



**RELIABILITY FIRST**

**RELIABILITYFIRST CORPORATION  
2021 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS  
JUNE 4, 2020**

**FINAL VERSION**

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## Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2021.

	2021 Budget			
	(in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	84.35			
Non-statutory FTEs	-			
<b>Total FTEs</b>	84.35			
Statutory Expenses	\$ 24,567,992			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 24,567,992			
Statutory Inc(Dec) in Fixed Assets	\$ 217,500			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 217,500			
Statutory Working Capital Requirement	\$ 2,569,503			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ 2,569,503			
Total Statutory Funding Requirement	\$ 27,354,995			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 27,354,995			
<b>Statutory Funding Assessments</b>	\$ 22,764,995	\$ 22,764,995	\$ -	\$ -
<b>Non-Statutory Fees</b>	\$ -	\$ -	\$ -	\$ -
NEL (MWH)	894,230,619		-	-
NEL%	100%	100%	0%	0%

## ERO Enterprise Model and Transformation

The collective network of leadership, experience, skills, and technologies shared among the North American Electric Reliability Corporation (NERC) and the Regional Entities is referred to as the Electric Reliability Organization (ERO) Enterprise. ReliabilityFirst Corporation (ReliabilityFirst) serves as one among six of the Regional Entities within this ERO Enterprise.

The ERO Enterprise is a collaborative organization with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs; the model enables innovative and distinctive approaches to address these unique reliability risks and challenges locally.

NERC has unique responsibilities to oversee program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. NERC and the Regional Entities also coordinate activities to identify, prioritize, and address risks to reliability. The Regional Entities have a mirrored set of responsibilities within the ERO Enterprise model, providing input into the overall development of each ERO program area, providing training and development to meet ERO qualifications, and

ensuring delegated responsibilities are completed. Regional Entities also have an obligation to meet professional standards of independence and objectivity and provide the best available expertise for addressing regional risks.



## ERO Enterprise Long-Term Strategy

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified bulk power system (BPS) risks. This strategy, which was approved by the NERC Board of Trustees on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial *ERO Reliability Risk Priorities Report*;
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's business plan and budget may reference how activities support each of the strategic focus areas.

## **ReliabilityFirst Organizational Overview**

ReliabilityFirst is a not-for-profit company incorporated in the State of Delaware and authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. ReliabilityFirst is responsible for promoting and improving the reliability, security and resiliency of the Bulk Electric System (BES) in all or parts of thirteen states and the District of Columbia. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by NERC. These include:

- Active participation in the development of North American Reliability Standards for the Bulk Electric System (BES), and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, resiliency, security, and risks of the BES.
- Promoting effective training and education of personnel and entities.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO in 2021.

## **Membership and Governance**

### **Members**

ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. There are six (6) Industry Sectors: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs, and Large LSEs. There are three (3) Classes of Members: Regular Members, Associate Members, and Adjunct Members (an Associate Member is an affiliate or related party of a Regular Member, and an Adjunct Member is an entity that does not qualify to join an Industry Sector but has been approved for membership).

There are currently 57 Members of ReliabilityFirst; 41 are Regular Members with voting rights, 6 are Associate Members, and 10 are Adjunct Members. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability, security, and resiliency of the BES. ReliabilityFirst believes that partnering with industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a cost effective approach that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

## **Board of Directors**

ReliabilityFirst is governed by a hybrid, independent, and balanced stakeholder Board that consists of 14 Directors.

- Eight (8) Directors are elected by the Industry Sectors as follows:
  - Suppliers elect two (2) Directors;
  - Transmission Companies elect two (2) Directors;
  - RTOs elect one (1) Director;
  - Small LSEs elect one (1) Director;
  - Medium LSEs elect one (1) Director; and
  - Large LSEs elect one (1) Director.
- Three (3) Directors are at-large. At-Large Directors are elected by all of the Industry Sectors voting together as a single class.
- Three (3) Directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent Directors are elected by all of the Industry Sectors voting together as a single class. One of these Directors is appointed as a Lead Independent Director who serves in the capacity to coordinate the activities of the other Independent Directors.

## **2021 Key Assumptions**

The NERC and Regional Entity business plans and budgets reflect a set of strategic and operating objectives developed jointly by NERC and the Regional Entities. These strategic and operating objectives are set forth in the ERO Enterprise Long Term Strategy.

## **2021 Key Deliverables**

- Promote a culture that addresses reliability risks across the ReliabilityFirst Region and the ERO Enterprise.
  - Ensure that the industry understands the essential reliability purpose of Reliability Standards and the corresponding expectations for those Reliability Standards.
  - Work with the industry to maintain and continuously improve effective risk control programs for reliability, security, and resiliency.
  - Use efficient processes and proportional exercise of discretion to verify that the industry meets reliability objectives.
- Identify the risks to reliability, security and resiliency in the ReliabilityFirst Region.
  - Identify, understand, and prioritize risks based on reliability impacts, projected resources, and emerging issues.
  - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to define reliability, resiliency, and security related activities.

- Ensure that the industry is well informed of emerging trends, risk analysis, lessons learned, and expected actions.
- Mitigate reliability risks.
  - Ensure that the industry understands identified risks and addresses them promptly and effectively.
  - Facilitate information sharing among the industry, Regions, ERO, and government.
  - Work with the ERO to track industry accountability for critical reliability recommendations.
- Communicate reliability risks.
  - Communicate identified and prioritized risks and mitigation strategies to the ERO Enterprise, across the ReliabilityFirst footprint, and/or to targeted entities, as appropriate.
  - Share staff expertise and leverage the expertise of ReliabilityFirst entities to advance industry practices surrounding risk identification, mitigation, and prevention.
- Promote a culture of reliability excellence, and facilitate and encourage continuous improvement through training and education.
- Ensure useful and reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among entities.
- Serve as a leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair compliance monitoring and enforcement authority, without conflicts of interest.
  - Register entities commensurate to the risk they pose to the BES and ensure that all key entities are certified to have essential capabilities.
  - Ensure that all compliance monitoring and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the ReliabilityFirst delegation agreement and the Risk Based Compliance Monitoring and Enforcement Program.
  - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
- Improve transparency, consistency, quality, and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
  - Identify, understand, and manage internal risks.
  - Ensure processes are effective, efficient, and continually improving.

## 2021 Overview of Budget

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2021. Overall, the ReliabilityFirst 2021 budget of \$24,785,492 increased 4.8% over the 2020 budget of \$23,650,862. The 2021 assessment of \$22,764,995 represents a 2% increase over the 2020 assessment of \$22,318,623.

Personnel costs increased by \$1,283,937, an increase of 6.5% over the 2020 budget. Incorporated into the personnel costs are 5 additional Full Time Equivalents (FTE's) and a 3% general wage increase. For 2021, ReliabilityFirst did not include a personnel vacancy rate because the corporation has operated with a turnover rate well below 5% for the last several years. Any remaining personnel dollars resulting from vacancies could be used to fund the company's recruitment activities to attract necessary employee candidates.

The meetings, operating and fixed asset costs of \$3,632,801 decreased by 3.9% over the 2020 budget of \$3,782,109. The decrease was primarily the result of a reduction in office modifications. In 2020 office modifications were completed that maximized the utilization of the entire office space for necessary support activities and the anticipation of future increase in staff. Additional efficiencies were gained in contracts and consultants due to 1) the completion of the Data Warehouse consultant work in 2019 and the transitioning of this work to a ReliabilityFirst Data Warehouse Developer; and 2) cost savings in travel expenses due to the utilization of virtual meetings. These were partially offset by an increase in rental costs of \$75,000 for the planned procurement of additional office space to address existing and future staffing needs, and provide the opportunity to host additional and larger meetings on-site.

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2021, which is the same level that existed in 2020. This level of operating reserve is believed to be sufficient for any unbudgeted and unexpected expenditures of the organization, and is consistent with Board Policy.

The ReliabilityFirst Board also approved an increase in the working capital reserve. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In concert with the ERO Enterprise wide effort to better manage and stabilize assessments, the working capital reserve is used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. The operating and working capital reserves have been differentiated to enable more granular identification and control in the utilization and monitoring of these funds in the appropriate manner. Refer to section B-1 for more information on the working capital reserve.

The executive management group for NERC and the Regional Entities (known as the ERO EMG) concentrates on various initiatives to improve efficiency and consistency across NERC and the Regional Entities, including the development of enterprise-wide applications. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed at NERC. ReliabilityFirst assumes agreed upon ERO Enterprise wide applications will be available, and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the operating and strategic objectives referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2021 yielded a requirement of 89.23 FTEs in order to fully address the expected workload.

Although ReliabilityFirst's manpower analysis justifies a need for 89.23 FTEs, its philosophy is to seek and achieve greater efficiencies in its tasks and workload each year. On this basis, ReliabilityFirst believes a staffing level of 84.35, which includes 5 additional FTE's, will be sufficient to perform its work. The need for these additional FTE's is described in the Compliance Monitoring, General and Administrative, Information Technology, and the Human Resources sections.

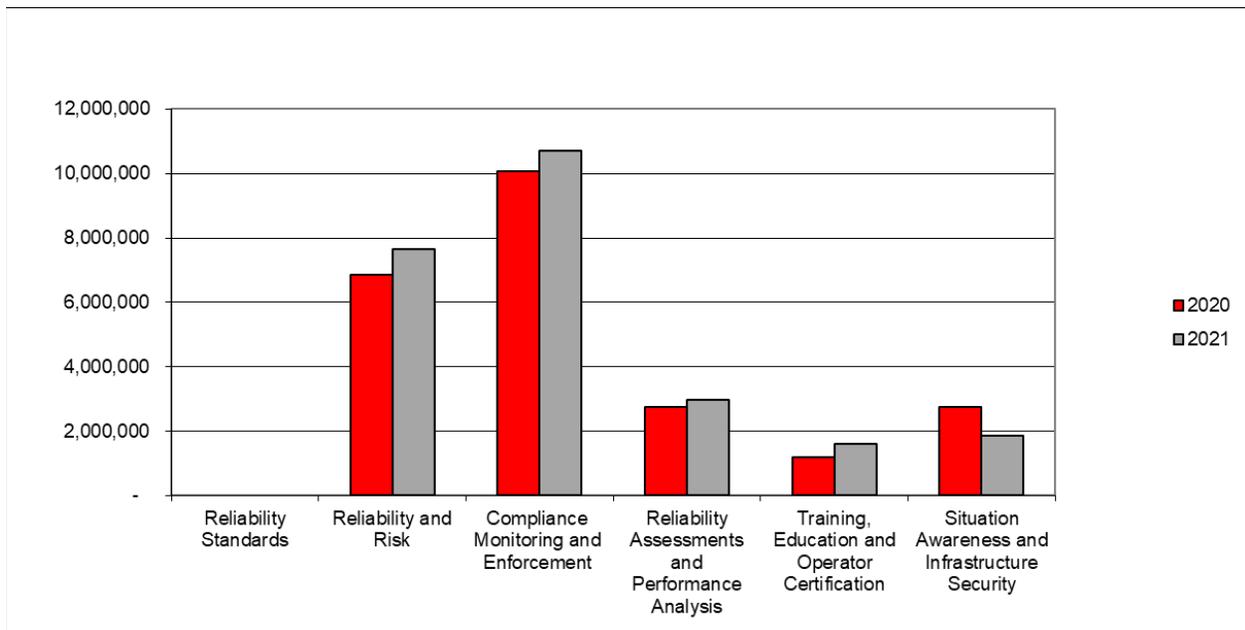
ReliabilityFirst will continue to ensure enhancements are being made in many process areas and that the maturation of the organization will continue to result in expected efficiency improvements.

## Summary of Budget by Program Area

The following table and figure summarize and illustrate ReliabilityFirst's budget by program area.

Program	Budget 2020	Projection 2020	Budget 2021	Variance	
				2020 Budget v 2021 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability and Risk	6,864,343	6,986,131	7,657,553	793,210	11.6%
Compliance Monitoring and Enforcement	10,081,580	9,790,274	10,720,328	638,748	6.3%
Reliability Assessments and Performance Analysis	2,759,295	2,948,859	2,967,853	208,558	7.6%
Training, Education and Operator Certification	1,182,027	1,222,559	1,597,369	415,342	35.1%
Situation Awareness and Infrastructure Security	2,763,624	1,902,539	1,842,389	(921,235)	-33.3%
<b>Total</b>	<b>23,650,862</b>	<b>22,850,362</b>	<b>24,785,492</b>	<b>1,134,630</b>	<b>4.8%</b>

## 2020 Versus 2021 Cost Allocation by Program Summary of Expenses



## FTEs by Program Area

Total FTEs by Program Area	2020 Budget	2020 Projection	2021 Budget	Change from 2020 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability and Risk	16.00	19.00	20.00	4.00
Compliance Monitoring and Enforcement	29.00	28.00	30.00	1.00
Reliability Assessment and Performance Analysis	6.60	7.60	6.60	0.00
Training and Education	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	8.00	5.00	5.00	-3.00
<b>Total FTEs Operational Programs</b>	<b>62.60</b>	<b>62.60</b>	<b>64.60</b>	<b>2.00</b>
<b>Administrative Programs</b>				
General and Administrative	3.00	3.00	4.00	1.00
Legal and Regulatory Affairs	3.00	3.00	3.00	0.00
Information Technology	6.00	6.00	7.00	1.00
Human Resources	2.00	2.00	3.00	1.00
Finance and Accounting	2.75	2.75	2.75	0.00
<b>Total FTEs Administrative Programs</b>	<b>16.75</b>	<b>16.75</b>	<b>19.75</b>	<b>3.00</b>
<b>Total FTEs</b>	<b>79.35</b>	<b>79.35</b>	<b>84.35</b>	<b>5.00</b>

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

## 2020 Budget and Projection and 2021 Budget Comparisons

The following table lists the 2020 budget and projection compared to the 2021 budget.

