within the Texas RE enforcement footprint to develop separate Regional Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or otherwise address issues that are not addressed in NERC Reliability Standards.
4. Ensure consistency and quality of Regional Standards without causing undue restrictions or adverse impacts on competitive electricity markets.
5. Ensure Texas RE Reliability Standards development process is aligned to meet agreed-upon expectations.
6. Streamline and improve the Texas RE's Reliability Standards development process and associated tools.
7. Participate and be actively involved in various NERC Reliability Standards Program and related functions.

### **Staffing Needs**

#### **Hiring Plans**

Based on the existing and proposed work as outlined in this business plan Texas RE will maintain the standards program area staff at 2008 levels, however 1 FTE did not start until the 1Q of 2008, therefore there is a slight increase reflected in 2009.

#### **Shared Employees**

Not applicable

#### **Contractors**

Not applicable

**Reliability Standards Program**

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Reliability Standards</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 215,454	\$ 215,454	\$ -	\$ 176,491	\$ (38,963)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 215,454</b>	<b>\$ 215,454</b>	<b>\$ -</b>	<b>\$ 176,491</b>	<b>\$ (38,963)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 144,806	\$ 125,691	\$ (19,115)	\$ 127,238	\$ 1,547
Payroll Taxes	12,019	10,827	(1,192)	10,179	(648)
Benefits	17,377	13,930	(3,447)	14,320	390
Retirement Costs	16,942	16,981	39	18,450	1,469
<b>Total Personnel Expenses</b>	<b>\$ 191,144</b>	<b>\$ 167,429</b>	<b>\$ (23,715)</b>	<b>\$ 170,187</b>	<b>\$ 2,758</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	8,500	3,500	(5,000)	4,344	844
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 9,310</b>	<b>\$ 4,310</b>	<b>\$ (5,000)</b>	<b>\$ 4,344</b>	<b>\$ 34</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,960	1,960
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	15,000	-	(15,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 15,000</b>	<b>\$ -</b>	<b>\$ (15,000)</b>	<b>\$ 1,960</b>	<b>\$ 1,960</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 215,454</b>	<b>\$ 171,739</b>	<b>\$ (43,715)</b>	<b>\$ 176,491</b>	<b>\$ 4,752</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 43,715</b>	<b>\$ 43,715</b>	<b>\$ -</b>	<b>\$ (43,715)</b>

**Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

**Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

**Personnel Expenses**

- Expenses are higher related to maintaining full staff in 2009.

**Meeting Expenses**

- Travel expenses are virtually unchanged from the 2008 forecast to the 2009 budget.

**Operating Expenses**

- Operating expenses include fees related to dues and professional fees.

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

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	6.40	12.40	14.15
Total Direct Expenses	\$ 892,898	\$1,186,451	\$1,628,935
Total Indirect Expenses	\$ 589,827	\$1,614,023	\$2,578,245
Total Expenses	\$1,482,725	\$2,800,474	\$4,207,180

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### Overview

The purpose of Texas RE's Compliance Monitoring and Enforcement Program (CMEP) is to maintain the reliability of the ERCOT Region Bulk Power System. NERC oversees each Regional Entity's Compliance Program. Texas RE is responsible for monitoring, assessing, and enforcing compliance with NERC Reliability Standards, Regional Standards, and requirements by the owners, operators, and users of the bulk power system in the ERCOT Region. The CMEP activities make up the majority of the work currently done by Texas RE and the other Regional Entities. The CMEP focuses on four primary areas: identification and registration of organizations responsible for complying with Reliability Standards (Organization Registration and Certification), monitoring of the registered entities for compliance with Reliability Standards (Compliance Monitoring), determination and reporting to NERC of violations of Reliability Standards by registered entities (Enforcement Actions), and ensure correction of noncompliance and violations when identified (Mitigation of Violations). Texas RE maintains processes and procedures for data gathering, reporting, investigating, auditing, assessing, penalizing and sanctioning violators, and mitigating non-compliance.

The CMEP is a relatively new program. As such, Texas RE has focused its efforts on building new policies and procedures to support the evolving requirements that are being developed at the national level. As the organization begins to mature in 2009, Texas RE will review its organizational structure, processes and procedures with the intent to improve the quality of its work and begin the task of analyzing how we can mitigate the cost of compliance. The reliability of the Bulk Power System will always remain the unquestionable number one priority of the organization.

### Organization Registration and Certification Program Description and Functions

Texas RE is responsible for identifying and registering each entity that is responsible for performing each NERC function in the ERCOT Region, in accordance with Section 500 of the NERC ROP. These Registered Entities are responsible for complying with all applicable reliability standards. Texas RE must maintain an accurate registration list of all owners, operators, and users of the bulk power system for compliance monitoring purposes.

The amount of work related to entity registration is higher than expected in 2008 and is predicted to remain at a high level through 2009 due to on-going changes to responsibilities and definitions of the Register Entity functions, additional NERC and FERC procedural requirements, and the unique requirements and procedures required by the ERCOT Region Protocols.

Specifically, NERC is expected to approve the new definition of the Load Serving Entity (LSE) function before the end of 2008, which will drive the need to implement LSE registrations (which could number between 35 and several hundred, depending upon the final definition) during 2009. Additionally, the joint

registration (JRO) process (joint registrations with split tasks and responsibilities on a sub-requirement level between Registered Entities) requires significant review and approval by Texas RE and is expected to significantly impact work load. If the anticipated joint registrations for the transmission operator (TOP) function are completed during 2008 as expected, Texas RE estimates that nine certification audits will be added in the ERCOT Region in 2009 to support the 28 new TOP entities. Only 9 of the TOP certification audits are included in the 2009 business plan and budget.

Additionally, some registrations have been contested, particularly due to some of the unique procedures in the ERCOT Region Protocol. Texas RE has a regional registration appeals process and its staff must support Texas RE's position on appeals made by entities through the NERC and FERC appeal process. It is predicted that significant effort will continue to be expended in this area in 2009. Registration and, in some cases, certification of the organizations responsible for complying with the standards will be an ongoing activity.

The list of registered entities in the ERCOT Region continues to evolve and currently includes:

- 93 Generator Owners
- 58 Generator Operators
- 24 Transmission Planners
- 28 Transmission Owners
- 39 Distribution Providers
- 34 Purchasing Selling Entities
- 1 Transmission Operator, Reliability Coordinator, Balancing Authority, Planning Authority, Resource Planner, Transmission Service Provider, and Interchange Authority (ERCOT ISO)

**2009 Goals Organization Registration and Certification:**

1. Maintain an accurate registration list of all owners, operators, and users of the bulk power system by establishing a schedule to verify entity registration and contact information.
2. Provide updated registered entity information to NERC and appropriate government authorities.
3. Participate in development of registration procedures, policies and databases with NERC and FERC, and implement and communicate changes as necessary.
4. Appropriately address all registration appeals to completion.
5. Implement organization certification in accordance with NERC processes, some of which are still under development – conduct required audits.
6. Maintain processes and procedures for carrying out the delegated certification activities that are required by the certification standards.
7. Complete a review of policies and procedures with the goal of improving clarity of communications with registered entities and to determine how it may be possible to mitigate the cost of compliance without impacting reliability.
8. Implement recommendations from the upcoming NERC audit of Texas RE.

**Compliance Monitoring and Enforcement Program Description and Functions**

Through a rigorous program of monitoring, audits, assessments, investigations, mitigation activities, and the imposition of penalties and sanctions for non-compliance with reliability standards, Texas RE will strive to maintain a high level of reliable operation of the ERCOT Region Bulk Power System by its owners, operators, and users. Ensuring the reliable operation of the Bulk Power System will benefit all owners, operators, and users of the Bulk Power System in the ERCOT Region.

The CMEP currently has 86 NERC Reliability Standards that were approved by FERC in 2007, and eight (8) Cyber Security Reliability Standards that were approved by FERC in 2008. The 86 standards approved in 2007 have more than 3,000 requirements and sub-requirements. There are more NERC

Reliability Standards in the development and approval process, and Texas RE anticipates that at least some Regional Standards will be approved starting in 2008.

A key, and the most well known component of the CMEP is the compliance audit, but Texas RE uses eight (8) different monitoring processes to collect information to confirm compliance with NERC Reliability Standards:

1. Compliance Audits,
2. Self-Certifications,
3. Spot Checking,
4. Compliance Violation Investigations,
5. Self-Reporting,
6. Periodic Data Submittals,
7. Exception Reporting, and
8. Complaints

Texas RE maintains a program of proactive enforcement audits and reviews. Each owner, operator, or user of the Bulk Power System is responsible for complying with NERC Reliability Standards, Regional Standards, and Texas RE audits these Reliability Standards on a recurring basis using an approved audit plan coordinated with NERC and augmented for regional needs. A Compliance Audit is performed to determine compliance with applicable Reliability Standards on a three and/or six-year cycle, depending on the entity's registration, and an audit report is issued for each audit.

In any years that a registered entity does not receive a Compliance Audit, Texas RE will require a compliance Self-Certification from the entity, using electronic forms developed and distributed by Texas RE. The entity must certify that it is in compliance with each designated measure or disclose any non-compliance and submit the self-certification to the Texas RE by the date specified in the request by the Texas RE. Texas RE may require Registered Entities to self-certify their compliance with reliability standards at other times as well. Texas RE performs Spot Checks of registered entities to (1) confirm compliance certified on Self-Certifications, (2) follow up on Self Reports and Periodic Data Submittals, (3) confirm completion of mitigation plans, and (4) follow up on complaints or other indications of non-compliance. Texas RE may perform Spot Checks by telephone, site visit, or a data or document request. Deficiencies found in Self-Certifications and Spot Checks are treated as if they were audit findings of violations.

A Compliance Violation Investigation is a more involved, possibly time consuming, and formal process than a compliance analysis, and the investigation team includes NERC staff and FERC staff. At this time, Texas RE is estimating to complete 54 compliance analyses in 2009, which is the same estimate used for 2008.

To date, there have been no major events analyzed using the CVI process in the ERCOT Region. It is anticipated that there will be at least one CVI in 2008 based on activity to date, but it is impossible to accurately predict CVI level activity in 2009. The inability to predict workload and thus to be prepared for this type of work is very difficult.

The budget for Compliance Audits is based on the current number of registered entities in the ERCOT Region. There is little probability that this number will decrease, and some evidence that it could increase significantly beyond current levels. An example would be the proposal to add 28 TOP registered entities through joint registration with the ERCOT ISO. Such a change would require a revision to our audit schedule and would most likely result in a need to request additional resources at a later date,

### 2009 Compliance Monitoring and Enforcement Program Goals and Objectives

1. Complete Compliance Audits per the 2009 schedule including additional audits required by joint registrations.
2. Conduct required Compliance Violation Investigations (budgeted for 1).
3. Conduct compliance analysis of all significant events and other system disturbances.
4. Analyze and investigate all Complaints.
5. Complete Self-Certifications for all registered entities.
6. Perform Spot Checks.
7. Continue to work with other regional entities to improve auditing consistency and reduce the cost of audits for Registered Entities with operations in multiple regions.
8. Complete a review of policies and procedures with the goal of improving the clarity of communications with Register Entities, to determine how to mitigate the cost of compliance without impacting reliability, and meeting compliance with NERC ROP modifications and NERC guidance.
9. Implement recommendations from the upcoming NERC audit of Texas RE.

### Staffing Needs

#### Hiring Plans

Based on the existing and proposed work as outlined in this business plan Texas RE will need to increase staffing for the compliance enforcement and organization registration and certification program area to a total of 14.15 FTEs for 2009.

#### Shared Employees

Not applicable

#### Contractors

Not applicable

**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 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 892,898	\$ 892,898	\$ -	\$ 1,628,935	\$ 736,037
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 892,898</b>	<b>\$ 892,898</b>	<b>\$ -</b>	<b>\$ 1,628,935</b>	<b>\$ 736,037</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 584,760	\$ 838,426	\$ 253,666	\$ 1,164,106	\$ 325,680
Payroll Taxes	48,535	74,651	26,116	93,128	18,477
Benefits	70,171	107,828	37,657	134,510	26,682
Retirement Costs	68,417	104,736	36,319	163,258	58,522
<b>Total Personnel Expenses</b>	<b>\$ 771,883</b>	<b>\$ 1,125,641</b>	<b>\$ 353,758</b>	<b>\$ 1,555,003</b>	<b>\$ 429,362</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	46,205	60,000	13,795	73,199	13,199
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 47,015</b>	<b>\$ 60,810</b>	<b>\$ 13,795</b>	<b>\$ 73,199</b>	<b>\$ 12,389</b>
<b>Operating Expenses</b>					
Consultants	\$ -	-	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	600	600
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	132	132
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	74,000	-	(74,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 74,000</b>	<b>\$ -</b>	<b>\$ (74,000)</b>	<b>\$ 732</b>	<b>\$ 732</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 892,898</b>	<b>\$ 1,186,451</b>	<b>\$ 293,553</b>	<b>\$ 1,628,935</b>	<b>\$ 442,484</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (293,553)</b>	<b>\$ (293,553)</b>	<b>\$ -</b>	<b>\$ 293,553</b>

### **Summary of 2008 projection and 2009 budgeted funding and expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Expenses are higher related to maintaining the 2008 budgeted personnel and due to adding an additional 1.8 FTEs in 2009. This represents approximately \$165K in annual expenses.
- In 2008, there were several vacancies throughout the operating year that are expected to be filled before the 2009 operating year, thus increasing total personnel expenses. This represents approximately \$130K in annual expenses.
- Finally, due to more time being spent on statutory activities, there was a shift in expenses from non-statutory to statutory personnel expenses. This represents approximately \$30K in annual expenses.

#### **Meeting Expenses**

- Travel expenses are approximately 22% higher in 2009 due to travel rate increases and additional audits scheduled for 2009.

#### **Operating Expenses**

- Operating expenses include fees related to dues and professional fees. This expense category is negligible.

**Reliability Readiness Evaluation and Improvement Program**

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.40	0.30	0.00
Total Direct Expenses	\$ 58,345	\$ 43,225	\$ 0
Total Indirect Expenses <sup>1</sup>	\$ 34,696	\$ 39,049	\$ 0
Total Expenses	\$ 93,041	\$ 82,274	\$ 0

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**Background**

Reliability Readiness Evaluation is being eliminated in 2009, based on a restructuring plan proposal made by NERC. The function continues to exist, however is located within the Compliance, Registration and Certification function and will serve to ensure that Texas RE will be able to conduct certification audits.

**Reliability Readiness Evaluation and Improvement Program**

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Reliability Readiness Evaluation and Improvement</b>					
	<b>2008</b>	<b>2008</b>	<b>2008 Projection</b>	<b>2009</b>	<b>2009 Budget</b>
	<b>Budget</b>	<b>Projection</b>	<b>Variance to</b>	<b>Budget</b>	<b>Variance to</b>
			<b>2008 Budget</b>		<b>2008 Projection</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 58,345	\$ 58,345	\$ -	\$ -	\$ (58,345)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 58,345</b>	<b>\$ 58,345</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (58,345)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 32,368	\$ 32,368	\$ -	\$ -	\$ (32,368)
Payroll Taxes	2,686	2,686	-	-	(2,686)
Benefits	3,884	3,884	-	-	(3,884)
Retirement Costs	3,787	3,787	-	-	(3,787)
<b>Total Personnel Expenses</b>	<b>\$ 42,725</b>	<b>\$ 42,725</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (42,725)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,620	500	(10,120)	-	(500)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 10,620</b>	<b>\$ 500</b>	<b>\$ (10,120)</b>	<b>\$ -</b>	<b>\$ (500)</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	5,000	-	(5,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ (5,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 58,345</b>	<b>\$ 43,225</b>	<b>\$ (15,120)</b>	<b>\$ -</b>	<b>\$ (43,225)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 15,120</b>	<b>\$ 15,120</b>	<b>\$ -</b>	<b>\$ (15,120)</b>

**Training, Education, and Operator Certification Program**

<b>Training, Education, and Operator Certification Program Resources</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.38	0.40	0.60
Total Direct Expenses	\$ 143,503	\$ 51,763	\$ 176,415
Total Indirect Expenses <sup>1</sup>	\$ 34,696	\$ 52,065	\$ 106,397
Total Expenses	\$ 178,199	\$ 103,828	\$ 282,812

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**Background**

The Training, Education and Operator Certification Program is being expanded to include 3 major functions: Operator Training and Certification, Compliance Awareness, and Auditor Training.

Texas RE Staff chairs and actively participates on the Operations Training Seminar Oversight Working Group which is responsible for developing, planning, arranging, and monitoring the annual ERCOT ISO Operations Training Seminar. The working group is responsible for measuring how the Seminar is meeting objectives which provide training on power system fundamentals, current events, and other timely issues determined by the working group. Emphasis is placed on topics that focus on enhancing the performance of bulk power system operating personnel. The target audience for the seminar is ERCOT ISO System Operators, Qualified Scheduling Entity (QSE) Operators, and Transmission/Distribution System Provider (TDSP) Operators and those who provide management, supervision, and support for the operators. The seminar is also open to Power Generation Company (PGC) Operators, Wholesale Power Marketers, Retail Electric Providers, and others associated with the bulk power system.

Texas RE held two Compliance Workshops in 2008. These workshops focused on helping registered entities to better understand the Reliability Compliance Process and to communicate changes in requirements and the processes. This forum is focused on communications and is training in the traditional sense.