2020 Budget and Projection, and 2021 Budget					
STATUTORY					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2020 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ReliabilityFirst Assessments	\$ 22,318,623	\$ 22,318,623	\$ -	\$ 22,764,995	\$ 446,372
Penalty Sanctions	267,627	267,627	-	4,540,000	4,272,373
<b>Total ReliabilityFirst Funding</b>	<b>\$ 22,586,250</b>	<b>\$ 22,586,250</b>	<b>\$ -</b>	<b>\$ 27,304,995</b>	<b>\$ 4,718,745</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	50,000	50,000	-	50,000	-
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>22,636,250</b>	<b>22,636,250</b>	<b>-</b>	<b>27,354,995</b>	<b>4,718,745</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 14,189,608	\$ 14,589,413	\$ 399,805	\$ 15,372,329	\$ 1,182,721
Payroll Taxes	846,791	883,845	37,054	934,645	87,854
Benefits	2,493,602	2,060,528	(433,074)	2,351,930	(141,672)
Retirement Costs	2,338,753	2,312,334	(26,419)	2,493,787	155,034
<b>Total Personnel Expenses</b>	<b>\$ 19,868,754</b>	<b>\$ 19,846,120</b>	<b>\$ (22,634)</b>	<b>\$ 21,152,691</b>	<b>\$ 1,283,937</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 377,140	\$ 193,972	\$ (183,168)	\$ 379,635	\$ 2,495
Travel	697,919	242,181	(455,738)	601,000	(96,919)
<b>Total Meeting Expenses</b>	<b>\$ 1,075,059</b>	<b>\$ 436,153</b>	<b>\$ (638,906)</b>	<b>\$ 980,635</b>	<b>\$ (94,424)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 481,115	\$ 275,615	\$ (205,500)	\$ 324,578	\$ (156,537)
Office Rent	539,292	575,312	36,020	628,092	88,800
Office Costs	810,400	788,102	(22,298)	956,776	146,376
Professional Services	442,483	512,001	69,518	481,335	38,852
Miscellaneous	43,759	27,059	(16,700)	43,885	126
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 2,317,049</b>	<b>\$ 2,178,089</b>	<b>\$ (138,960)</b>	<b>\$ 2,434,666</b>	<b>\$ 117,617</b>
<b>Total Direct Expenses</b>	<b>\$ 23,260,862</b>	<b>\$ 22,460,362</b>	<b>\$ (800,500)</b>	<b>\$ 24,567,992</b>	<b>\$ 1,307,130</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</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>	<b>\$ 23,260,862</b>	<b>\$ 22,460,362</b>	<b>\$ (800,500)</b>	<b>\$ 24,567,992</b>	<b>\$ 1,307,130</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ (624,613)</b>	<b>\$ 175,888</b>	<b>\$ 800,500</b>	<b>\$ 2,787,003</b>	<b>\$ 3,411,615</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	390,000	390,000	-	217,500	(172,500)
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 390,000</b>	<b>\$ 390,000</b>	<b>\$ -</b>	<b>\$ 217,500</b>	<b>\$ (172,500)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 23,650,862</b>	<b>\$ 22,850,362</b>	<b>\$ (800,500)</b>	<b>\$ 24,785,492</b>	<b>\$ 1,134,630</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ (1,014,613)</b>	<b>\$ (214,112)</b>	<b>\$ 800,500</b>	<b>\$ 2,569,503</b>	<b>\$ 3,584,115</b>
FTEs	79.35	79.35	-	84.35	5.00

\*Penalty sanctions reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

## **Section A: Statutory Programs**

## Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

ReliabilityFirst provides input to the NERC Reliability Standards development process to help ensure the Standards adequately mitigate the risks they are intended to address, particularly those risks facing the ReliabilityFirst footprint, as well as help identify, evaluate and promote the amendment of Reliability Standards to ensure their efficiency, efficacy and appropriateness. ReliabilityFirst may develop Regional Reliability Standards as necessary. Regional Reliability Standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional matter that the NERC Reliability Standard does not, or a regional difference necessitated by a physical difference in the BES.

ReliabilityFirst may also develop regional criteria, which are good utility practices used to enhance the reliability of the BES and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. Regional criteria are developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

### 2021 Key Assumptions

The Reliability Standards Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

ReliabilityFirst previously reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability and Risk and Compliance Monitoring Program, due to decreased activity in the Reliability Standards Program. If any Reliability Standard or regional criteria needs to be developed, resources will be temporarily redeployed from the existing Reliability and Risk and Compliance Monitoring and Reliability Assessment and Performance Analysis Programs.

### 2021 Key Deliverables

- Review and provide feedback on potential reliability, security, resiliency, or efficiency concerns associated with existing NERC Reliability Standards and Reliability Standard Audit Worksheets and those under development.

- Although none are anticipated, submit to NERC, and subsequently file with FERC any new Regional Reliability Standards that:
  - May be needed to support revised NERC Reliability Standards.
  - May address reliability gaps not currently covered by NERC Reliability Standards.
- Although none are anticipated, submit to the ReliabilityFirst Board any new regional criteria that:
  - Address issues not within the scope of NERC Reliability Standards.
  - Promote more consistent implementation of a NERC Reliability Standard within the Region.
- Initiate and coordinate revisions to Regional Reliability Standards or regional criteria in any stage of development to ALIGN with NERC and FERC requirements.
  - Support enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards.
  - Support ERO activities necessary to incorporate Regional Reliability Standards into continent-wide Standards.
  - Retire Regional Reliability Standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.

### **Resource Requirements**

- **Personnel**

No personnel are budgeted in this year.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

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

<b>Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	45.00	50.00	5.00
Direct Expenses	\$ 11,792,057	\$ 12,889,826	\$ 1,097,769
Indirect Expenses	\$ 4,870,703	\$ 5,319,711	\$ 449,008
Inc(Dec) in Fixed Assets	\$ 283,163	\$ 168,344	\$ (114,819)
Total Funding Requirement	\$ 16,945,923	\$ 18,377,880	\$ 1,431,957

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement (CMEP), and Organization Registration and Certification Program performs a variety of risk-based and dynamic activities to identify, communicate, and mitigate reliability, security and resiliency risks facing the ReliabilityFirst footprint. To achieve maximum effectiveness and consistency, ReliabilityFirst has delineated the responsibility to execute the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program among three coordinated groups: Reliability and Risk, Compliance Monitoring, and Enforcement.

The Reliability and Risk group performs activities to drive continuous improvement, assess risk, and scope compliance monitoring and enforcement activities in accordance with risk. These activities, discussed in further detail in the Reliability and Risk section, include: (1) conducting Inherent Risk Assessments and developing Compliance Oversight Plans to assess the risk posed by each entity and determine plans for compliance monitoring activities; (2) conducting Internal Controls Reviews and Management Practice Appraisals to drive continuous improvement and refine the scope of compliance monitoring activities based upon the maturity of the entity's internal controls; (3) conducting industry training and education; (4) developing lessons learned and identifying key trends to share with the industry; (5) performing registration and certification activities; and (6) conducting risk assessments and supporting mitigation plan activities associated with noncompliances.

The Compliance Monitoring group monitors compliance to the NERC Reliability Standards (Reliability Standards) across ReliabilityFirst's registered owners, operators, and users of the BES through a variety of risk-based activities. These monitoring activities are key to reliability, as they ensure that entities have effective controls in place and are following the requirements of the Reliability Standards. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, self-certifications, investigations, assessing

complaints, and assessing system events from a reliability and compliance perspective to identify and ensure the mitigation of potential risks.

The Enforcement group is responsible for performing the delegated function to enforce, where necessary, compliance with the Reliability Standards. These efforts, discussed in further detail in the Enforcement section, involve ensuring that the selected disposition method for any noncompliance is: (1) clearly communicated; (2) appropriately supported by the record in light of the risk posed by the noncompliance; and (3) promotes the desired entity behavior. The Enforcement group focuses on understanding the risks behind each noncompliance and how to effectively mitigate those risks, as well as sending the appropriate message to the noncompliant entity and the broader regulated community (whether deterrent-driven for undesired behavior or incentive-driven for desired behavior).

Major activities for the Reliability and Risk, Compliance Monitoring, and Enforcement groups include the continued implementation of the Risk-Based Compliance Monitoring and Enforcement Program, and efforts connected to continue updating and revisions to the CIP Standards. These are joint ERO Enterprise level initiatives that benefit NERC, the Regional Entities, and the Registered Entities.

A detailed Program Scope and Functional Description for the Reliability and Risk, Compliance Monitoring, and Enforcement groups, as well as the Key Assumptions and Deliverables for each of these groups, can be found in their respective sections below.

## Reliability and Risk

<b>Reliability and Risk</b> (in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	16.00	20.00	4.00
Direct Expenses	\$ 5,035,413	\$ 5,462,331	\$ 426,918
Indirect Expenses	\$ 1,731,806	\$ 2,127,884	\$ 396,079
Inc(Dec) in Fixed Assets	\$ 97,125	\$ 67,337	\$ (29,787)
Total Funding Requirement	\$ 6,864,343	\$ 7,657,553	\$ 793,210

The FTEs in this table are included in the Total FTEs in the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program table on page 17.

### Program Scope and Functional Description

The activities performed by the Reliability and Risk group include: Inherent Risk Assessments (identifying risks impacting an entity); Compliance Oversight Plans (creating a plan to monitor entity's compliance with selected NERC Reliability Standards), Internal Controls Reviews (evaluating the effectiveness of entity internal controls around specific Standards and Requirements); Management Practice Appraisals (evaluating an entity's capability and maturity level in key management practice areas); Assist Visits (tailored training centered on the needs of the entity), and Registration/Certification (processing registration requests and certify Balancing Authority, Transmission Operator and Reliability Coordinator entities). The group's activities also include mitigation plan acceptance, approval, and verification; processing and assessment of periodic data submittals; winter preparedness evaluations; risk-harm analysis of noncompliances and participating in the review of self-logged minimal risk issues; providing industry training; BES Definition Exception Process activities; and serving as a technical resource for the Corporation.

### 2021 Key Assumptions

The Reliability and Risk group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. The Reliability and Risk group also includes the following regional assumptions:

1. Inherent Risk Assessment/Compliance Oversight Plans and Internal Controls Reviews activities are expected to become steady-state activities with the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program. These activities include completing Inherent Risk Assessments and Compliance Oversight Plans for all Registered Entities, implementing refinements to the Internal Controls Review process and conducting Internal Controls Reviews upon request by an entity, and ensuring that Compliance Oversight Plans address emerging risks to reliability and are tailored to the inherent risks posed by specific entities.

2. The Multi-Regional Registered Entity (MRRE) process continued in 2020 and will continue maturing in 2021. It is anticipated, taking into account ReliabilityFirst's location and impact on the eastern interconnection, that ReliabilityFirst may be designated as the Lead Region for additional MRREs. The MRRE program will remain consistent and impact workload associated with coordinating inherent risk assessments, compliance monitoring, and enforcement processes under the MRRE process.
3. In accordance with FERC's Order approving NERC's Risk-Based Registration Initiative, registration staff continues to participate in the NERC-led review panels described in the NERC Rules of Procedure, Appendix 5A, Section III.D.
4. Assist Visits, Management Practice Appraisals, and Internal Controls Reviews will continue to take place to collaboratively assist an entity's drive for continuous improvement and reliability excellence and its capability in key management practice and Internal Control areas. Demand remains high for Assist Visits in 2020, with a focus on the implementation of the CIP Standards and CIP related technology issues. There has also been an increase in demand for Operations and Planning Assist Visits which should continue in 2021. The demand for Assist Visits, including requests for onsite Assist Visits at entity offices, is expected to continue and potentially expand in 2021.
5. ReliabilityFirst has provided "Extended Assist Visits" in 2019 and 2020, to support entities who have experienced major challenges related to Reliability Standards compliance or program implementation. These Extended Assist Visits require resource commitments beyond a normal Assist Visit, and can consist of multiple meetings and visits to the entity spread over the course of six to twelve months. These Extended Assist Visits are expected to continue in 2021.
6. There will be an effort to ensure that a specific risk targeted by a particular Reliability Standard is being adequately addressed (i.e., whether the Reliability Standard as written, monitored and enforced for compliance, is effectively mitigating the identified risk.)
7. Work with NERC will continue on the development of educational materials for Registered Entities regarding the Compliance Monitoring and Enforcement Program, Registration, and new and revised Reliability Standards.
8. There will be continued ERO Enterprise-wide collaboration and implementation of consistent risk-based compliance monitoring and enforcement practices and tools. In particular, ReliabilityFirst staff resources will be allocated to continue the development, design, testing, training, and implementation of the new ERO Enterprise ALIGN Tool.

### **2021 Key Deliverables**

- Process all registration requests.
- Process BES Exception Requests submittals and NERC-Led Review Panels.
- Provide technical assessment of periodic data submittals.