Auditor training has relied on NERC sources historically.

**Program Description and Functions Performed**

Operator Training & Certification

Developing training and education programs for bulk power system operating personnel and other targeted audiences is an important component of the Texas RE. Providing a training and education program for the operating personnel of owners, operators, and users of the bulk power system relating to their compliance with Regional Standards and other reliability-related job functions helps to achieve a higher level of knowledge and competence. It also helps to promote a culture of compliance within the industry, and thereby helps to further ensure the reliable operation of the ERCOT Region Bulk Power System. Beginning in 2007, NERC’s Continuing Education Hours (CEH) programs have been offered for attending the ERCOT Training Seminar. System Operators attending the seminar received up to 19 CEHs. Many of these hours can also be used to satisfy NERC and ERCOT ISO requirements for system emergency training.

The Twenty-Fifth Annual ERCOT ISO Operations Training Seminar, was held in March and April of 2008, and offered up to 27 CEHs and up to 25.5 Emergency Operation (EOP) training hours. A similar program is planned for 2009.

Texas RE Staff will also continue to coordinate and facilitate the ERCOT ISO Operator Certification Test given to System Operators and operations support personnel. Texas RE Staff will continue to maintain and update the ERCOT ISO Fundamentals Training Manual which was designed and written to serve as a study tool for System Operator Certification Tests and to serve as a readily available reference document. The Manual contains descriptions of fundamental topics in electrical power and ERCOT ISO power system operations.

Compliance Workshops

Texas RE will schedule two Compliance workshops in 2009. The workshops will be designed to address the highest priority issues at the time for the Registered Entities.

Auditor Training

Texas RE will develop a new training program that will expand the goal of improving auditing skills to include methods to improve consistency between audit teams within Texas RE and also between Texas RE and other regions.

**2009 Goals and Objectives**

1. Coordinate and facilitate the annual Operator Training Seminar in 2009.
2. Create internal training programs for Texas RE staff.
3. Coordinate and facilitate 2 compliance workshops to be attended by registered entities and other stakeholders.
4. Assist with developing and providing training to registered entities as needed (i.e. cyber-security).

**Staffing Needs**

**Hiring Plans**

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .2 FTEs of staff for 2009.

**Shared Employees**

Not applicable

**Contractors**

Not applicable

**Training, Education, and Operator Certification Program**

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Training and Education</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 73,503	\$ 73,503	\$ -	\$ 106,415	\$ 32,912
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	70,000	-	(70,000)	70,000	70,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 143,503</b>	<b>\$ 73,503</b>	<b>\$ (70,000)</b>	<b>\$ 176,415</b>	<b>\$ 102,912</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 38,154	\$ 38,154	\$ -	\$ 52,608	\$ 14,454
Payroll Taxes	3,167	3,167	-	4,209	1,042
Benefits	4,578	4,578	-	5,524	946
Retirement Costs	4,464	4,464	-	7,628	3,164
<b>Total Personnel Expenses</b>	<b>\$ 50,363</b>	<b>\$ 50,363</b>	<b>\$ -</b>	<b>\$ 69,969</b>	<b>\$ 19,606</b>
<b>Meeting Expenses</b>					
Meetings	\$ 70,000	\$ -	\$ (70,000)	\$ 105,000	\$ 105,000
Travel	10,140	1,400	(8,740)	1,446	46
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 80,140</b>	<b>\$ 1,400</b>	<b>\$ (78,740)</b>	<b>\$ 106,446</b>	<b>\$ 105,046</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	13,000	-	(13,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 13,000</b>	<b>\$ -</b>	<b>\$ (13,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 143,503</b>	<b>\$ 51,763</b>	<b>\$ (91,740)</b>	<b>\$ 176,415</b>	<b>\$ 124,652</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 21,740</b>	<b>\$ 21,740</b>	<b>\$ -</b>	<b>\$ (21,740)</b>

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

#### **Funding Sources**

- Funding is received through assessment income and training reimbursements. The program funding streams are designed to fully fund total expenses.
- Expect to receive \$70K in training reimbursement fees to offset the cost of the operator training seminar.

#### **Personnel Expenses**

- Expenses are higher related to the addition of .20 FTEs for 2009, which is higher than the 2008 forecast of personnel for the full year.

#### **Meeting Expenses**

- Travel expenses are virtually unchanged.
- Meeting expenses are expected to be \$105K. \$70K related to the operator training seminar and \$35K for 2 other workshops to be held throughout the year to facilitate expanded training.

#### **Operating Expenses**

- None expected.

## Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.25	1.35	2.20
Total Direct Expenses	\$ 574,242	\$ 221,020	\$ 365,180
Total Indirect Expenses <sup>1</sup>	\$ 485,740	\$ 182,228	\$ 399,266
Total Expenses	\$1,059,982	\$ 403,248	\$ 764,446

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### Background

The Reliability Assessment and Performance Analysis Program has two major functions. The first is to conduct compliance analyses of systems events to determine whether any non-compliance with the standards are the root cause of the event and how these events relate to the reliability of the Bulk Power System. The second is to create regular reports that are required by NERC, Texas RE's Board and the Public Utility Commission of Texas (PUCT) that provide insight into how the Bulk Power System is performing. In addition to the regular reports, this program also supports special reports and data requests.

### Program Description and Functions Performed

#### Event Analysis

Texas RE directly monitors data from the ERCOT ISO IT systems to determine if Bulk Power System events occurred having potential reliability issues. In addition, the ERCOT ISO, through a working agreement with Texas RE, reports any incidents that they believe impact system reliability issues or that are potential reliability standards or Protocol violations. Texas RE reviews events from both of these sources to determine the root cause of the event and determine whether additional review is needed to address either reliability concerns or possible violations. This analysis is needed to determine if the system(s) and equipment involved are operating correctly and are being properly applied, maintained, and/or tested. During its analysis process, Texas RE makes a number of requests for data and documentation from registered entities and may need to have on-site visits with the registered entities.

Currently, Texas RE has 1.4 dedicated staff for the reliability assessment function. To enable us to improve our ability to respond more quickly to events we are increasing staff to 2.2 FTEs.

#### Reporting

ERCOT ISO prepares three reliability assessments each year for the region: a long-term reliability assessment report; a summer assessment report; and a winter assessment report. These reports analyze electricity demand and the adequacy of supply in the ERCOT Region as well as examine the adequacy of the transmission system. Texas RE reviews these assessments to understand any changes in the reliability of the transmission system and if any new threats to reliability are uncovered. Reliability assessment reports will also be prepared in response to unusual events or to support requests from NERC, FERC or the PUCT. Results of independent assessments of the overall reliability and adequacy of the ERCOT Bulk Power System will be reviewed and reported for 2009 summer, 2009/2010 winter, and 2009-2018.

This group also supports the preparation of reports for the Texas RE Board and the PUCT.

**2009 Goals and Objectives**

1. Selectively monitor system operations and extract data at various intervals to meet reporting requirements and assess performance and compliance with NERC and Regional Standards.
2. Periodic data submittal review and analysis.
3. Ensure that there is sufficient resources to conduct event analyses and provide analytical reports related to reliability.

**Staffing Needs**

**Hiring Plans**

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .8 FTEs for 2009.

**Shared Employees**

Not applicable

**Contractors**

Not applicable

**Reliability Assessment and Performance Analysis Program**

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 574,242	\$ 574,242	\$ -	\$ 365,180	\$ (209,062)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 574,242</b>	<b>\$ 574,242</b>	<b>\$ -</b>	<b>\$ 365,180</b>	<b>\$ (209,062)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 385,676	\$ 180,090	\$ (205,586)	\$ 270,100	\$ 90,010
Payroll Taxes	32,011	10,857	(21,154)	21,608	10,751
Benefits	46,281	12,887	(33,394)	31,191	18,304
Retirement Costs	45,124	14,576	(30,548)	39,165	24,589
<b>Total Personnel Expenses</b>	<b>\$ 509,092</b>	<b>\$ 218,410</b>	<b>\$ (290,682)</b>	<b>\$ 362,063</b>	<b>\$ 143,653</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	4,340	1,800	(2,540)	3,117	1,317
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 5,150</b>	<b>\$ 2,610</b>	<b>\$ (2,540)</b>	<b>\$ 3,117</b>	<b>\$ 507</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	60,000	-	(60,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 60,000</b>	<b>\$ -</b>	<b>\$ (60,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 574,242</b>	<b>\$ 221,020</b>	<b>\$ (353,222)</b>	<b>\$ 365,180</b>	<b>\$ 144,160</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 353,222</b>	<b>\$ 353,222</b>	<b>\$ -</b>	<b>\$ (353,222)</b>

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Expenses are expected to be lower and reflect the expected labor required in 2009 based on an assessment of time tracking. For 2008, it was assumed that there would be substantially more hours required to complete the requisite work-load. The difference in FTEs forecast for 2008 from the 2008 budget were reallocated to primarily the Compliance, Registration and Certification program areas as necessary.

#### **Meeting Expenses**

- Travel expenses are expected to be \$3K to facilitate the travel needs of this function as it relates to NERC meetings and travel associated with this function.

#### **Operating Expenses**

- None expected.

## Situation Awareness and Infrastructure Security Program

<b>Situational Awareness and Infrastructure Security Program Resources</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.40	0.60	1.50
Total Direct Expenses	\$ 46,925	\$ 43,325	\$ 159,129
Total Indirect Expenses <sup>1</sup>	\$ 34,696	\$ 78,098	\$ 268,443
Total Expenses	\$ 81,621	\$ 121,423	\$ 427,572

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### Background

This program supports two distinct functions. Situational Analysis is focused on near real-time analysis of the Bulk Power System for ERCOT ISO. Infrastructure Security focuses on protecting tangible assets from a variety of threats. The majority of activity for this program in 2009 relates to Infrastructure Security, however, some resources are also planned for Situational Analysis.

### Infrastructure Security Program

Responsible Entities must become compliant with Critical Infrastructure Protection (CIP) Standards based on the NERC implementation schedules. ERCOT ISO is the only designated Balancing Authority (BA), Transmission Operator (TOP), and Reliability Coordinator (RC) in the ERCOT Region and was required to self-certify compliance to NERC's Urgent Action Cyber Security Standard 1200. As such, ERCOT ISO must be either compliant or substantially compliant with all CIP Standards requirements by the end of the second quarter 2008; either auditably compliant or compliant with all of the CIP Standards requirements by the end of the second quarter 2009; and auditably compliant with all CIP Standards requirements by the end of the second quarter 2010.

Entities registered in the ERCOT Region as Transmission Owners, Generator Owners, Generator Operators, or Load-Serving Entities have begun work on being compliant with all CIP Standards requirements during the second quarter 2007. These registered entities must also be substantially compliant or compliant with all CIP Standards requirements within twelve months after registration is completed; compliant or auditably compliant with all CIP Standards Requirements within twenty-four months after registration is completed; and auditably compliant with all CIP Standards Requirements within thirty-six months after registration is completed. All new registered entities must also become compliant with all CIP Standards requirements in accordance with the compliance schedule.

The Texas RE will continue to play an active role during the implementation of the CIP Standards requirements. To provide time for Responsible Entities to examine their policies and procedures, to assemble the necessary documentation, and to meet the requirements of the CIP Standards, compliance assessment began in 2007. Status reports are also being requested from Responsible Entities to verify that entities are on schedule and meeting the implementation plan. NERC expects its regional entities to provide assistance and education on the CIP Standards to ease the transition. Texas RE is budgeting to provide training to registered entities and other stakeholders under the training function budget. Some of the content in this training will be related to cyber-security and will be internally developed.

### Program Description and Functions Performed

This program will support activities associated with cyber security, including monitoring and enforcement of compliance with the CIP (CIP-001 thru 009) Standards. The intent of the NERC CIP Standards is to ensure that all entities responsible for the reliability of the Bulk Power System identify and protect critical cyber assets that control or could impact the reliability of the Bulk Power System. The CIP Standards

requirements are being communicated to all responsible entities to ensure compliance in accordance with the Cyber Security Standards Implementation Plan. This requires a significant amount of communication with the ERCOT ISO Security Department and entities responsible for complying with the CIP Standards. Compliance Audits, self-certifications, and spot checks will be required to verify compliance.

Situational Awareness

Currently, Texas RE relies significantly on the ERCOT ISO to provide details on situational issues. Texas RE Staff have direct access to historical data via the data warehouse. Starting in mid 2008 Texas RE will work with the ERCOT ISO to install a real-time monitoring workstation and any needed training to allow Texas RE to monitor the real-time events on the system.

**2009 Goals and Objectives**

1. Implement first CIP audit with ERCOT ISO
2. Maintain a real-time link to the ERCOT ISO system including a Situational Awareness workstation.
3. Ensure system information is communicated to NERC and FERC in a timely manner.
4. Develop and deliver CIP education plan and workshop for registered entities.
5. Enhance Texas RE website with CIP information and links

**Staffing Needs**

**Hiring Plans**

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .9 FTEs of staff for 2009. However, this position will already have been added in 2008, but will be added mid-year.

**Shared Employees**

Not applicable

**Contractors**

Not applicable

**Situation Awareness and Infrastructure Security Program**

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Situational Awareness and Infrastructure Security</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 46,925	\$ 46,925	\$ -	\$ 159,129	\$ 112,204
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 46,925</b>	<b>\$ 46,925</b>	<b>\$ -</b>	<b>\$ 159,129</b>	<b>\$ 112,204</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 32,368	\$ 32,368	\$ -	\$ 118,842	\$ 86,474
Payroll Taxes	2,687	2,687	-	9,507	6,820
Benefits	3,883	3,883	-	12,479	8,596
Retirement Costs	3,787	3,787	-	17,232	13,445
<b>Total Personnel Expenses</b>	<b>\$ 42,725</b>	<b>\$ 42,725</b>	<b>\$ -</b>	<b>\$ 158,060</b>	<b>\$ 115,335</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	200	600	400	1,069	469
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 200</b>	<b>\$ 600</b>	<b>\$ 400</b>	<b>\$ 1,069</b>	<b>\$ 469</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	4,000	-	(4,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ (4,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 46,925</b>	<b>\$ 43,325</b>	<b>\$ (3,600)</b>	<b>\$ 159,129</b>	<b>\$ 115,804</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 3,600</b>	<b>\$ 3,600</b>	<b>\$ -</b>	<b>\$ (3,600)</b>

**Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

**Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

**Personnel Expenses**

- Expenses are expected to be higher due to the need to dedicate a full-time Staff position to the CIP function as well as have additional fractional labor support from other areas to collaborate on CIP related standards and projects and situational awareness.

**Meeting Expenses**

- Travel expenses are expected to be \$1K to facilitate the travel needs of this function as it relates to NERC meetings.

**Operating Expenses**

- None expected.

## Administrative Services

<u>Administrative Services</u> <small>(in whole dollars)</small>			
	2008 Budget	2008 Projection	2009 Budget
<u>Total FTEs</u>	4.5	4.0	6.8
<u>Total Indirect Expenses</u>	\$1,364,699	\$2,186,741	\$3,660,875

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### General and Administrative

#### Functional Description

The CEO & CCO carries on the general affairs of the Texas RE. The CEO & CCO is independent of any registered entity and reports exclusively to the Texas RE Board of Directors.

The CEO & CCO is responsible for:

- Overseeing and managing the activities of Texas RE.
- Making final decisions with respect to 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 the Texas RE.

An Executive Assistant will be responsible for providing executive-level administrative support to the Texas RE CEO & CCO. The Executive Assistant will also perform general office manager activities and provide support to other Texas RE Staff as needed.

#### 2009 Goals and Objectives

1. Communicate and maintain effective relationships with the industry, regulators, and other stakeholders.
2. Conduct base operations with the approved budget.
3. Effectively manage the NERC Compliance Monitoring and Enforcement Program.
4. Monitor and investigate Non-Compliance with ERCOT Region Protocols and Operating Guides.
5. Manage Texas RE's Standards development process.
6. Establish Key Performance Indicators and Benchmarks for Texas RE operation.

#### Staffing Needs

##### Hiring Plans

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional 2.0 FTEs of staff for 2009. These positions are in support of the IT and Legal

functions. However, these positions have been budgeted within the G&A function budget to maintain confidentiality.

**Shared Employees**

Texas RE does receive Facilities, Treasury, Finance, [Human Resources](#), Legal, and Information Technology support from ERCOT ISO. There is a [Memorandum of Understanding](#), outlining the details of the services and the associated expenses, a summary of which is attached.