- Provide technical subject matter expertise and support for compliance monitoring and enforcement activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Support the development and integration of advanced analytical capabilities for identifying and determining reliability risks, and conducting various risk assessments (i.e. Regional Risk Assessments, Inherent Risk Assessments/Compliance Oversight Plans, Risk-Harm Assessments, and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Participate in the annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold weather.
- Support the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program, with a focus on the ongoing assessment of ReliabilityFirst Regional Risk Elements, and maturation of the Inherent Risk Assessment/Compliance Oversight Plans and Internal Controls Evaluation processes.
- Support development of the annual CMEP implementation Plan with a focus on ERO Risk Elements and alignment of Areas of Focus.
- Perform Inherent Risk Assessments/Compliance Oversight Plans of entities in alignment with the ERO Guide for Compliance Monitoring, to identify inherent risks of an entity and develop a plan to monitor entity's compliance with selected NERC Reliability Standards based off their inherent risk and performance.
- Conduct risk-harm assessments and develop associated risk statements for all possible noncompliances to assess the potential risk posed by each noncompliance and inform the proper enforcement action(s).
- Perform mitigation plan activities in an effort to return entities to compliance and prevent reoccurrence by:
  - Reviewing proposed mitigation plans and accepting those that contain appropriate corrective and preventative actions.
  - Communicating with Enforcement and the entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the noncompliance.
  - Verifying mitigation plan completion through the evaluation of evidence provided by the entity to demonstrate that agreed-to actions have been implemented according to established milestones.
  - Conducting outreach activities to help entities move beyond baseline compliance.
- Perform reviews of self-logged noncompliances, submitted quarterly by entities granted logging privileges, to assess the noncompliances and their associated risk determinations and mitigating activities.

- Support the development, training, and outreach for entities to continue successful transition to the new and or revised versions of the CIP Standards.
- Perform Assist Visits and Extended Assist Visits.
- Plan, facilitate and support regional workshops.
- Support monthly “open” reliability and compliance calls to educate entities on reliability and compliance topics.
- Perform Management Practice Appraisals as requested by entities.
- Using inherent risk assessment and Regional Risk Assessment results, analyze and perform outreach for identified risks related to specific entities or groups of entities.
- Assist entities in the evaluation of internal controls, organizational maturity, and cyber resilience via ReliabilityFirst developed self-assessment tools and processes.
- Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
- Participate in the ERO Enterprise staff learning development process through the ERO working groups and functional area program leaders.
- Continue the development and implementation of resiliency, risk, and interdependency projects and initiatives.

### **Resource Requirements**

- **Personnel**

As noted above in the 2021 Key Assumptions, the demand for Assist Visits and Extended Assist Visits is expected to continue and potentially expand in 2021. Additionally, the MRRE process expanded again in 2020 and is expected to continue maturing in 2021. Coordination and workload associated with administering the program has increased in the Inherent Risk Assessments area under the MRRE process.

ReliabilityFirst is not proposing additional FTEs at this time, but will continue to monitor this area.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

**Reliability and Risk Budget Detail**

The following table shows funding sources and related expenses for the Reliability and Risk section of the *2021 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2020 Budget and Projection, and 2021 Budget</b>					
<b>Reliability and Risk</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2020 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 6,783,161	\$ 6,783,161	\$ -	\$ 6,236,500	\$ (546,661)
Penalty Sanctions	68,403	68,403	-	1,405,573	1,337,170
<b>Total ReliabilityFirst Funding</b>	<b>\$ 6,851,564</b>	<b>\$ 6,851,564</b>	<b>\$ -</b>	<b>\$ 7,642,073</b>	<b>\$ 790,509</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	12,779	15,176	2,397	15,480	2,701
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>6,864,343</b>	<b>6,866,740</b>	<b>2,397</b>	<b>7,657,553</b>	<b>793,210</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,340,132	\$ 3,365,766	\$ 25,634	\$ 3,721,390	\$ 381,258
Payroll Taxes	200,370	211,499	11,129	229,341	28,971
Benefits	511,739	421,874	(89,865)	489,951	(21,788)
Retirement Costs	513,126	500,029	(13,097)	572,344	59,218
<b>Total Personnel Expenses</b>	<b>\$ 4,565,367</b>	<b>\$ 4,499,168</b>	<b>\$ (66,199)</b>	<b>\$ 5,013,026</b>	<b>\$ 447,659</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 11,200	\$ 4,356	\$ (6,844)	\$ 9,600	\$ (1,600)
Travel	182,995	74,571	(108,424)	152,000	(30,995)
<b>Total Meeting Expenses</b>	<b>\$ 194,195</b>	<b>\$ 78,927</b>	<b>\$ (115,268)</b>	<b>\$ 161,600</b>	<b>\$ (32,595)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 30,000	\$ 4,000	\$ (26,000)	\$ 10,000	\$ (20,000)
Office Rent	-	-	-	-	-
Office Costs	245,851	245,851	-	277,705	31,854
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 275,851</b>	<b>\$ 249,851</b>	<b>\$ (26,000)</b>	<b>\$ 287,705</b>	<b>\$ 11,854</b>
<b>Total Direct Expenses</b>	<b>\$ 5,035,413</b>	<b>\$ 4,827,946</b>	<b>\$ (207,467)</b>	<b>\$ 5,462,331</b>	<b>\$ 426,918</b>
<b>Indirect Expenses</b>	<b>\$ 1,731,806</b>	<b>\$ 2,042,850</b>	<b>\$ 311,044</b>	<b>\$ 2,127,884</b>	<b>\$ 396,079</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 6,767,219</b>	<b>\$ 6,870,796</b>	<b>\$ 103,577</b>	<b>\$ 7,590,215</b>	<b>\$ 822,997</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 97,125</b>	<b>\$ (4,056)</b>	<b>\$ (101,180)</b>	<b>\$ 67,337</b>	<b>\$ (29,787)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	\$ 97,125	\$ 115,335	18,211	\$ 67,337	\$ (29,787)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 97,125</b>	<b>\$ 115,335</b>	<b>\$ 18,211</b>	<b>\$ 67,337</b>	<b>\$ (29,787)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 6,864,343</b>	<b>\$ 6,986,131</b>	<b>\$ 121,788</b>	<b>\$ 7,657,553</b>	<b>\$ 793,210</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ (119,391)</b>	<b>\$ (119,391)</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>FTEs</b>	16.00	19.00	3.00	20.00	4.00

<b>Compliance Monitoring and Enforcement</b>			
(in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	29.00	30.00	1.00
Direct Expenses	\$ 6,756,644	\$ 7,427,495	\$ 670,851
Indirect Expenses	\$ 3,138,897	\$ 3,191,826	\$ 52,929
Inc(Dec) in Fixed Assets	\$ 186,038	\$ 101,006	\$ (85,032)
Total Funding Requirement	\$ 10,081,580	\$ 10,720,328	\$ 638,748

The FTEs in this table are included in the Total FTEs in the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program table on page 17.

## Compliance Monitoring

### Program Scope and Functional Description

The activities performed by the Compliance Monitoring group to monitor and help ensure the reliability, security, and resiliency of the BES include: Operations and Planning (O&P) and Critical Infrastructure Protection (CIP) audits; self-certifications; investigations; spot checks; assessing complaints; assessing entity internal controls as part of each engagement; evaluating system events from a reliability and compliance perspective to identify and ensure mitigation of potential risks; assisting in the review, approval, and verification of mitigation plans for noncompliances identified during compliance monitoring activities; and managing Technical Feasibility Exceptions (TFEs). The group also serves as industry subject matter experts and technical resources for the Corporation.

### 2021 Key Assumptions

The Compliance Monitoring group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. The Compliance Monitoring group also includes the following regional assumptions:

1. Assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., audits, spot checks), using a risk-based approach, ensuring that all activities are completed per the established process and timelines.
2. Pursuant to the risk-based Compliance Monitoring and Enforcement Program, all entities will have an Inherent Risk Assessment completed to determine their Compliance Oversight Plans and the scope of their engagements. As required by the NERC Rules of Procedure, Balancing Authority, Transmission Operator, and Reliability Coordinator audits will continue to occur on a three year cycle. For all other entities, ReliabilityFirst will evaluate the entity's Inherent Risk Assessment results and Compliance Oversight Plan to identify entity risks and develop its planned monitoring schedule and oversight approach.

3. NERC has instructed all the Regional Entities to perform evaluations of internal controls as part of the compliance monitoring engagement process. This will add time to the monitoring process and increase workload.
4. The implementation of the entity Compliance Oversight Plans has resulted in (and is expected to continue to result in) more frequent touch points across each calendar year, and increased workload.
5. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. Through NERC training and other available training courses, ReliabilityFirst will provide the necessary training to continue to provide a credible, skilled, competent, and respected compliance monitoring staff.
6. Staff will continue to collaborate with NERC as it develops an ERO Enterprise-wide audit management tool.
7. With the CIP Standards being revised, the ERO Enterprise continues to evaluate:
  - a. Whether the approved and ongoing changes in the CIP area will materially change the amount of rigor and time Regional Entities will need to spend on compliance monitoring activities for entities with High, Medium, and Low BES Assets, and BES Cyber Systems, including whether field visits will be required; and
  - b. Whether material changes or additions will be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.

Results of this evaluation may impact the audit scope, regional resource requirements, and expectations that will need to be factored into future resource recommendations for the budget.

8. The continued increased complexity of the O&P and CIP Standards, and the substantial increase of assets within scope for the CIP Standards has increased the workload for auditors. Moreover, the time required to complete audit reviews often includes site and field visits, based on the scope of the audit and whether initial evidence provided is sufficient to substantiate that an entity is compliant. This has increased the time required for audits, and has added workload in the Monitoring area that is expected to continue.

The ongoing revisions of the CIP Standards and technical nature of the O&P standards have also resulted in an additional workload to provide outreach and training to entities. Entity outreach is expected to be an ongoing need, given the increasing complexity and continually evolving nature of cybersecurity and the Standards.

### **2021 Key Deliverables**

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.

- Perform Internal Controls Evaluations as part of the compliance monitoring engagement process.
- Conduct thorough and professional compliance audits consistently with all Regions through the incorporation of the Auditor Handbook and Checklist. Audit teams will consist of staff supplemented, when necessary, by independent contractors.
- Prepare and distribute compliance monitoring reports to NERC and Registered Entities.
- Ensure all auditors receive adequate training, meet all NERC auditor training requirements, and keep abreast of new and emerging technologies.
- Provide efficiencies in compliance monitoring processes through continued auditor training, development and enhancement of auditor tools, and continuous improvements.
- Monitoring Staff will support ERO and regional outreach and training efforts including the CIP Small Group Advisory Sessions, ReliabilityFirst Workshops (e.g. additional targeted workshops), CIP Focus Group Sessions, and CIP and O&P -related Assist Visits
- CIP audits will be performed as separate audits from Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP audits targeted for 2021 is defined below:
  - 15 CIP audits of entities. These audits will be conducted on larger entities with High, Medium, and Low impact BES Cyber Systems.
  - CIP Self-Certifications of entities with only Low impact BES Cyber Systems (approximately 20 per year) will be performed in 2021.
- The number of Operations/Planning engagements planned for 2021 is defined below and will be based on the entity's Inherent Risk Assessment, Compliance Oversight Plan and risk the entity poses to the BES.
  - 8 on-site audits of entities.
  - 50 other engagements of entities based upon the Compliance Oversight Plans which include either off-site audits, Spot Checks, or Self-Certifications based upon their Inherent Risk Assessment.
- Spot Checks and Self-Certifications will be used: (1) to assess performance to selected Reliability Standards when a full audit is not warranted; (2) as an alternate means of monitoring lower risk entities; and (3) on an as-needed basis to address identified risks. Guidance on when a Spot Check or Self-Certification may be appropriate is outlined in the annual CMEP Implementation Plan and will be augmented by ReliabilityFirst's Regional Risk Assessment, Inherent Risk Assessments, and results from compliance monitoring activities that identify emerging risks. Spot Checks and Self-Certifications may also be used to confirm prior self-certifications, self-reports, and the status of mitigation plans or agreed-to mitigation activities associated with settlement agreements.
- Support NERC in continuing training and outreach for Registered Entities to successfully implement revisions to the CIP standards and Operations/Planning standards.

- Utilizing the results of the Inherent Risk Assessments and Regional Risk Assessment, lead development of the risk based annual CMEP implementation Plan in coordination with cross-functional groups.
- Complete Compliance Assessment Reviews of system events according to the ReliabilityFirst Compliance Assessment process, to determine if reliability issues associated with the system event require the initiation of a compliance monitoring process; performance of mitigation activities by involved entities; and/or industry outreach and education.

### **Resource Requirements**

- **Personnel**

As discussed above in the 2021 Key Assumptions, the workload in the O&P and CIP monitoring area has continually increased and is expected to continue increasing. One additional FTE will be required in 2021 and ReliabilityFirst will continue to evaluate the need for additional future resources. This is driven by various factors, including the expanded CIP scope for entities with only Low Impact BES Cyber Systems, and the fact that more Compliance Oversight Plans also include Spot Checks or Self-Certifications. Compliance monitoring teams now perform Internal Controls Reviews as part of the compliance monitoring engagement process, which has added time and workload to engagements. Additionally, the MRRE program results in additional coordination and time to perform engagements. All of these along with the enhanced security features included with the new ERO CMEP tool, may require additional hours for the audit teams to complete their work.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2021 to temporarily supplement staff in the event workload exceeds available resources. Contractor and consultant support is also budgeted to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

## Enforcement

### Program Scope and Functional Description

The Enforcement group performs ReliabilityFirst's delegated function to enforce compliance with the Reliability Standards. This effort involves ensuring that the selected disposition method for any noncompliance is consistent with the risk posed by the noncompliance; is adequately supported by the record; and promotes desired entity behaviors to enhance reliability.