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**Contractors**

Not applicable

**General and Administrative**

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>General and Administrative</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 1,206,639	\$ 1,206,639	\$ -	\$ 257,531	\$ (949,108)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	92,500	92,500	-	(92,500)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,206,639</b>	<b>\$ 1,299,139</b>	<b>\$ 92,500</b>	<b>\$ 257,531</b>	<b>\$ (1,041,608)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 500,157	\$ 500,157	\$ -	\$ 764,074	\$ 263,917
Payroll Taxes	41,513	41,513	-	61,126	19,613
Benefits	60,021	60,021	-	61,605	1,584
Retirement Costs	58,518	58,518	-	110,791	52,273
<b>Total Personnel Expenses</b>	<b>\$ 660,209</b>	<b>\$ 660,209</b>	<b>\$ -</b>	<b>\$ 997,596</b>	<b>\$ 337,387</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	6,480	12,120	5,640	12,820	700
Conference Calls	1,000	-	(1,000)	-	-
<b>Total Meeting Expenses</b>	<b>\$ 7,480</b>	<b>\$ 12,120</b>	<b>\$ 4,640</b>	<b>\$ 12,820</b>	<b>\$ 700</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000
Contracts	89,000	203,585	114,585	280,654	77,069
Office Rent	80,000	165,000	85,000	517,550	352,550
Office Costs	15,950	10,788	(5,162)	13,320	2,532
Professional Services	160,000	311,700	151,700	30,000	(281,700)
Computer Purchase & Maintenance	123,000	149,500	26,500	200,400	50,900
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	10,515	10,515
Contingency	71,000	-	(71,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 538,950</b>	<b>\$ 840,573</b>	<b>\$ 301,623</b>	<b>\$ 1,058,439</b>	<b>\$ 217,866</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 855,000</b>	<b>\$ 855,000</b>
<b>Total Expenses</b>	<b>\$ 1,206,639</b>	<b>\$ 1,512,902</b>	<b>\$ 306,263</b>	<b>\$ 2,923,855</b>	<b>\$ 1,410,953</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (213,763)</b>	<b>\$ (213,763)</b>	<b>\$ (2,666,324)</b>	<b>\$ (2,452,561)</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Salaries and benefits for all of the support departments are budgeted within the G&A department to ensure personnel confidentiality.
- There are some headcount additions within the Legal and IT department for 2009 which are reflected in the G&A department. Personnel expenses are expected to be higher due to the need to add 1 content coordinator position for IT and 1 legal counsel position for Legal & Regulatory affairs.
- Finally, the 2009 budget assumes full staff for the full year.

#### **Meeting Expenses**

- Travel expenses are virtually unchanged from 2008's forecast to the 2009 budget.

#### **Operating Expenses**

- Operating expenses are increasing by more than \$217K. This increase is primarily attributed to the increase in service costs for support services and Texas RE's anticipated rent increase, offset by reductions in expected legal expenses incurred under the G&A department.

## Legal and Regulatory

### Functional Description

Texas RE Legal and Regulatory provides legal advice and counsel to Texas RE management, board, and staff on all legal and regulatory matters affecting Texas RE, including corporate governance, transactions, personnel, governmental relations, communications, and regulatory matters. Legal staff also retains and oversees the work of outside counsel as needed. Legal and regulatory staff anticipates that the primary regulatory emphasis during 2009 will include NERC registration appeals, investigation oversight, settlement coordination, and enforcement proceedings under the CMEP, but staff will continue to review and provide feedback to NERC regarding new and modified standards, procedures, and templates used in the CMEP process. Texas RE attorneys, or outside counsel overseen by Texas RE attorneys, will represent the Texas RE in its quasi-prosecutorial role in CMEP enforcement hearings, and in NERC, FERC, and PUCT rulemakings and other proceedings. Specific objectives include:

### 2009 Goals and Objectives

1. Coordinate Texas RE board information, meetings, and materials and maintain corporate bylaws and board procedures as required by the Delegation Agreement, NERC Rules, and FERC Orders.
2. Represent Texas RE in all NERC, FERC, regulatory matters, and legal proceedings.
3. Oversee prosecution of CMEP hearings of contested enforcement matters.
4. Oversee investigations to ensure accurate and complete documentation is maintained and appropriate and consistent procedures are followed.
5. Communicate and maintain effective relationships with NERC, FERC, the PUCT, and other governmental authorities.
6. Manage and oversee all Texas RE registration and enforcement action appeals.
7. Review Texas RE enforcement actions, penalties, and sanctions for consistency.
8. Participate in settlement processes and review all settlements for consistent application of the CMEP.
9. Review and provide input to NERC regarding new and modified standards, procedures, forms, and templates.

**Legal and Regulatory**

Funding sources and related expenses for the [Legal & regulatory](#) section of the 2009 business plan are shown in the table below.

Deleted: general and administrative

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Legal and Regulatory</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 92,050	\$ 92,050	\$ -	\$ 314,394	\$ 222,344
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 92,050</b>	<b>\$ 92,050</b>	<b>\$ -</b>	<b>\$ 314,394</b>	<b>\$ 222,344</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	2,740	4,300	1,560	8,994	4,694
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,550</b>	<b>\$ 5,110</b>	<b>\$ 1,560</b>	<b>\$ 8,994</b>	<b>\$ 3,884</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	2,400	2,400
Professional Services	60,000	300,000	240,000	300,000	-
Computer Purchase & Maintenance	-	-	-	3,000	3,000
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	28,000	-	(28,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 88,500</b>	<b>\$ 300,000</b>	<b>\$ 211,500</b>	<b>\$ 305,400</b>	<b>\$ 5,400</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 92,050</b>	<b>\$ 305,110</b>	<b>\$ 213,060</b>	<b>\$ 314,394</b>	<b>\$ 9,284</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (213,060)</b>	<b>\$ (213,060)</b>	<b>\$ -</b>	<b>\$ 213,060</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

#### **Meeting Expenses**

- Travel expenses are expected to approximately double in legal due to the addition of a legal counsel for 2009.

#### **Operating Expenses**

- Legal expenses were budgeted in 2008 under both the G&A department and the legal department. The forecast for 2008 is higher related to legal based on increased outside legal counsel expenses as well as an increase in activity related to Compliance, Registration and Certification. The 2009 budget is approximately \$5K higher due to additional legal bar related expenses, fees and dues expenses.

## Information Technology

### Functional Description

IT Staff will provide a broad range of information technology support to Texas RE.

IT Staff will work with Texas RE management to develop a technological strategy to reach Texas RE's long-term goals and meet immediate system and hardware needs. IT Staff will perform a variety of technical and administrative tasks in the planning, development, deployment, support, and security of enterprise systems and computer applications and systems, including providing training and technical support to the users and assisting with compliance to Critical Infrastructure Protection Standards.

To ensure that tools provided to Texas RE by ERCOT ISO and vendors are well maintained, service levels remain high, and costs are controlled, IT Staff will provide vendor management and coordinate with ERCOT ISO IT Staff on day-to-day support, administration, and future requirements.

IT Staff also has the general responsibility to keep Texas RE systems up-to-date with evolving industry standards. IT Staff will work with partners, regional entities, and NERC to that end.

IT Staff will manage the design, implementation, support, and maintenance of the tools and delivery mechanisms to support the communication of information to the market, specifically the Texas RE Web site, Texas RE e-mail boxes and lists, e-newsletters, and Web-based training.

IT Staff will also manage the design, implementation, support, and maintenance of Texas RE data and records management tools to support the ability of Texas RE Staff and registered entities to comply with NERC standards and implement ERCOT Regional Standards; specifically, such tools include the compliance data portal and tracking tool, the Reliability Standards tracking tool, and the electronic document management system. IT Staff will also assist with the transition of Texas RE Staff's ability to receive or view necessary data in ERCOT ISO nodal systems. IT Staff will also participate in the design and development of database models, Web-enabled applications, data extraction and delivery methods, and data presentation.

### 2009 Goals and Objectives

IT objectives for 2009 include the following:

1. Determine long-term system needs and develop strategy.
2. Assist in determining and meeting immediate system and hardware needs.
3. Manage vendors to ensure quality of services and applications, responsiveness to Texas RE needs, and cost controls.
4. Liaise with ERCOT ISO IT Staff regarding IT systems and tools.
5. Work effectively with technological partners, other regional entities, and NERC to ensure that Texas RE is in keeping with industry standards.
6. Assist in ensuring all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security.

**Information Technology**

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>Information Technology</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 11,650	\$ 11,650	\$ -	\$ 383,500	\$ 371,850
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 11,650</b>	<b>\$ 11,650</b>	<b>\$ -</b>	<b>\$ 383,500</b>	<b>\$ 371,850</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	150	-	(150)	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 150</b>	<b>\$ -</b>	<b>\$ (150)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	-	-
Professional Services	-	40,000	40,000	60,000	20,000
Computer Purchase & Maintenance	-	289,501	289,501	323,500	33,999
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	11,000	-	(11,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 11,500</b>	<b>\$ 329,501</b>	<b>\$ 318,001</b>	<b>\$ 383,500</b>	<b>\$ 53,999</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 11,650</b>	<b>\$ 329,501</b>	<b>\$ 317,851</b>	<b>\$ 383,500</b>	<b>\$ 53,999</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (317,851)</b>	<b>\$ (317,851)</b>	<b>\$ -</b>	<b>\$ 317,851</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

**Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

**Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

**Personnel Expenses**

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

**Meeting Expenses**

- None expected.

**Operating Expenses**

- Approximately \$54K higher due to the full year hosting and maintenance of the Texas RE web site.

**Human Resources**

**Functional Description**

The Human Resources function is captured in the General & Administrative expenses and is included as a component of the expenses charged to Texas RE by ERCOT ISO for support services outlined in the Memorandum of Understanding.