In the event that a noncompliance is enforced, Enforcement staff is responsible for (1) drafting and negotiating with entities all necessary disposition documents; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; (4) ensuring that the record and related disposition documents comply with all applicable FERC orders, rules, and regulations, NERC ROP, guidance, and ERO-wide program documents, and internal policies and procedures (collectively, "applicable orders, rules, and procedures"); and (5) participating in hearings where necessary. In the event that a noncompliance is not enforced (e.g., compliance exception or dismissal), Enforcement staff is responsible for (1) drafting all necessary internal disposition reports and external disposition documents and notices; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; and (4) ensuring that the record and related disposition documents comply with all applicable orders, rules, and procedures.

For continuity and stakeholder convenience, Enforcement staff serve as a single point of contact for entities for noncompliance-related communications, including answering entity questions and providing regular updates on disposition matters. The Enforcement staff is heavily involved in external outreach to help entities understand potential noncompliance trends and themes that may be early indicators of programmatic or systemic challenges. The Enforcement staff also partners with the Risk Analysis and Mitigation staff to provide targeted training to entities focusing on quality self-reporting and mitigation strategies.

ReliabilityFirst frequently serves as the lead Region in resolving multi-regional enforcement actions for designated MRREs. Consequently, Enforcement staff devotes substantial resources to coordinate the enforcement work of various Regions, obtain consensus on a myriad of issues, and negotiate acceptable resolutions.

Enforcement staff regularly works with FERC, NERC, the other Regions, and industry to shape risk-based, effective enforcement policies that drive desired entity behavior. This work includes drafting, or supporting the drafting, of ERO-wide enforcement program documents and enforcement related regulatory filings, presenting and training on enforcement programs in various forums, and monitoring and managing enforcement metrics in support of NERC's strategic Plan and Oversight Program. Enforcement staff also works with NERC and the other Regions to promote and otherwise ensure collaboration and implementation of consistent enforcement practices focused on higher reliability risks.

## 2021 Key Assumptions

The Enforcement group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. It also includes the following regional assumptions:

1. The number of CIP noncompliances may continue to increase, or at least remain steady, due to implementation of the CIP V5 Standards and certain Operations and Planning Standards, which increased the scope of assets covered and frequency of activities required relating to an entity's assets.
2. ReliabilityFirst will implement and utilize the new ERO tools for CMEP activities, including ALIGN and related platforms for exchanging entities' most sensitive information. Mostly due to increased security measures, these tools may increase the amount of administrative work for our enforcement case managers, compared to current tools and processes..
3. ReliabilityFirst anticipates that the majority of noncompliances will continue to trend as minimal or moderate risk; however the complexity of processing these noncompliances may continue to increase as entities' compliance history grows and technology continues to evolve and advance.
4. Complex, higher-risk noncompliances disposed as Settlement Agreements will require approximately 50% of Enforcement resources. These matters often involve more complex mitigation, increased regional interaction with the entities, and additional analysis and advocacy regarding penalties and sanctions.
5. The Find Fix and Track (FFT) disposition method will be used for some moderate and minimal risk issues. It will continue to be used less often in favor of the Compliance Exception disposition method, which will be used for qualified minimal risk noncompliances.
6. Enforcement staff will spend significant time ensuring adequate records are created for all issues, including minimal risk issues. The expenditure of this time will be driven by anticipated receipt of minimal risk issues for the CIP V5 Standards, as well as increased participation in the self-logging program and case-by-case compliance exception mechanisms.
7. Recent activity relating to Freedom of Information Act requests will continue to affect the processing times for all noncompliance through permanent process changes that add additional processing time for each noncompliance (including noncompliance of all risk levels) as well as through additional work required on a case-by-case basis.
8. ReliabilityFirst will frequently serve as the lead Region for MRREs and will continue to support other Regions when ReliabilityFirst is the affected Region. The disposition of MRRE noncompliances takes additional time to coordinate dispositions, review mitigation, and negotiate acceptable solutions with Affected Regions.

9. Enforcement staff will work with FERC, NERC, the other Regions, and the industry to shape effective and risk-based enforcement policies that drive desired behavior and ensure consistency.
10. The number of hearings to be conducted is unknown, and therefore no internal or external resources have been budgeted for hearings.
11. Enforcement staff will provide outreach to industry through internal support of functional initiatives (e.g., Inherent Risk Assessments and the Regional Risk Assessments); workshop presentations and participation in panel discussions; webinars; targeted entity training; identification and sharing of lessons learned; and contributions to the RF newsletter.

### **2021 Key Deliverables**

- Continue to focus on resolving enforcement actions in a thoughtful, risk-based, reliability focused manner.
- Ensure that the use of discretion in Enforcement is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
- Conduct initial fact and circumstance reviews of noncompliances and communicate with the entity through each step of the enforcement process.
- Continue to work to refine the risk-harm assessment process, a key input into enforcement decision-making.
- Continue to increase efficiency, through process improvements, in dispositioning enforcement actions and preparing related documentation.
- Continue to work with NERC and the other Regions to shape a well-reasoned Enforcement philosophy that results in risk-based, uniform, repeatable, transparent, and reliability-focused approaches.
- Use knowledge obtained in the context of Inherent Risk Assessments and other evaluations to assure informed decision-making.
- Draft and negotiate with entities all necessary disposition documents.
- Ensure all requisite notices are timely issued, and provide post-filing support and advocacy with NERC and FERC.
- Ensuring that the record of a noncompliance and the related disposition documents comply with all applicable orders, rules, and procedures.

## Resource Requirements

- **Personnel**

As described in the Assumptions section, the workload for Enforcement has increased since the implementation of CIP version 5, and with the revision and implementation of certain Operations and Planning Standards. Enforcement works to enforce complex noncompliances while remaining an accessible single point of contact for our Registered Entities. The complexities of our entities and the nature of our industry continue to evolve, requiring more in-depth analysis to appropriately dispose of noncompliances. Additionally, the quality of risk communication, deeper understanding of our Registered Entities risk profiles, and our ability to identify trends, share lessons learned and proactively target and train entities based on risk and compliance history are necessary to the Enforcement department's effectiveness. Under the MRRE program, the Enforcement department serves as the Lead Regional Entity for many registered entities and their subsidiaries. The MRRE Program and efforts to increase transparency and consistency across the Regions has also resulted in additional workload.

Additionally, processing time for individual noncompliance will likely increase as a result of new platforms for managing CMEP activities and exchanging related information with entities.

ReliabilityFirst is not proposing the addition of FTEs at this time, but will continue to monitor this area.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

**Compliance Monitoring and Enforcement Budget Detail**

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement section of the *2021 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2020 Budget and Projection, and 2021 Budget</b>					
<b>Compliance Monitoring and Enforcement</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2020 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 9,934,437	\$ 9,934,437	\$ -	\$ 8,588,749	\$ (1,345,688)
Penalty Sanctions	123,980	123,980	-	2,108,359	1,984,379
<b>Total ReliabilityFirst Funding</b>	<b>\$ 10,058,417</b>	<b>\$ 10,058,417</b>	<b>\$ -</b>	<b>\$ 10,697,108</b>	<b>\$ 638,691</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	23,163	22,364	(799)	23,220	57
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>10,081,580</b>	<b>10,080,781</b>	<b>(799)</b>	<b>10,720,328</b>	<b>638,748</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,576,754	\$ 4,731,941	\$ 155,187	\$ 5,128,355	\$ 551,601
Payroll Taxes	293,036	320,462	27,426	330,787	37,751
Benefits	793,439	679,534	(113,905)	773,137	(20,302)
Retirement Costs	709,810	705,041	(4,769)	789,805	79,995
<b>Total Personnel Expenses</b>	<b>\$ 6,373,039</b>	<b>\$ 6,436,978</b>	<b>\$ 63,939</b>	<b>\$ 7,022,084</b>	<b>\$ 649,045</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 13,500	\$ 4,050	\$ (9,450)	\$ 9,825	\$ (3,675)
Travel	245,124	65,481	(179,643)	226,000	(19,124)
<b>Total Meeting Expenses</b>	<b>\$ 258,624</b>	<b>\$ 69,531</b>	<b>\$ (189,093)</b>	<b>\$ 235,825</b>	<b>\$ (22,799)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 60,000	\$ 30,000	\$ (30,000)	\$ 70,000	\$ 10,000
Office Rent	-	-	-	-	-
Office Costs	62,281	62,281	-	92,186	29,905
Professional Services	-	-	-	-	-
Miscellaneous	2,700	1,000	(1,700)	7,400	4,700
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 124,981</b>	<b>\$ 93,281</b>	<b>\$ (31,700)</b>	<b>\$ 169,586</b>	<b>\$ 44,605</b>
<b>Total Direct Expenses</b>	<b>\$ 6,756,644</b>	<b>\$ 6,599,790</b>	<b>\$ (156,854)</b>	<b>\$ 7,427,495</b>	<b>\$ 670,851</b>
<b>Indirect Expenses</b>	<b>\$ 3,138,897</b>	<b>\$ 3,010,516</b>	<b>\$ (128,382)</b>	<b>\$ 3,191,826</b>	<b>\$ 52,929</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 9,895,541</b>	<b>\$ 9,610,306</b>	<b>\$ (285,236)</b>	<b>\$ 10,619,321</b>	<b>\$ 723,780</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 186,038</b>	<b>\$ 470,475</b>	<b>\$ 284,437</b>	<b>\$ 101,006</b>	<b>\$ (85,032)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	10,000	10,000	-	-	(10,000)
Allocation of Fixed Assets	\$ 176,038	\$ 169,968	(6,070)	\$ 101,006	\$ (75,032)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 186,038</b>	<b>\$ 179,968</b>	<b>\$ (6,070)</b>	<b>\$ 101,006</b>	<b>\$ (85,032)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 10,081,580</b>	<b>\$ 9,790,274</b>	<b>\$ (291,306)</b>	<b>\$ 10,720,328</b>	<b>\$ 638,748</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ 290,507</b>	<b>\$ 290,507</b>	<b>\$ -</b>	<b>\$ (0)</b>
FTEs	29.00	28.00	(1.00)	30.00	1.00

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	6.60	6.60	0.00
Direct Expenses	\$ 2,004,860	\$ 2,243,430	\$ 238,570
Indirect Expenses	\$ 714,370	\$ 702,202	\$ (12,168)
Inc(Dec) in Fixed Assets	\$ 40,064	\$ 22,221	\$ (17,843)
Total Funding Requirement	\$ 2,759,294	\$ 2,967,853	\$ 208,559

### Program Scope and Functional Description

ReliabilityFirst's Reliability Assessment and Performance Analysis (RAPA) program independently analyzes, assesses, and reports on the reliability and adequacy of the BES within the ReliabilityFirst footprint. The RAPA program helps identify and assess risks across the region, and its deliverables are a major contributor to the risk-based efforts of the entire organization. This work includes the performance of resource and transmission assessment studies; special analyses and investigations as warranted; and the collection and dissemination of data, lessons learned, and other information. The RAPA program provides resources and data input for the technical analyses and support of the many risk-based activities described in the Reliability and Risk and Compliance Monitoring sections. The RAPA program also facilitates four of the technical stakeholder committees and three communities of practice.

### 2021 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

There are no additional assumptions unique to the Reliability Assessment and Performance Program.

### 2021 Key Deliverables

- Assessments of Reliability Performance
  - Perform seasonal (summer and winter) risk analyses of the projected resource adequacy for PJM Interconnection, LLC (PJM) and Midcontinent Independent System Operator (MISO), the two Regional Transmission Organizations (RTO) that operate within ReliabilityFirst. As part of these risk analyses, produce seasonal RTO "waterfall" risk charts depicting the range of available capacity reserves for the forecasted normal (50/50) and extreme (90/10) seasonal peak demand levels, and historical long-term forecast and demand charts.
  - Perform seasonal (summer and winter), near-term (typically five years into the future), and extreme transmission assessment studies, and produce reports on these transmission assessment studies.

- Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, special assessment, and long-term reports.
- Provide technical support for the ERO Enterprise's expanded and enhanced system studies and help perform analyses as needed.
- Work with neighboring Regional Entities within the Eastern Interconnection Reliability Assessment Group (ERAG) to perform Eastern Interconnection assessment studies and produce reports.
- Update power flow base case models as needed for regional study efforts.
- Reporting Requirements
  - Assist NERC in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), and the Misoperation Information Data Analysis System (MIDAS). All these systems can be used for data analytics across the ERO Enterprise.
- Other Requirements and Activities
  - Publish lessons learned that are developed from misoperation reporting and other sources.
  - Continue to participate in the Eastern Interconnection Reliability Assessment Group (ERAG) and the Multiregional Modeling Working Group (MMWG).
  - Analyze protective relay misoperation information and track corrective action plans, as reported in the NERC MIDAS system. Facilitate a peer review process of this data via the ReliabilityFirst Protection Subcommittee.
  - Review under-frequency load shed (UFLS) and under-voltage load shed (UVLS) information.
  - Develop and maintain a linear contingency database for transmission assessment studies.
  - In support of the ERO Enterprise, actively participate (and in some cases serve in leadership roles) in NERC committees, subcommittees, task forces, and other technical groups, such as the Reliability Assessment Subcommittee, Performance Analysis Subcommittee, and associated subgroups, as well as the ERO-RAPA Steering Group.
  - Continue to support stakeholder participation and interaction through various regional technical groups, including the Reliability Committee (a technical advisory body to the ReliabilityFirst Board of Directors) and its subcommittees and task forces. Facilitate three stakeholder communities of practice.
  - Provide the various regional technical groups with information and knowledge to help entities improve human performance. Conduct a human performance workshop and facilitate a community of excellence.

- Provide Registered Entities with tailored training and interaction through recurring workshops (such as the Protection Workshop for Technical Personnel and training for the Protection Subcommittee by a vendor).
- Provide knowledge, techniques, and data input in support of ReliabilityFirst's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts.

### **Resource Requirements**

- **Personnel**

There is no change in FTEs in this group for 2021.

- **Contractors and Consultants**

Contractor and consulting support is budgeted to support:

- ERAG steady state and dynamic base case model assembly through the Multiregional Modeling Working Group (MMWG) processes.
- ERAG reviews of Planning Coordinator assessments.
- ERAG assessment studies.

The total cost of ERAG contractor and consulting support is shared across all four Regional Entities in the Eastern Interconnection.

Contractor and consultant support is also budgeted to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

## Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2021 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2020 Budget and Projection, and 2021 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2020 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,725,807	\$ 2,725,807	\$ -	\$ 2,498,906	\$ (226,901)
Penalty Sanctions	28,216	28,216	-	463,839	435,623
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,754,023</b>	<b>\$ 2,754,023</b>	<b>\$ -</b>	<b>\$ 2,962,745</b>	<b>\$ 208,722</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	5,272	6,070	798	5,108	(164)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>2,759,295</b>	<b>2,760,093</b>	<b>798</b>	<b>2,967,853</b>	<b>208,558</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,293,433	\$ 1,468,544	\$ 175,111	\$ 1,495,220	\$ 201,787
Payroll Taxes	76,570	84,118	7,548	90,895	14,325
Benefits	148,821	145,418	(3,403)	162,238	13,417
Retirement Costs	204,432	221,083	16,651	228,591	24,159
<b>Total Personnel Expenses</b>	<b>\$ 1,723,256</b>	<b>\$ 1,919,163</b>	<b>\$ 195,907</b>	<b>\$ 1,976,944</b>	<b>\$ 253,688</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 8,500	\$ 3,924	\$ (4,576)	\$ 8,000	\$ (500)
Travel	105,000	31,394	(73,606)	95,000	(10,000)
<b>Total Meeting Expenses</b>	<b>\$ 113,500</b>	<b>\$ 35,318</b>	<b>\$ (78,182)</b>	<b>\$ 103,000</b>	<b>\$ (10,500)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 126,340	\$ 89,340	\$ (37,000)	\$ 116,624	\$ (9,716)
Office Rent	-	-	-	-	-
Office Costs	41,564	41,564	-	46,862	5,298
Professional Services	-	-	-	-	-
Miscellaneous	200	200	-	-	(200)
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 168,104</b>	<b>\$ 131,104</b>	<b>\$ (37,000)</b>	<b>\$ 163,486</b>	<b>\$ (4,618)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,004,860</b>	<b>\$ 2,085,585</b>	<b>\$ 80,725</b>	<b>\$ 2,243,430</b>	<b>\$ 238,570</b>
<b>Indirect Expenses</b>	<b>\$ 714,370</b>	<b>\$ 817,140</b>	<b>\$ 102,770</b>	<b>\$ 702,202</b>	<b>\$ (12,168)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,719,231</b>	<b>\$ 2,902,725</b>	<b>\$ 183,495</b>	<b>\$ 2,945,632</b>	<b>\$ 226,402</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 40,064</b>	<b>\$ (142,632)</b>	<b>\$ (182,697)</b>	<b>\$ 22,221</b>	<b>\$ (17,844)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>					
Allocation of Fixed Assets	\$ 40,064	\$ 46,134	6,070	\$ 22,221	\$ (17,843)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 40,064</b>	<b>\$ 46,134</b>	<b>\$ 6,070</b>	<b>\$ 22,221</b>	<b>\$ (17,843)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 2,759,295</b>	<b>\$ 2,948,859</b>	<b>\$ 189,565</b>	<b>\$ 2,967,853</b>	<b>\$ 208,559</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ (188,767)</b>	<b>\$ (188,767)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	6.60	7.60	1.00	6.60	-

## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification Program</b> (in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 839,101	\$ 1,268,086	\$ 428,985
Indirect Expenses	\$ 324,714	\$ 319,183	\$ (5,531)
Inc(Dec) in Fixed Assets	\$ 18,211	\$ 10,101	\$ (8,110)
Total Funding Requirement	\$ 1,182,026	\$ 1,597,369	\$ 415,343

### Program Scope and Functional Description

Effective training and outreach is critical to leverage and advance industry practices surrounding risk identification, mitigation, and prevention. The ReliabilityFirst Training and Education Program focuses on providing relevant training to entities operating in the ReliabilityFirst region. ReliabilityFirst's training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

ReliabilityFirst does not provide system operator certification training, as it is provided by the Regional Transmission Organizations within the Region.

### 2021 Key Assumptions

The Training and Education Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

There are no additional assumptions unique to the ReliabilityFirst Training and Education Program.

### 2021 Key Deliverables

- Industry Education
  - ReliabilityFirst will continue its education efforts to help entities achieve excellence in reliability, risk identification, security, and resiliency. These activities include:
    - Monitor projects related to grid resilience and security such as the Cyber Resilient Energy Delivery Consortium. Participate in these projects as appropriate, incorporate lessons learned from these projects into ReliabilityFirst's tools and processes, and share lessons learned with entities as appropriate.
    - The issuance of announcements, newsletters, and reports on key reliability, security, and resiliency issues facing ReliabilityFirst and the industry.
    - Communication of key risks and risk mitigation strategies, including risk harm assessment methodologies.

- In concert with the ERO Event Analysis team, the development and publishing of lessons learned/best practices from system events and disturbances.
  - Guidance on the CIP Reliability Standards, including a focus on new and revised Reliability Standards such as CIP-013 and CIP-012, and, technology related concerns including Cloud Computing, and Virtualization.
  - Continued guidance on the implementation of the Risk-Based Compliance Monitoring and Enforcement Program, including on Inherent Risk Assessments, Compliance Oversight Plans, and Internal Control Reviews.
  - Identification and communication of common themes and root causes of Reliability Standard violations.
  - Efforts to better prepare entities for compliance audits and enforcement activities.
  - Open compliance and enforcement calls that cover a span of compliance, CIP technology concerns, and enforcement related topics.
  - Sharing best practices concerning generator plant winter readiness.
  - Webinars on the compliance monitoring and enforcement process.
  - Increased focus on any lessons learned or trends identified from reliability assessments.
  - Implementation of programs for the use of ReliabilityFirst developed self-assessment and self-evaluation tools.
  - Posting educational materials on the ReliabilityFirst public website on pertinent reliability, risk, security, and resiliency topics.
  - Development of capabilities to provide on-demand and virtual training opportunities on relevant reliability, risk, security, and resilience topics.
- Industry Workshops
    - Continue workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders. Workshops and forums will focus on understanding and mitigating risks to reliability, security, and resiliency within the ReliabilityFirst footprint. Workshops to be conducted include:
      - Two Reliability workshops (spring and fall) to promote a culture of reliability focusing on security, resiliency, risk management, internal controls, and targeted discussion on methods to demonstrate compliance.
      - Open forums to provide insight into new Reliability Standards developed and approved by the industry, changes in the Compliance Monitoring and Enforcement Program, communications with our registered entities around identified and emerging risks, Critical Infrastructure Protection issues, trends that could develop into a risk or other topics requested by entities.

- Security and CIP Standards Workshop(s) to provide insight into the evolution of these Standards and to provide a forum for entities to share thoughts, problems, and solutions.
  - Protection Systems Workshop on key issues associated with protection systems (e.g., misoperations, maintenance and testing).
  - Human Performance Workshop on practical application of human performance techniques and concepts for front-line activities such as operations, asset management, design, protection, and maintenance.
  - Additional, targeted workshops to address internal controls, and emerging risks (e.g., misoperations, fuel security, changing generation mix, and cyber security technology) as the need is identified and the sessions can be scheduled.
- **Personnel**
  - There is no change in FTEs in this group for 2021.
  - **Contractors and Consultants**

Contractor and consultant support is budgeted in 2021 to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

## Training, Education, and Operator Certification Program Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the *2021 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2020 Budget and Projection, and 2021 Budget</b>					
<b>Training, Education, and Operator Certification Program</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2020 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 1,166,805	\$ 1,166,805	\$ -	\$ 1,384,211	\$ 217,406
Penalty Sanctions	12,826	12,826	-	210,836	198,010
<b>Total ReliabilityFirst Funding</b>	<b>\$ 1,179,631</b>	<b>\$ 1,179,631</b>	<b>\$ -</b>	<b>\$ 1,595,047</b>	<b>\$ 415,416</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	2,396	2,396	-	2,322	(74)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>1,182,027</b>	<b>1,182,027</b>	<b>-</b>	<b>1,597,369</b>	<b>415,342</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 403,722	\$ 554,231	\$ 150,509	\$ 707,053	\$ 303,331
Payroll Taxes	25,768	26,196	428	36,672	10,904
Benefits	90,750	76,901	(13,849)	89,322	(1,428)
Retirement Costs	62,209	78,103	15,894	111,869	49,660
<b>Total Personnel Expenses</b>	<b>\$ 582,449</b>	<b>\$ 735,431</b>	<b>\$ 152,982</b>	<b>\$ 944,916</b>	<b>\$ 362,467</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 211,000	\$ 109,675	\$ (101,325)	\$ 237,600	\$ 26,600
Travel	10,000	6,035	(3,965)	18,000	8,000
<b>Total Meeting Expenses</b>	<b>\$ 221,000</b>	<b>\$ 115,710</b>	<b>\$ (105,290)</b>	<b>\$ 255,600</b>	<b>\$ 34,600</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 30,000	\$ 25,000	\$ (5,000)	\$ 50,000	\$ 20,000
Office Rent	-	-	-	-	-
Office Costs	5,652	5,652	-	17,070	11,418
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	500	500
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 35,652</b>	<b>\$ 30,652</b>	<b>\$ (5,000)</b>	<b>\$ 67,570</b>	<b>\$ 31,918</b>
<b>Total Direct Expenses</b>	<b>\$ 839,101</b>	<b>\$ 881,793</b>	<b>\$ 42,692</b>	<b>\$ 1,268,086</b>	<b>\$ 428,985</b>
<b>Indirect Expenses</b>	<b>\$ 324,714</b>	<b>\$ 322,555</b>	<b>\$ (2,159)</b>	<b>\$ 319,183</b>	<b>\$ (5,531)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,163,815</b>	<b>\$ 1,204,348</b>	<b>\$ 40,533</b>	<b>\$ 1,587,269</b>	<b>\$ 423,454</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 18,212</b>	<b>\$ (22,321)</b>	<b>\$ (40,533)</b>	<b>\$ 10,101</b>	<b>\$ (8,111)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>					
Allocation of Fixed Assets	\$ 18,211	\$ 18,211	-	\$ 10,101	\$ (8,110)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 18,211</b>	<b>\$ 18,211</b>	<b>\$ -</b>	<b>\$ 10,101</b>	<b>\$ (8,110)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 1,182,027</b>	<b>\$ 1,222,559</b>	<b>\$ 40,533</b>	<b>\$ 1,597,369</b>	<b>\$ 415,343</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ (40,533)</b>	<b>\$ (40,533)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>3.00</b>	<b>3.00</b>	<b>-</b>	<b>3.00</b>	<b>-</b>

## Situational Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security Program</b> (in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	8.00	5.00	(3.00)
Direct Expenses	\$ 1,849,156	\$ 1,293,584	\$ (555,572)
Indirect Expenses	\$ 865,903	\$ 531,971	\$ (333,932)
Inc(Dec) in Fixed Assets	\$ 48,565	\$ 16,834	\$ (31,731)
Total Funding Requirement	\$ 2,763,624	\$ 1,842,389	\$ (921,235)

### Program Scope and Functional Description

In support of the ERO Enterprise, the Situation Awareness and Infrastructure Security staff, in coordination with members of the Reliability Assessment and Performance Analysis and Reliability and Risk groups, monitors present conditions on and emerging threats to the BES. The Situation Awareness and Infrastructure Security staff also performs event analysis for system disturbances and events. During the event analysis process, ReliabilityFirst works with entities to identify and analyze the root causes of system events, complete event analysis reports, and communicate the resulting information and lessons learned to the industry.

The Situation Awareness and Infrastructure Security activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection. The Situation Awareness and Infrastructure Security program area addresses two separate but related functions, Situation Awareness and Critical Infrastructure Protection (CIP).

The Situation Awareness and Infrastructure Security program supports the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, implementing Reliability Standards developed to reinforce infrastructure security, maintaining an awareness of conditions on the BES, and identifying potential and emerging threats to the BES.

The Situation Awareness and Infrastructure Security staff leads and/or participates in various internal Innovation and Continuous Improvements initiatives in support of developing and delivering innovative and risk-based tools to drive effectiveness and efficiencies and promote tactical and strategic, risk-informed decision making.