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## Finance and Accounting

### Functional Description

The Finance Staff will provide a broad range of support to Texas RE personnel and department managers. Finance Staff is required to formulate and monitor the Texas RE budget for controlling funds to implement the Texas RE's objectives and will also review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Finance Staff will guide the annual budget process for the Texas RE and measure performance of all key aspects of the Texas RE to ensure performance matches or exceeds expectations, including the analysis of trends affecting budget needs and developing periodic financial reports. Finance Staff will liaise with ERCOT Finance Staff to ensure all finance and budget-related requirements are communicated, met, and adhered to.

Texas RE's monthly general ledger close activities will be managed by Texas RE financial personnel. Finance Staff are required to ensure Texas RE appropriately accounts for all Statutory and Non-Statutory expenses and revenue appropriately. This will involve generating monthly financial reports that will be communicated to the CEO and CCO, the budget managers and the Board of Directors.

Finance 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.

### 2009 Goals and Objectives

1. Ensure that the accounting and finance functions are appropriately managed at Texas RE.
2. Keep the Chief Executive Officer/Chief Compliance Officer informed of budget, expenditure and total operational financial performance.
3. Ensure that Texas RE receives an unqualified opinion on the audit of the financial statements.
4. Continue to support NERC finance staff in coordination of quarterly and annual reporting requirements.
5. Review workflow and adjust as required to better enable Texas RE staff operational success.

**Finance and Accounting**

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
<b>Funding</b>					
Assessments	\$ 54,360	\$ 54,360	\$ -	\$ 39,126	\$ (15,234)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 54,360</b>	<b>\$ 54,360</b>	<b>\$ -</b>	<b>\$ 39,126</b>	<b>\$ (15,234)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,860	2,500	(1,360)	2,481	(19)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,860</b>	<b>\$ 2,500</b>	<b>\$ (1,360)</b>	<b>\$ 2,481</b>	<b>\$ (19)</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	-	-
Professional Services	36,000	36,728	728	36,000	(728)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	645	645
Contingency	14,000	-	(14,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 50,500</b>	<b>\$ 36,728</b>	<b>\$ (13,772)</b>	<b>\$ 36,645</b>	<b>\$ (83)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 54,360</b>	<b>\$ 39,228</b>	<b>\$ (15,132)</b>	<b>\$ 39,126</b>	<b>\$ (102)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 15,132</b>	<b>\$ 15,132</b>	<b>\$ -</b>	<b>\$ (15,132)</b>

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

### **Summary of 2008 Projection and 2009 Budgeted Funding and Expenses**

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

#### **Funding Sources**

- Funding is received only through assessment income and is designated to fully fund total expenses.

#### **Personnel Expenses**

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

#### **Meeting Expenses**

- Travel is the only expense category and is virtually unchanged from the 2008 forecast to the 2009 budget.

#### **Operating Expenses**

- Expenses are virtually unchanged between the 2008 forecast and the 2009 budget.

## Section B — 2009 Budget

## 2008 Budget and Projection and 2009 Budget Comparisons

Table 1

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>STATUTORY</b>					
	<b>2008</b>	<b>2008</b>	<b>2008 Projection</b>	<b>2009</b>	<b>2009 Budget</b>
	<b>Budget</b>	<b>Projection</b>	<b>Variance to</b>	<b>Budget</b>	<b>Variance to</b>
			<b>2008 Budget</b>		<b>2008 Projection</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
Assessments	\$ 3,226,066	\$ 3,226,066	\$ -	\$ 3,430,700	\$ 204,634
Workshops	70,000	-	(70,000)	70,000	70,000
Interest	-	92,500	92,500	-	(92,500)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 3,296,066</b>	<b>\$ 3,318,566</b>	<b>\$ 22,500</b>	<b>\$ 3,500,700</b>	<b>\$ 182,134</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,718,289	\$ 1,747,254	\$ 28,965	\$ 2,496,968	\$ 749,714
Payroll Taxes	142,617	146,388	3,771	192,152	45,763
Benefits	206,195	207,011	816	268,261	61,250
Retirement Costs	201,040	206,849	5,809	355,497	148,648
<b>Total Personnel Expenses</b>	<b>\$ 2,268,141</b>	<b>\$ 2,307,502</b>	<b>\$ 39,361</b>	<b>\$ 3,312,877</b>	<b>\$ 1,005,375</b>
<b>Meeting Expenses</b>					
Meetings	\$ 73,240	\$ 3,240	\$ (70,000)	\$ 105,000	\$ 101,760
Travel	93,235	86,720	(6,515)	107,470	20,750
Conference Calls	1,000	-	(1,000)	-	-
<b>Total Meeting Expenses</b>	<b>\$ 167,475</b>	<b>\$ 89,960</b>	<b>\$ (77,515)</b>	<b>\$ 212,470</b>	<b>\$ 122,510</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000
Contracts	89,000	203,585	114,585	280,654	77,069
Office Rent	80,000	165,000	85,000	517,550	352,550
Office Costs	17,450	10,788	(6,662)	18,280	7,492
Professional Services	256,000	688,428	432,428	426,000	(262,428)
Computer Purchase & Maint.	123,000	439,001	316,001	527,032	88,031
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	11,160	11,160
Contingency	295,000	-	(295,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 860,450</b>	<b>\$ 1,506,802</b>	<b>\$ 646,352</b>	<b>\$ 1,786,676</b>	<b>\$ 279,874</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 855,000</b>	<b>\$ 855,000</b>
<b>Total Expenses</b>	<b>\$ 3,296,066</b>	<b>\$ 3,904,264</b>	<b>\$ 608,198</b>	<b>\$ 6,167,024</b>	<b>\$ 2,262,760</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (585,698)</b>	<b>\$ (585,698)</b>	<b>\$ (2,666,324)</b>	<b>\$ (2,080,626)</b>

## Personnel Analysis

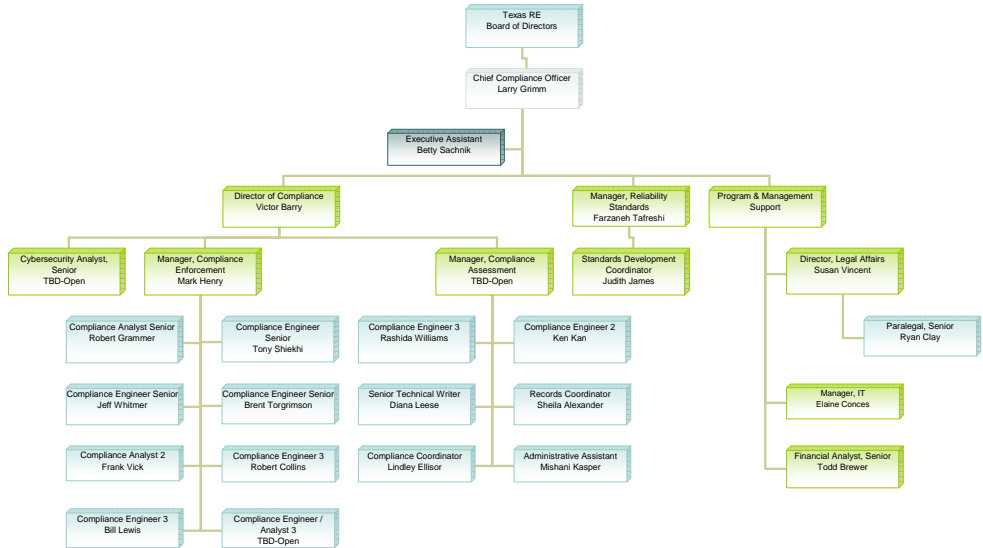
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection	Draft 1 2009 Budget
<b>STATUTORY</b>					
<b>Operational Programs</b>					
Reliability Standards	2.00	1.70	1.70	0.00	1.7
Compliance and Organization Registration and Certification	6.40	12.40	14.15	1.75	13.7
Reliability Readiness Audit and Improvement	0.40	0.30	0.00	-0.30	0.5
Training and Education	0.38	0.40	0.60	0.20	0.6
Reliability Assessment and Performance Analysis	5.25	1.35	2.20	0.80	2.2
Situational Awareness and Infrastructure Security	0.40	0.60	1.50	0.90	1.5
<b>Total FTEs Operational Programs</b>	<b>14.83</b>	<b>16.75</b>	<b>20.15</b>	<b>3.35</b>	<b>20.2</b>
<b>Administrative Programs</b>					
General & Administrative	1.50	1.35	1.70	0.35	6.8
Information Technology	0.75	0.70	1.70	1.00	0.0
Legal and Regulatory	1.50	1.25	2.55	1.30	0.0
Accounting	0.75	0.70	0.85	0.15	0.0
<b>Total FTEs Administrative Programs</b>	<b>4.50</b>	<b>4.00</b>	<b>6.80</b>	<b>2.80</b>	<b>6.8</b>
<b>Total FTEs</b>	<b>19.33</b>	<b>20.75</b>	<b>26.95</b>	<b>6.15</b>	<b>26.9</b>