The Situation Awareness and Infrastructure Security staff collaborates effectively with industry, other stakeholders, and the ERO Enterprise community through participation in committees, workshops, conferences, and external outreach activities.

### 2021 Key Assumptions

The Situation Awareness and Infrastructure Security Program supports the key value drivers and strategic focus areas set forth in the ERO Enterprise Long Term Strategy. It also includes the following regional assumptions:

1. National level security exercises will be conducted to examine industry’s cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and Data Acquisition, and information technology assets. ReliabilityFirst will participate in these exercises as appropriate.
2. In 2017, ReliabilityFirst initiated a project to create a Data Warehouse for information storage and retrieval. Since early 2018, oversight responsibility for the Data Warehouse has been in the Situation Awareness and Infrastructure Security group. The Data Warehouse project is intended to centralize ReliabilityFirst’s data sets and provide business intelligence capabilities for better integration of disparate data sets and add visualization functions to better identify areas of concern or areas needing additional analysis. The Data Warehouse will consolidate information from across the organization into one central repository where it can be accessed to perform analytics and trending of various internal and external data sources to assist in the identification of emerging threats to the BPS, and to guide both tactical and strategic decision making in a risk-informed manner.
3. ReliabilityFirst Situation Awareness and Infrastructure Security staff will continue to support innovative and continuous improvement initiatives to drive efficiencies, effectiveness and risk informed decision making
4. Situation Awareness and Infrastructure Security staff will continue to support external collaboration with industry, other stakeholders, and the ERO Enterprise community.

### **2021 Key Deliverables**

- Provide Information on CIP-Related Issues
  - This activity involves dissemination of information to entities from agencies such as the E-ISAC, the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.
  - Situation Awareness and Infrastructure Security staff will work with members of the E-ISAC and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience and will promote the use of this messaging system for exchange of security-related information.
- Monitor the Health of the BES
  - The use of situation awareness tools by staff has been evolving over the last few years. Situation Awareness and Infrastructure Security staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and uses the SAFNRv3 displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such, uses tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange

(SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to SAFNR Version 3, to monitor the health of the BES within the ReliabilityFirst geographical area. In addition to the tools just mentioned, ReliabilityFirst continues to investigate other tools for monitoring the grid.

- Facilitate the ReliabilityFirst Threats and Vulnerabilities Team
  - In early 2014, ReliabilityFirst created a cross-functional team of subject matter experts to monitor, quantify, and assess new and emerging threats to the BES. For the foreseeable future, the team will continue to mature the tools and techniques used to perform this activity in support of the Reliability and Risk program. The team will continue to enhance its ability to collect and analyze data, leveraging the Analytics program to better identify and quantify emerging threats to the BES and to provide additional input to the ReliabilityFirst Regional Risk Assessment program. Tools used to quantify threats will continue to be assessed for applicability to the work of the Threats and Vulnerabilities Team. In parallel, throughout 2020 the long-term Threats & Vulnerabilities strategy will be assessed and refined in collaboration with ReliabilityFirst Leadership.
- Support the Compliance Monitoring and Enforcement Program
  - Support the activities involving CIP-related issues and events in the Compliance Monitoring and Enforcement program, by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the CIP Standards (CIP-002 - CIP-014).
- Engage in GRIDEX activities on a biennial basis
- Collect, validate, review, and analyze data for system events and disturbances as described in the NERC ERO Event Analysis Process and the ReliabilityFirst Event Analysis Procedure.
  - For system events and disturbances, cooperate with NERC and FERC staff and other Regional staff to ensure root causes, corrective actions, lessons learned, and recommendations are identified and shared across the ERO Enterprise and the industry.
  - Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Lead the development and integration of advanced analytic & business intelligence capabilities for identifying and determining reliability risks; applying analytics framework by which grid reliability and risk can be measured and tracked; using statistical tools and techniques for analysis; performing qualitative and quantitative assessments of data models; and conducting various risk assessments (e.g., Regional Risk Assessments and explorative Probabilistic, Predictive, Emerging Risk Assessments, etc.).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Support and leverage cross-functional collaboration to use Analytics within ReliabilityFirst and across the ERO Enterprise.

- Collaborate with RAPA in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), and the Misoperation Information Data Analysis System (MIDAS).
- Collaborate with Reliability and Risk and Monitoring, Enforcement, and Legal, to explore and develop analytical solutions, where applicable.
- Collaborate with NERC and other Regional Entities on Analytics related initiatives and efforts via the ERO Analytics Community of Excellence (ACE).
- Lead the development and integration of Data Warehousing Governance, Management, and underlying databases.
- Lead further integration and use of Configuration Management within ReliabilityFirst.
- Lead and/or participate in the ongoing development and integration of the Entity Profile, ERO ALIGN tool, Risk Register, Natural Language Processing, Text Analytics, Communities of Practice, others, etc.
- Engage and participate in the Event Analysis Subcommittee and other ERO committees, working groups, task forces, as deemed necessary. Where possible, support industry conferences that address Monitoring and Situational Awareness, Energy Management Systems, Human Performance, Grid Security.
- Provide technical subject matter expertise and support for regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.

## Resource Requirements

- **Personnel**

As discussed above in the 2020 Key Assumptions section, the oversight responsibility for the development and ongoing management of the Data Warehouse has been in the Situation Awareness and Infrastructure Security group since early 2018. In 2019, a FTE position was filled to provide personnel resources for this activity. Furthermore, in 2019 an FTE position was made available to support the Analytics function and recruiting is taking place in 2020 to fill this position. At this time, no additional FTEs are planned. In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff.

- **Contractors and Consultants**

Contractor and consultant support is also budgeted to assist with innovation and continuous improvement initiatives aimed at ReliabilityFirst helping entities achieve excellence in reliability, risk identification, security, and resiliency.

## Situation Awareness and Infrastructure Security Program Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2021 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2020 Budget and Projection, and 2021 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2020 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,723,032	\$ 2,723,032	\$ -	\$ 1,487,126	\$ (1,235,906)
Penalty Sanctions	34,202	34,202	-	351,393	317,191
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,757,234</b>	<b>\$ 2,757,234</b>	<b>\$ -</b>	<b>\$ 1,838,519</b>	<b>\$ (918,715)</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	6,390	3,994	(2,396)	3,870	(2,520)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>2,763,624</b>	<b>2,761,228</b>	<b>(2,396)</b>	<b>1,842,389</b>	<b>(921,235)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,197,457	\$ 904,906	\$ (292,551)	\$ 843,467	\$ (353,990)
Payroll Taxes	75,674	59,292	(16,382)	52,832	(22,842)
Benefits	259,582	159,201	(100,381)	171,141	(88,441)
Retirement Costs	185,073	139,248	(45,825)	133,310	(51,763)
<b>Total Personnel Expenses</b>	<b>\$ 1,717,786</b>	<b>\$ 1,262,647</b>	<b>\$ (455,139)</b>	<b>\$ 1,200,750</b>	<b>\$ (517,036)</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 3,400	\$ 2,198	\$ (1,202)	\$ 1,500	\$ (1,900)
Travel	54,800	21,580	(33,220)	50,000	(4,800)
<b>Total Meeting Expenses</b>	<b>\$ 58,200</b>	<b>\$ 23,778</b>	<b>\$ (34,422)</b>	<b>\$ 51,500</b>	<b>\$ (6,700)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 32,500	\$ 7,500	\$ (25,000)	\$ 10,000	\$ (22,500)
Office Rent	-	-	-	-	-
Office Costs	40,670	40,670	-	31,334	(9,336)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 73,170</b>	<b>\$ 48,170</b>	<b>\$ (25,000)</b>	<b>\$ 41,334</b>	<b>\$ (31,836)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,849,156</b>	<b>\$ 1,334,595</b>	<b>\$ (514,561)</b>	<b>\$ 1,293,584</b>	<b>\$ (555,572)</b>
<b>Indirect Expenses</b>	<b>\$ 865,903</b>	<b>\$ 537,592</b>	<b>\$ (328,311)</b>	<b>\$ 531,971</b>	<b>\$ (333,932)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,715,059</b>	<b>\$ 1,872,187</b>	<b>\$ (842,872)</b>	<b>\$ 1,825,555</b>	<b>\$ (889,504)</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 48,565</b>	<b>\$ 889,041</b>	<b>\$ 840,476</b>	<b>\$ 16,834</b>	<b>\$ (31,731)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	\$ 48,565	\$ 30,351	(18,214)	\$ 16,834	\$ (31,731)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 48,565</b>	<b>\$ 30,351</b>	<b>\$ (18,214)</b>	<b>\$ 16,834</b>	<b>\$ (31,731)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 2,763,624</b>	<b>\$ 1,902,539</b>	<b>\$ (861,085)</b>	<b>\$ 1,842,389</b>	<b>\$ (921,235)</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ 858,689</b>	<b>\$ 858,689</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>8.00</b>	<b>5.00</b>	<b>(3.00)</b>	<b>5.00</b>	<b>(3.00)</b>

## Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2020 Budget	2021 Budget	Increase (Decrease)	2020 Budget	2021 Budget	Increase (Decrease)
General and Administrative	\$ 2,647,602	\$ 2,452,168	\$ (195,434)	3.00	4.00	1.00
Legal and Regulatory	\$ 1,051,930	\$ 978,429	\$ (73,501)	3.00	3.00	0.00
Information Technology	\$ 1,643,308	\$ 1,895,883	\$ 252,575	6.00	7.00	1.00
Human Resources	\$ 1,059,381	\$ 950,263	\$ (109,118)	2.00	3.00	1.00
Finance and Accounting	\$ 753,467	\$ 813,823	\$ 60,356	2.75	2.75	0.00
Total Administrative Services	\$ 7,155,688	\$ 7,090,566	\$ (65,122)	16.75	19.75	3.00

### Program Scope and Functional Description

Administrative Services is comprised of the following programs: General and Administrative, Legal and Regulatory Affairs, Information Technology, Organizational Development and Human Resources, and Finance and Accounting.

### Methodology for Allocation of Administrative Services Expenses to Programs

The majority of the Operating Expenses are accounted for within the related department's budget. If an expense cannot be specifically associated to a department, it is included in one of the Administrative Services programs. All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides improved financial perspective for the direct program areas.

**Administrative Services Budget Detail**

The following table shows funding sources and related expenses for the Administrative Services section of the 2021 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2020 Budget and Projection, and 2021 Budget</b>					
<b>Administrative Services</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2020 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ (1,014,613)	\$ (1,014,613)	\$ -	\$ 2,569,503	\$ 3,584,116
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ (1,014,613)</b>	<b>\$ (1,014,613)</b>	<b>\$ -</b>	<b>\$ 2,569,503</b>	<b>\$ 3,584,116</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>(1,014,613)</b>	<b>(1,014,613)</b>	<b>-</b>	<b>2,569,503</b>	<b>3,584,116</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,378,110	\$ 3,564,025	\$ 185,915	\$ 3,476,844	\$ 98,734
Payroll Taxes	175,373	182,278	6,905	194,118	18,745
Benefits	689,271	577,600	(111,671)	666,141	(23,130)
Retirement Costs	664,103	668,830	4,727	657,868	(6,235)
<b>Total Personnel Expenses</b>	<b>\$ 4,906,857</b>	<b>\$ 4,992,733</b>	<b>\$ 85,876</b>	<b>\$ 4,994,971</b>	<b>\$ 88,114</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 129,540	\$ 69,769	\$ (59,771)	\$ 113,110	\$ (16,430)
Travel	100,000	43,120	(56,880)	60,000	(40,000)
<b>Total Meeting Expenses</b>	<b>\$ 229,540</b>	<b>\$ 112,889</b>	<b>\$ (116,651)</b>	<b>\$ 173,110</b>	<b>\$ (56,430)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 202,275	\$ 119,775	\$ (82,500)	\$ 67,954	\$ (134,321)
Office Rent	539,292	575,312	36,020	628,092	88,800
Office Costs	414,382	392,084	(22,298)	491,619	77,237
Professional Services	442,483	512,001	69,518	481,335	38,852
Miscellaneous	40,859	25,859	(15,000)	35,985	(4,874)
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 1,639,291</b>	<b>\$ 1,625,031</b>	<b>\$ (14,260)</b>	<b>\$ 1,704,985</b>	<b>\$ 65,694</b>
<b>Total Direct Expenses</b>	<b>\$ 6,775,688</b>	<b>\$ 6,730,653</b>	<b>\$ (45,035)</b>	<b>\$ 6,873,066</b>	<b>\$ 97,378</b>
<b>Indirect Expenses</b>	<b>\$ (6,775,688)</b>	<b>\$ (6,730,653)</b>	<b>\$ 45,035</b>	<b>\$ (6,873,066)</b>	<b>\$ (97,378)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ (1,014,613)</b>	<b>\$ (1,014,613)</b>	<b>\$ -</b>	<b>\$ 2,569,503</b>	<b>\$ 3,584,116</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	380,000	380,000	-	217,500	(162,500)
Allocation of Fixed Assets	\$ (380,000)	\$ (380,000)	-	\$ (217,500)	\$ 162,500
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget (= B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ (1,014,613)</b>	<b>\$ (1,014,613)</b>	<b>\$ -</b>	<b>\$ 2,569,503</b>	<b>\$ 3,584,116</b>
<b>FTEs</b>	16.75	16.75	-	19.75	3.00

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## General and Administrative

### Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Chief Security Officer (CSO), and Executive Assistant. Responsibilities include leadership, oversight, and management of all of ReliabilityFirst Corporation's activities, interacting with the Board of Directors and other Regional Entity Management Groups, and managing relationships with governmental agencies, regulators, members, stakeholders, and other industry organizations.

### 2021 Key Assumptions

The General and Administrative Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. This program area also supports the oversight of the security posture, both cyber and physical, of the ReliabilityFirst personnel, assets, and information.

The office of the CSO will continue to support the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC). With the reorganization of NERC's standing committees in 2019 resulting in the disbanding of the NERC CIPC, regional organizations sharing security information have taken on an even more important role in information sharing.

As a result of the security assessment performed by Ernst & Young in fall 2019, ReliabilityFirst continues to enhance its security posture. To effectively achieve this enhancement, ReliabilityFirst follows the following assumptions related to enhancing our security posture:

1. ReliabilityFirst will implement a Data Loss Prevention strategy.
2. ReliabilityFirst will increase its cybersecurity resources
3. ReliabilityFirst will increase its security monitoring capability.

### 2021 Key Deliverables

- Support of the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC)
  - The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the Region. The CSO will support the CIPC through the scheduling and facilitation of CIPC meetings and webinars and the dissemination of messages, alerts, and warnings from NERC, the Electricity Information Sharing and Analysis Center (E-ISAC), and the U.S. Department of Homeland Security (U.S. DHS) to the CIPC as permitted. CSO will also work to encourage and support sharing of information between entities and the E-ISAC.
- Support/Oversee ReliabilityFirst Staff Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-014)
  - ReliabilityFirst is committed to complying with the intent of the NERC Cyber Security Standards. The CSO will provide training, guidance, and oversight to the ReliabilityFirst staff, particularly the Information Technology staff, in achieving compliance to these Standards.

- Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office
  - A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets.
  - A disaster recovery plan deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout.
  - A pandemic plan focuses on business continuity in the face of a declared pandemic.
- Assist stakeholders in complying with CIP Standards
  - As the NERC Cyber Security Standards (CIP-002 - CIP-011), the Physical Security Standard (CIP-014), and the Supply Chain Standard (CIP-013) evolve, entities will continue to monitor and implement revisions to the Standards. The CSO will be available to answer questions concerning these Standards and, in coordination with the ReliabilityFirst CIPC, will sponsor/support regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by entities.
- Implement a Data Loss Prevention strategy
  - In coordination with the Information Technology department, identify and implement the tools needed to provide a data loss prevention capability for sensitive information maintained by ReliabilityFirst.
- Coordinate with the Information Technology department on the monitoring of and alerting on security events occurring on ReliabilityFirst networks and devices.
- Oversee the maintenance of the ReliabilityFirst Business Continuity Plan.
- Coordinate with the ReliabilityFirst President & CEO and the Board of Directors on the maturity of the ReliabilityFirst security program.

## Resource Requirements

- **Personnel**

Referring to recommendations made by NERC resulting from a security assessment performed as part of NERC's oversight of the Regional Entities and to perform the tasks necessary to maintain an enhanced security posture, ReliabilityFirst is adding one CSO position and one additional FTE in the office of the CSO.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

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## Legal and Regulatory Affairs

### Program Scope and Functional Description

The Legal and Regulatory Affairs program is responsible for four key areas: (1) all legal issues germane to the corporation; (2) regulatory affairs (communication and outreach to FERC, NERC, and the States); (3) external affairs (communication and outreach to ReliabilityFirst stakeholders and the public); and (4) corporate governance of the ReliabilityFirst Board of Directors and its committees.

First, the department is responsible for all legal issues germane to the corporation. This includes ensuring legal and regulatory compliance with all applicable laws, orders, rules, and regulations; serving as advisor to the President and CEO and the Board of Directors; providing legal support to all other departments of the corporation; and drafting, reviewing, and maintaining the corporation's contracts, policies and procedures, and governance documents.

Second, the department is responsible for ReliabilityFirst's regulatory affairs. This includes communication and outreach to FERC, NERC, and the States on issues relating to ReliabilityFirst and/or the performance of its delegated functions; advising senior executives on strategic and tactical initiatives in light of the regulatory landscape; and advancing ReliabilityFirst's mission and strategic initiatives in a clear and articulate manner. This function also includes supporting internal and external audits of the corporation and overseeing all regulatory filings and interactions.

Third, the department plays a key role in ReliabilityFirst's external affairs. This includes legal review of communication and outreach to ReliabilityFirst's stakeholders, the general public, and media.

Finally, the department is responsible for the corporate governance of the ReliabilityFirst Board of Directors and its Committees. This includes the completion of all activities associated with the Corporate Secretary function (the General Counsel serves as the corporation's Corporate Secretary), such as preparing Board materials and minutes, facilitating and conducting Board training, and ensuring that Director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the ReliabilityFirst Bylaws and other relevant governing documents.

### 2021 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. There are no additional assumptions or deliverables unique to the Legal and Regulatory Affairs Program.

### 2021 Key Deliverables

- Support all legal and regulatory needs of the corporation.
- Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.

- Provide legal support to make all necessary regulatory filings with FERC, NERC, and any other applicable regulatory body or agency, as well as support NERC in its efforts to do the same.
- Support internal and external audits of the corporation.
- Draft, review, and maintain the corporation’s contracts, policies and procedures, and governance documents.
- Lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
- Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization.

**Resource Requirements**

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No Contractor and consultant support is budgeted in this year.

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## Information Technology

### Program Scope and Functional Description

The Information Technology (IT) department provides users with cost-effective information technology tools and proactively delivers enabling technologies to assist the departments in meeting their goals, objectives, and deliverables. The IT department minimizes the outsourcing of any critical infrastructure services and as such must implement and manage controls to maintain a robust security posture that minimizes ReliabilityFirst's risks. The department provides the necessary technical services in the following categories to ensure efficient and effective performance of all corporate functions:

- Infrastructure Maintenance (Data Center Management - Local/Remote)
- Hosting of Public and Multiple Secure Portal Websites
- Voice, Web, and Video Conferencing
- Vulnerability Management
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management
- Email Management
- Help Desk Support
- Telecommuter Support
- Application Support and Development
- Data Warehousing Management
- Database Administration
- Business Analysis
- Information Security Protection and Monitoring
- Business Continuity and Disaster Recovery

ReliabilityFirst supports the ERO Enterprise's efforts to implement, operate, and maintain software tools supporting common enterprise-wide IT operations. ReliabilityFirst is committed to working collaboratively with NERC and the other Regions to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

NERC's business plan and budget will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise wide applications. Funding for these applications will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. If implementation of these applications are delayed or otherwise not available as planned, ReliabilityFirst could incur additional costs to conduct operations pending the availability of these applications. ReliabilityFirst assumes agreed upon ERO Enterprise applications will be available and has only included appropriate funding for

applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

The implementation of an offsite Data Management Center will be in its eighth year of operation. Operational experience to date has been excellent and believed to be very effective in IT resource utilization. Performance to date has provided savings in the operation of equipment, while affording the organization many benefits in security, utilities, and back-up capability.

### **2021 Key Assumptions**

The IT Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. This includes the support for building and implementing centralized enterprise applications for the ERO. The IT Program includes the following regional assumptions:

1. Maintain a high-level security posture across the company-wide data infrastructure and remediate any vulnerability to protect sensitive data.
2. Maintain lower fixed asset costs (infrastructure servers) by continuing operations of virtualization technologies, therefore minimizing replacement costs.
3. Maintain a stringent level of control of the Access Management Process that governs physical and electronic access to resources that contain sensitive corporate data.
4. Departmental processes and efficiencies must be continuously improved, including training exercises for implemented technologies in order to maintain proficiency.
5. Maintain a multi-layered security protection and monitoring environment governed by established controls, processes, and security awareness activities.

### **2021 Key Deliverables**

- Continue assessment of system(s) and/or services that could potentially be outsourced or moved into a secure cloud hosted environment. ERO Enterprise is under the realization that this is a prospect that must be consider for projected collaboration solutions across the ERO.
- Perform necessary software and hardware upgrades including, but not limited to, the upgrade of various workstation and server applications, targeted server operating systems, and infrastructure equipment that has reached its end-of-life.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Continue enhancements of the internal and external website and related applications to further improve employee efficiency and customer experience.
- Continue supporting Data Warehousing and Analytics efforts that will support improved risk analysis and decision making for customers.

- Continue the advancement of data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats. ERO Enterprise efforts to implement Data Loss Prevention will continue and be advanced with ReliabilityFirst environment.
- Continue refinement of security awareness program by providing training documents, questionnaires, simulated exercises, assessment campaigns, and/or seminars on existing workplace vulnerabilities.
- Continue participation in E-ISAC CHIRP (Cyber Hygiene and Internet Risk Program) and CRISP (Cybersecurity Risk Information Sharing Program) initiatives to obtain additional external vulnerability assessment and threat information.
- Continue supporting ERO initiatives of developing, testing, and deploying ERO Enterprise solutions. Continue to look for opportunities to implement the common processes and/or solutions across the ERO Enterprise to achieve shared cost savings and efficiencies.

### **Resource Requirements**

- **Personnel**

An increase in one FTE personnel is budgeted for 2021. This increase is anticipated to be needed with the planned intensification of security efforts.

- **Contractors and Consultants**

Contractors and consultant support is budgeted for 2021 as needed for network maintenance projects, security simulation activities, enhancing data management systems, and development support of external-facing solutions for reliability and resiliency initiatives.

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## Organization Development & Human Resources

### Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest assets, and that finding, nurturing, developing, and retaining that talent is one of its most important tasks. The Organizational Development & Human Resources (ODHR) program centers on ReliabilityFirst's greatest resources, the staff and the organization's culture. The ODHR department is responsible for the attraction and retention of employees, employee engagement and inclusion, employee development through performance management and individual, departmental and organizational training, corporate policy and procedure development and adherence measures, as well as compensation and benefits administration. The department is also responsible for strategic alignment of the organization's mission, values, strategic plan and organizational design, organizational analysis and succession planning, coaching and leadership development, and driving change management practices for improving organizational performance. The ODHR department oversees the organization's innovation project prioritization ("project framework"), corporate goals, corporate strategic plan and enterprise risk management program. The ODHR staff must be vigilant in understanding and complying with federal and state employment laws covering seven states and the respective reporting requirements for each.

ReliabilityFirst will increase its staff to 85 individuals, equivalent to 84.35 FTEs. This includes two part-time positions equaling one (1.15) FTE. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

### 2021 Key Assumptions

The Organizational Development & Human Resources Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

There are no additional assumptions unique to the ReliabilityFirst Organizational Development & Human Resources Program.

### 2021 Key Deliverables

- Recruit and retain highly skilled and excellent employees.
- Implement recruiting strategies to identify diverse candidates and foster a culture of inclusion.
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide staff training and education:
  - Train and educate staff on relevant technical topics, including emerging issues and technologies (e.g., virtualization, smart grid technologies).
  - Train and educate staff on the existing and new competencies required to perform their roles and responsibilities (e.g., identify and assess risks, perform internal controls assessments and evaluations).
  - Leverage competency models to more accurately identify training needs and update individual development plans.

- Explore, develop, and provide training on tools to further enhance staff efficiency and effectiveness.
- Review and manage employee benefits.
- Review succession plans.
- Apply organization development principles, methods and tools to formulate customized business solutions and frameworks which enhance organizational effectiveness.
- Provide continuous improvement in organizational design and alignment to corporate vision and strategic plan.
- Lead the development, communication and tracking of corporate goals and strategic plan.
- Cultivate a culture of innovation, collaboration and high performance
- Drive employee engagement and inclusion

## **Resource Requirements**

### **Personnel**

An increase in one FTE for the Front Desk is budgeted for 2021.

### **Contractors and Consultants**

Contractors and consultant support is budgeted in 2021 for third party recruiting, and consulting services for skills software.

## Finance and Accounting

### Program Scope and Functional Description

The Finance and Accounting department is responsible for linking the strategy of ReliabilityFirst and its major departments to their annual operating budgets, managing accounting practices to ensure the accuracy of reported results, making meaningful financial information available to decision makers, and participating in various risk initiatives. The Finance and Accounting department is responsible for directing the complete cycle of the financial management activities of ReliabilityFirst and other initiatives, including:

- Processing the day to day activities such as travel and expense reporting, monthly financial reporting, accounts payables and receivables, and cash flow management;
- Leading the creation of the annual business plan and budget that adequately supports its delegated functions;
- Establishing and maintaining accounting policies, procedures, and internal controls, including anti-fraud initiatives, to guide the preparation of ReliabilityFirst's internal and external financial statements in accordance with Generally Accepted Accounting Principles;
- Overseeing the annual external audit of ReliabilityFirst's financials and all required filings;
- Supporting the ERO's funding/collection mechanism, annually collect and supply the ERO with a list of LSEs within the ReliabilityFirst footprint and their associated Net Energy for Load (NEL) data as mandated by FERC;
- Working with the ERO to develop common accounting practices throughout NERC and the Regions;
- Managing the retirement and corporate investment activities;
- Developing and implementing the necessary internal audit function;
- Supporting ReliabilityFirst in risk assessment activities from a financial perspective;
- Supporting the Enterprise Risk Management function; and
- Performing the Corporate Treasury function.

### 2021 Key Assumptions

The Finance and Accounting Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

There are no additional assumptions unique to the Finance and Accounting Program.