2008 Organizational Chart

Table 3

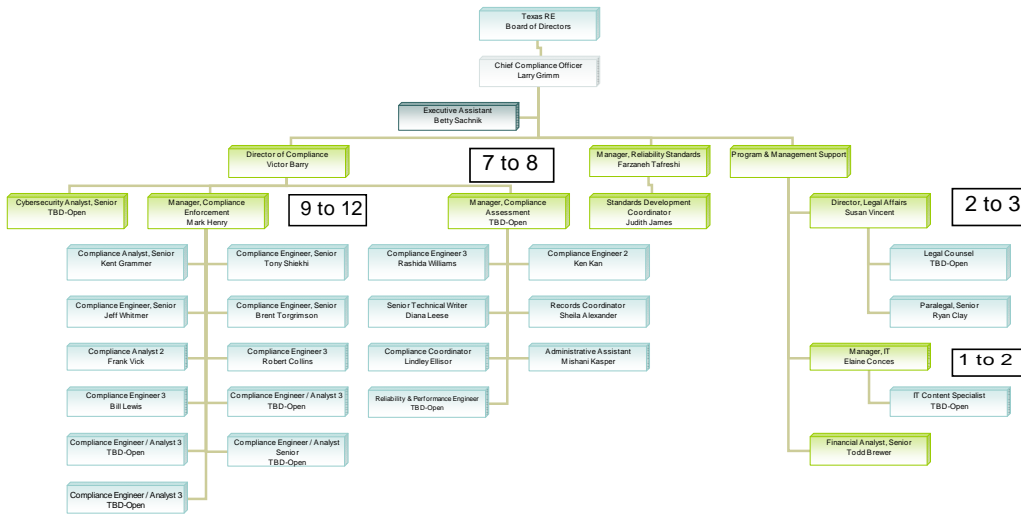
Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.



## 2009 Organizational Chart

**Table 4**

Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.



**Reserve Balance**

**Table 5**

<b>Working Capital Reserve Analysis 2008-2009</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2007</b>	3,252,021
Plus: 2008 ERO Funding (from LSEs or designees)	3,226,066
Plus: 2008 Other Funding Sources (Cash basis)	92,500
Less: 2008 Projected Expenses & Capital Expenditures (Cash basis)	<u>(3,904,264)</u>
<b>Projected Working Capital Reserve (Deficit), December 31, 2008</b>	<u><b>2,666,323</b></u>
Desired Working Capital Reserve, December 31, 2009 <sup>1</sup>	855,000
Less: Projected Working Capital Balance December 31, 2008	2,666,323
<b>Increase/(Decrease) in Assessments to Achieve Desired Working Capital Reserve</b>	<u><b>(1,811,323)</b></u>
2009 Assessment for Expenses and Capital Expenditures, Excluding Working Capital Reserve (Cash basis)	5,312,024
Less: Other Sources of Income	(70,000)
Adjustment to Achieve Desired Working Capital Balance	<u>(1,811,323)</u>
<b>2009 Assessment</b>	<u><b>3,430,700</b></u>

<sup>1</sup> On June 17, 2008 Texas RE's Board of Directors approved the budget reflecting a desired 60-day cash on hand balance to be reserved for Texas RE.

**Increa**

2009 Assessment for E

<sup>1</sup> On June 17, 2008 Texas I  
reflecting a desired 60-da

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## Regional Entity Assessment Analysis

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 45, of the 2009 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### Supplemental Funding

Table B-1

Outside Funding Breakdown By Program	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
<b>Training and Education</b>					
Systems Operators Training Seminar	\$ 70,000	\$ -	\$ 70,000	\$ 70,000	
<b>Total</b>	\$ 70,000	\$ -	\$ 70,000	\$ 70,000	
<b>General and Administrative</b>					
Interest Income	\$ -	\$ 92,500	\$ -	\$ (92,500)	-100.00%
<b>Total</b>	\$ -	\$ 92,500	\$ -	\$ (92,500)	-100.00%
<b>Total Outside Funding</b>	\$ 70,000	\$ 92,500	\$ 70,000	\$ (22,500)	-24.32%

#### Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
<b>Salaries</b>					
Salary	\$ 1,718,289	\$ 1,747,254	\$ 2,496,968	\$ 749,714	42.91%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
<b>Total Salaries</b>	\$ 1,718,289	\$ 1,747,254	\$ 2,496,968	\$ 749,714	42.91%
<b>Payroll Taxes</b>					
FICA	\$ 103,892	\$ 105,677	\$ 149,398	\$ 43,721	41.4%
Medicare	23,261	24,986	34,347	9,361	37.5%
SUI	13,746	13,978	6,005	(7,973)	-57.0%
FUI	1,718	1,747	2,402	655	37.5%
<b>Total Payroll Taxes</b>	\$ 142,617	\$ 146,388	\$ 192,152	\$ 45,763	31.3%
<b>Benefits</b>					
Workers Compensation	\$ 27,493	\$ 27,956	\$ 38,430	\$ 10,474	37.5%
Medical Insurance	171,742	172,095	217,290	45,196	26.3%
Life-LTD Insurance	1,200	1,200	1,440	240	20.0%
Reimbursable Resource	5,760	5,760	11,100	5,340	92.7%
<b>Total Benefits</b>	\$ 206,195	\$ 207,011	\$ 268,261	\$ 61,250	29.6%
<b>Retirement</b>					
Profit Sharing Plan / SERP	\$ 154,646	\$ 157,253	\$ 249,697	\$ 92,444	58.8%
Savings Plan	46,394	49,596	105,800	56,204	113.3%
<b>Total Retirement</b>	\$ 201,040	\$ 206,849	\$ 355,497	\$ 148,648	71.9%
<b>Total Personnel Costs</b>	\$ 2,268,141	\$ 2,307,502	\$ 3,312,877	\$ 1,005,375	43.6%

## Meeting Expenses

Table B-3

## Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 810	\$ 810	\$ -	\$ (810)	-100.00%
Compliance and Organization Registration and Certification	810	810	-	(810)	-100.00%
Reliability Assessment and Performance Analysis	810	810	-	(810)	-100.00%
Training and Education	\$ 70,000	\$ -	\$ 105,000	\$ 105,000	
Legal and Regulatory	810	810	-	(810)	-100.00%
<b>Total Meeting Expenses</b>	<b>\$ 73,240</b>	<b>\$ 3,240</b>	<b>\$ 105,000</b>	<b>\$ 101,760</b>	<b>3140.74%</b>

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 8,500	\$ 3,500	\$ 4,344	\$ 844	24.11%
Compliance and Organization Registration and Certification	46,205	60,000	66,187	6,187	10.31%
Reliability Readiness Audit and Improvement	10,620	500	7,012	6,512	1302.40%
Reliability Assessment and Performance Analysis	4,340	1,800	3,117	1,317	73.17%
Training and Education	10,140	1,400	1,446	46	3.29%
Situational Awareness and Infrastructure Security	200	600	1,069	469	78.17%
General and Administrative	6,480	12,120	12,820	700	5.78%
Legal and Regulatory	2,740	4,300	8,994	4,694	109.16%
Information Technology	150	-	-	-	
Accounting and Finance	3,860	2,500	2,481	(19)	-0.76%
<b>Total Travel Expenses</b>	<b>\$ 93,235</b>	<b>\$ 86,720</b>	<b>\$ 107,470</b>	<b>\$ 20,750</b>	<b>23.93%</b>

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
General and Administrative	\$ 1,000	\$ -	\$ -	\$ -	
<b>Total Conference Calls</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Meeting Expenses</b>	<b>\$ 167,475</b>	<b>\$ 89,960</b>	<b>\$ 212,470</b>	<b>\$ 122,510</b>	<b>136.18%</b>

## Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
<b>Consultants</b>					
Recruitment	\$ -	\$ -	\$ 6,000	\$ 6,000	
<b>Consultants Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
<b>Contracts - Software</b>					
Support Department Allocation	\$ 89,000	\$ 203,585	\$ 280,654	\$ 77,069	37.86%
<b>Contracts - Software Total</b>	<b>\$ 89,000</b>	<b>\$ 203,585</b>	<b>\$ 280,654</b>	<b>\$ 77,069</b>	<b>37.86%</b>

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent & Facilities Support	\$ 80,000	\$ 165,000	\$ 517,550	\$ 352,550	213.67%
<b>Total Office Rent</b>	<b>\$ 80,000</b>	<b>\$ 165,000</b>	<b>\$ 517,550</b>	<b>\$ 352,550</b>	<b>213.67%</b>

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Supplies	\$ 12,950	\$ 7,528	\$ 8,400	\$ 872	11.58%
Dues	500	360	5,080	\$ 4,720	1311.11%
Postage	1,000	200	1,200	\$ 1,000	500.00%
Express Shipping	1,000	900	1,200	\$ 300	33.33%
Reports - Graphics	1,000	600	1,200	\$ 600	100.00%
Stationary Forms	1,000	1,200	1,200	\$ -	0.00%
<b>Total Office Costs</b>	<b>\$ 17,450</b>	<b>\$ 10,788</b>	<b>\$ 18,280</b>	<b>\$ 7,492</b>	<b>69.45%</b>

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Outside Legal	\$ 220,000	\$ 300,000	\$ 300,000	\$ -	0.00%
Accounting & Auditing Fees	36,000	36,728	36,000	\$ (728)	-1.98%
Other Consulting Fees	-	131,700	30,000	\$ (101,700)	-77.22%
Website Hosting and Maintenance	-	40,000	60,000	\$ 20,000	50.00%
<b>Total Services</b>	<b>\$ 256,000</b>	<b>\$ 508,428</b>	<b>\$ 426,000</b>	<b>\$ (82,428)</b>	<b>-16.21%</b>

**Table B-9**

<b>Computer</b>	<b>Budget 2008</b>	<b>Projection 2008</b>	<b>Budget 2009</b>	<b>Variance</b>	<b>Variance %</b>
Software	\$ -		\$ 3,932	\$ 3,932	
IT Administration	\$ 123,000	\$ 150,195	\$ 200,400	\$ 50,205	33.43%
Computer Projects	\$ -	\$ 288,806	\$ 322,700		
<b>Total Computer</b>	<b>\$ 123,000</b>	<b>\$ 439,001</b>	<b>\$ 527,032</b>	<b>\$ 54,137</b>	<b>20.05%</b>

**Table B-10**

<b>Miscellaneous</b>	<b>Budget 2008</b>	<b>Projection 2008</b>	<b>Budget 2009</b>	<b>Variance</b>	<b>Variance %</b>
Employee Seminars & Training	\$ -	\$ -	\$ 11,160	\$ 11,160	
<b>Total Computer</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,160</b>	<b>\$ 11,160</b>	

**Table B-11**

<b>Other Non-Operating Expenses</b>	<b>Budget 2008</b>	<b>Projection 2008</b>	<b>Budget 2009</b>	<b>Variance</b>	<b>Variance %</b>
Cash/Contingency Reserve	\$ -	\$ -	\$ 855,000	\$ 855,000	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 855,000</b>	<b>\$ 855,000</b>	

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**Section C — 2009 RE Non-Statutory Business Plan and Budget**

<b>Non Statutory</b> (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.67	4.50	5.05
Total Direct Expenses	848,782	775,885	871,997
Total Indirect Expenses			
Total Expenses	848,782	775,885	871,997

**Non-Statutory Functional Scope**

In addition to its statutory functions, Texas RE monitors, audits, assesses, investigates, and reports on compliance with the reliability-related ERCOT Protocols, for the Public Utility Commission of Texas (PUCT), which is needed to safely and reliably operate the electric transmission system. The ERCOT Protocols contain the market rules for planning and operating reliable interconnected Bulk Electric System in the ERCOT Region. To ensure that the reliability of the interconnected Bulk Electric System is maintained, all ERCOT Region market participants involved in planning, operating, owning, or using this system must understand and comply with these requirements. The PUCT makes all final decisions regarding violations of Protocols and prosecutes any Protocol violations that result in enforcement actions. As part of its Non-statutory activities, Texas RE also monitors the Protocol revision process, and provides comments regarding reliability-related Protocol revisions.

In accordance with P.U.C. SUBST. R. 25.503, and the PUCT-approved "ERCOT Compliance Process", Texas RE monitors material occurrences of non-compliance with ERCOT Protocols, which includes occurrences that have the potential to impede ERCOT ISO operations, or represent a risk to system reliability. In accordance with the approved ERCOT ISO Compliance Process, Texas RE:

- A. Maintains a record of all material occurrences of non-compliance with ERCOT Protocols and tracks recurrence of such material occurrences of non-compliance.
- B. Obtains needed information from market participants in order to review and assess system disturbances and potential material occurrences of non-compliance with the ERCOT Protocols.
- C. Promptly provides information to and responds to questions from market participants to allow the market participant to understand and respond to alleged material occurrences of non-compliance with ERCOT Protocols.
- D. Maintains a record of the resolution of such material occurrences of non-compliance and of corrective actions taken by the market participant in each instance.
- E. Informs the PUCT staff immediately of any material occurrence of non-compliance.
- F. Informs the PUCT staff of the resolution of any material occurrence of non-compliance.

Texas RE staff use daily electronic time tracking to document the time spent performing Non-statutory activities. In addition, Texas RE G&A expenses are proportionately allocated to the Non-statutory budget, based upon the time spent performing Non-statutory activities.

Texas RE estimates approximately (14%) percent of Texas RE staff time will be dedicated to monitoring, auditing, assessing, investigating, and reporting on compliance with the ERCOT Protocols and commenting on ERCOT Protocol revision requests. Funding for these Non-statutory activities is provided through the ERCOT System Administration Fee, which is based upon the fee factor approved by the ERCOT Board and the PUCT to support ERCOT activities and Texas RE Non-Statutory activities which are subject to PUCT oversight.

## **Major 2009 Cost Impacts**

### **Funding Sources**

- Funding is received only through ERCOT ISO to pay for these expenses.

### **Personnel Expenses**

- Personnel expenses are less than the 2008 forecast. Texas RE is recognizing approximately \$14K less in personnel expenses due to a lower percentage of work performed for non-statutory purposes.

### **Meeting Expenses**

- No significant change expected for 2009.

### **Operating Expenses**

- Expenses are expected to be higher in 2009 due to the space requirements of Texas RE. The rent expense for 2009 is anticipated to be significantly higher due to the need to procure space outside of Texas REs current location.

## 2008 Budget and Projection and 2009 Budget Comparisons

Table 1

<b>Statement of Activities</b>					
<b>2008 Budget &amp; Projection, and 2009 Budget</b>					
<b>NON-STATUTORY</b>					
	<b>2008 Budget</b>	<b>2008 Projection</b>	<b>2008 Projection Variance to 2008 Budget Over(Under)</b>	<b>2009 Budget</b>	<b>2009 Budget Variance to 2008 Projection Over(Under)</b>
<b>Funding</b>					
Revenue	\$ 848,782	\$ 775,885	\$ (72,897)	\$ 871,997	\$ 96,112
<b>Total Funding</b>	<b>\$ 848,782</b>	<b>\$ 775,885</b>	<b>\$ (72,897)</b>	<b>\$ 871,997</b>	<b>\$ 96,112</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 524,494	\$ 457,692	\$ (66,802)	\$ 448,080	\$ (9,612)
Payroll Taxes	43,533	36,615	(6,918)	35,846	(769)
Benefits	62,939	48,057	(14,882)	45,942	(2,115)
Retirement Costs	61,366	66,365	4,999	64,972	(1,394)
<b>Total Personnel Expenses</b>	<b>\$ 692,332</b>	<b>\$ 608,730</b>	<b>\$ (83,602)</b>	<b>\$ 594,840</b>	<b>\$ (13,890)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,900	4,172	272	2,181	(1,991)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,900</b>	<b>\$ 4,172</b>	<b>\$ 272</b>	<b>\$ 2,181</b>	<b>\$ (1,991)</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	68,000	65,044	(2,956)	118,200	53,156
Office Costs	2,550	804	(1,746)	480	(324)
Professional Services	82,000	70,630	(11,370)	89,900	19,270
Computer Purchase & Maint.	-	26,505	26,505	36,396	9,891
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	30,000	30,000
<b>Total Operating Expenses</b>	<b>\$ 152,550</b>	<b>\$ 162,983</b>	<b>\$ 10,433</b>	<b>\$ 274,976</b>	<b>\$ 111,993</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 848,782</b>	<b>\$ 775,885</b>	<b>\$ (72,897)</b>	<b>\$ 871,997</b>	<b>\$ 96,112</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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## Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
<b>NON-STATUTORY</b>				
<b>Operational Programs</b>				
Protocol	3.17	3.10	3.85	0.75
<b>Total FTEs Operational Programs</b>	<b>3.17</b>	<b>3.10</b>	<b>3.85</b>	<b>0.75</b>
<b>Administrative Programs</b>				
General & Administrative	2.50	1.40	1.20	-0.20
<b>Total FTEs Administrative Programs</b>	<b>2.50</b>	<b>1.40</b>	<b>1.20</b>	<b>-0.20</b>
<b>Total FTEs</b>	<b>5.67</b>	<b>4.50</b>	<b>5.05</b>	<b>0.55</b>