### 2021 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.

- Provide all ReliabilityFirst program areas, the Board of Directors, the ERO, and stakeholders with financial clarity and understanding of ReliabilityFirst's financial position.
- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, payroll, tax, audit activities, and financial and accounting internal controls and standards.
- Prepare and provide NERC the annual Regional Entity true-up filing, and the quarterly statements of activity.
- In an effort to continuously improve the entire accounting and budgeting process, implement actions to monitor operating expenses at a more granular level with the management staff.
- Provide advice from the financial perspective on contracts into which the organization may enter.
- Support risk assessment activities.
- Perform financial related internal control reviews and internal audit reviews.

**Resource Requirements**

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contracts or consultants are budgeted in this year.

## **Section B: Supplemental Financial Information**

**Table B-1: Working Capital and Operating Reserve Analysis**

Working Capital and Operating Reserve Analysis 2020-2021			
STATUTORY			
	Total	Working Capital and Working Capital Reserve	Operating Reserve
<b>Beginning Reserve Balances, January 1, 2020</b>	4,191,175	3,191,175	1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2020	267,627	267,627	
Plus: 2020 ReliabilityFirst Funding (from LSEs or designees)	22,318,623	22,318,623	
Plus: 2020 Other funding sources	50,000	50,000	
Less: 2020 Projected expenses & capital expenditures	(23,650,862)	(23,650,862)	
Covid 19 Refund	800,500	800,500	
Other Adjustments to Reserves <sup>1</sup>	(158,074)	(158,074)	
<b>Projected Working Capital and Operating Reserves, December 31, 2020</b>	<b>3,818,989</b>	<b>2,818,989</b>	<b>1,000,000</b>
Targeted Working Capital and Operating Reserves, December 31, 2021 <sup>3</sup>	6,230,418	5,230,418	1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2020	(3,818,989)	(2,818,989)	(1,000,000)
<b>Total Adjustments to Reserves</b>	<b>2,411,429</b>	<b>2,411,429</b>	<b>0</b>
2021 Expenses and Capital Expenditures	24,785,492		
Less: Penalty Sanctions <sup>2</sup>	(4,540,000)		
Less: Other Funding Sources	(50,000)		
Adjustment to Achieve Reserve Balances	2,411,429		
Other Adjustments to Reserve <sup>1</sup>	158,074		
<b>2021 ReliabilityFirst Assessment</b>	<b>22,764,995</b>		

<sup>1</sup> Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

<sup>2</sup> Represents penalty sanctions collected from July 1, 2019 to June 30, 2020.

<sup>3</sup> The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on April 28, 2020.

## Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow needs for daily operations. In an effort to manage assessments more effectively over a three to five year period, the working capital reserve was initially increased in amount such that additional funds were available to achieve stabilization of future assessments. For 2021, \$2M of the working capital reserve is being utilized to offset the assessment and minimize the variance from the 2021 assessment. The Targeted Working Capital balance of \$5M will be used to stabilize assessments in future years.

## Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On April 28, 2020, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy, is the same amount budgeted in the 2020 Business Plan and Budget, and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

**Table B-2: Penalty Sanctions Received**

Penalty Sanctions Received Between July 1, 2019 and June 30, 2020	
Dates Received	Amount Received
10/15/2019	4,150,000
Collected July 1, 2019 to December 31, 2019	<u>4,150,000</u>
2/14/2020	115,000
3/26/2020	50,000
6/3/2020	225,000
Collected January 1, 2020 to June 30, 2020	<u>390,000</u>
<b>Total</b>	<b><u>4,540,000</u></b>

#### Allocation Method

Penalty monies received have been allocated based upon the number of FTEs to the following direct programs to reduce assessments:

- Reliability and Risk;
- Compliance Monitoring and Enforcement;
- Reliability Assessments and Performance Analysis;
- Training, Education and Operator Certification; and
- Situation Awareness and Infrastructure Security

**Table B-3: Supplemental Funding**

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget
Interest Income	\$ 50,000	\$ 50,000	\$ 50,000	-
<b>Total Outside Funding</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- No significant variances requiring explanation.

**Table B-4: Personnel Expenses**

Personnel Expenses	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 14,124,298	\$ 14,589,413	\$ 15,312,641	\$ 1,188,343	8.4%
Vacation Expense	65,310	-	59,688	(5,622)	-8.6%
<b>Total Salaries</b>	<b>\$ 14,189,608</b>	<b>\$ 14,589,413</b>	<b>\$ 15,372,329</b>	<b>\$ 1,182,721</b>	<b>8.3%</b>
<b>Total Payroll Taxes</b>	<b>\$ 846,791</b>	<b>\$ 883,845</b>	<b>\$ 934,645</b>	<b>\$ 87,854</b>	<b>10.4%</b>
<b>Benefits</b>					
Workers Compensation	\$ 17,000	\$ 17,000	\$ 14,000	\$ (3,000)	-17.6%
Medical Insurance	1,830,418	1,654,397	1,865,755	35,337	1.9%
Life-LTD Insurance	123,038	130,934	132,925	9,887	8.0%
Training & Education	508,146	258,197	339,250	(168,896)	-33.2%
Relocation	15,000	-	-	(15,000)	-100.0%
<b>Total Benefits</b>	<b>\$ 2,493,602</b>	<b>\$ 2,060,528</b>	<b>\$ 2,351,930</b>	<b>\$ (141,672)</b>	<b>-5.7%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 1,368,591	\$ 1,348,868	\$ 1,489,744	\$ 121,153	8.9%
Savings Plan	821,154	814,456	873,543	52,389	6.4%
Pension & Savings Admin	149,008	149,010	130,500	(18,508)	-12.4%
<b>Total Retirement</b>	<b>\$ 2,338,753</b>	<b>\$ 2,312,334</b>	<b>\$ 2,493,787</b>	<b>\$ 155,034</b>	<b>6.6%</b>
<b>Total Personnel Costs</b>	<b>\$ 19,868,754</b>	<b>\$ 19,846,120</b>	<b>\$ 21,152,691</b>	<b>\$ 1,283,937</b>	<b>6.5%</b>
<b>FTEs</b>	79.35	79.35	84.35	5.00	6.3%
<b>Cost per FTE</b>					
Salaries	\$ 178,823	\$ 183,862	\$ 182,245	3,422	1.9%
Payroll Taxes	10,672	11,139	11,081	409	3.8%
Benefits	31,425	25,968	27,883	(3,542)	-11.3%
Retirement	29,474	29,141	29,565	91	0.3%
<b>Total Cost per FTE</b>	<b>\$ 250,394</b>	<b>\$ 250,109</b>	<b>\$ 250,773</b>	<b>\$ 379</b>	<b>0.2%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- The overall increase in **Personnel Expenses** is mainly due to the addition of 5 new FTEs, a 3% general wage increase, and promotions. Additionally, costs have been included to fund the plans to overlap key personnel who have indicated they are near retirement, to avoid delays in recruitment and training of talent.
- The decrease in **Training and Education** is due to reducing training amounts to align more with historical levels.
- The decrease in **Relocation** is due to the decision to fund relocation costs with available funds resulting from vacant positions.
- The decrease in **Pension & Savings Admin** is due to the decrease in administrative costs relating to the management of the company's retirement plans as they are anticipated to decrease in value.

**Table B-5: Meeting Expenses**

Meeting Expenses	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Reliability and Risk	194,195	78,927	161,600	(32,595)	-16.8%
Compliance Monitoring and Enforcement	258,624	69,531	235,825	(22,799)	-8.8%
Reliability Assessment and Performance Analysis	113,500	35,318	103,000	(10,500)	-9.3%
Training and Education	221,000	115,710	255,600	34,600	15.7%
Situation Awareness and Infrastructure Security	58,200	23,778	51,500	(6,700)	-11.5%
Administrative Services	229,540	112,889	173,110	(56,430)	-24.6%
<b>Total Meeting Expenses</b>	<b>\$ 1,075,059</b>	<b>\$ 436,153</b>	<b>\$ 980,635</b>	<b>\$ (94,424)</b>	<b>-8.8%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- The decrease in **Reliability and Risk** is a result of considering historical averages along with future travel expectations and assumptions.
- The increase in **Training and Education** is due to the increased costs associated with the Reliability and CIP Workshops, technical workshops, and other activities aimed at helping entities achieve excellence in reliability, security and resiliency.
- The decrease in **Administrative Services** is due to hosting all Board of Directors meetings at the corporate office and conducting one board meeting via conference call.

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

Consultants & Contracts	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Reliability and Risk	30,000	4,000	10,000	(20,000)	-66.7%
Compliance Monitoring and Enforcement	60,000	30,000	70,000	10,000	16.7%
Reliability Assessment and Performance Analysis	126,340	89,340	116,624	(9,716)	-7.7%
Training and Education	30,000	25,000	50,000	20,000	66.7%
Situation Awareness and Infrastructure Security	32,500	7,500	10,000	(22,500)	-69.2%
Administrative Services	202,275	119,775	67,954	(134,321)	-66.4%
<b>Consultants &amp; Contracts Total</b>	<b>\$ 481,115</b>	<b>\$ 275,615</b>	<b>\$ 324,578</b>	<b>\$ (156,537)</b>	<b>-32.5%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- The decrease in **Reliability and Risk** is due to the removal of funds used to support the risk assessment and mitigation activities, as a result of having adequate resources in house.
- The increase in **Compliance Monitoring and Enforcement** is due to the need to temporarily supplement staff in the event workload exceeds available resources.
- The increase in **Training and Education** is due to the continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency
- The decrease in **Situational Awareness and Infrastructure Security** is due to the decrease in the need of contractors to supplement workload.
- The decrease in **Administrative Services** is due to the reduction in outside support needed to perform upgrades to the internal and external websites.

**Table B-7: Office Rent**

Office Rent	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Office Rent	\$ 437,532	\$ 437,532	\$ 512,532	\$ 75,000	17.1%
Data Center Rent	70,560	70,560	70,560	-	0.0%
Utilities	31,200	67,220	45,000	13,800	44.2%
	-	-	-	-	-
<b>Total Office Rent</b>	<b>\$ 539,292</b>	<b>\$ 575,312</b>	<b>\$ 628,092</b>	<b>\$ 88,800</b>	<b>16.5%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- The increase in **Office Rent** is due to the planned procurement of additional office space to address existing and future staffing needs, and provide the opportunity to host additional and larger meetings on-site. The increase in **Utilities** is due to higher monthly electric and operating expense charges.

**Table B-8: Office Costs**

Office Costs	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Telephone	\$ 76,272	\$ 76,272	\$ 95,664	\$ 19,392	25.4%
Internet	42,072	27,477	43,572	1,500	3.6%
Office Supplies	23,530	23,530	19,340	(4,190)	-17.8%
Computer Supplies and Maintenance	624,005	616,302	733,403	109,398	17.5%
Publications & Subscriptions	15,180	15,180	26,384	11,204	73.8%
Dues	17,561	17,561	25,083	7,522	42.8%
Postage	1,400	1,400	1,300	(100)	-7.1%
Express Shipping	300	300	300	-	0.0%
Copying	3,000	3,000	3,000	-	0.0%
Reports	-	-	-	-	-
Stationary Forms	400	400	400	-	0.0%
Equipment Repair/Service Contracts	6,080	6,080	8,330	2,250	37.0%
Merchant Card Fees	600	600	-	(600)	-100.0%
<b>Total Office Costs</b>	<b>\$ 810,400</b>	<b>\$ 788,102</b>	<b>\$ 956,776</b>	<b>\$ 146,376</b>	<b>18.1%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- The increase in **Telephone** is due to the increase in number of corporate devices and monthly data plans.
- The increase in **Computer Supplies and Maintenance** is due to the purchase of new products, along with the increase in renewal costs for existing service and maintenance contracts.

**Table B-9: Professional Services**

Professional Services	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Independent Trustee Fees	\$ 262,950	\$ 339,932	\$ 314,750	\$ 51,800	19.7%
Accounting & Auditing Fees	64,210	64,210	65,385	1,175	1.8%
Outside Legal	15,000	7,541	10,000	(5,000)	-33.3%
Insurance Commercial	100,323	100,323	91,200	(9,123)	-9.1%
<b>Total Services</b>	<b>\$ 442,483</b>	<b>\$ 512,001</b>	<b>\$ 481,335</b>	<b>\$ 38,852</b>	<b>8.8%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- The increase in **Independent Trustee Fees** is due to the increase in the annual retainer fees and the additional participation of the Directors on existing committees

**Table B-10: Miscellaneous**

Miscellaneous Expense	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Miscellaneous	\$ 43,759	\$ 27,059	\$ 43,885	\$ 126	0.3%
<b>Total Miscellaneous Expense</b>	<b>\$ 43,759</b>	<b>\$ 27,059</b>	<b>\$ 43,885</b>	<b>\$ 126</b>	<b>0.3%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- No significant variances requiring explanation.

**Table B-11: Non-Operating Expenses**

Other Non-Operating Expenses	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- No significant variances requiring explanation.

**Table B-12: Fixed Assets**

Fixed Assets	Budget 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget	Variance %
Computer Hardware	\$ 75,000	\$ 75,000	\$ 175,000	\$ 100,000	133.3%
Computer Software	65,000	65,000	42,500	(22,500)	-34.6%
Furniture & Fixtures	14,000	14,000	0	(14,000)	-100.0%
Leasehold Improvements	236,000	236,000	0	(236,000)	-100.0%
<b>Total Fixed Assets</b>	<b>\$ 390,000</b>	<b>\$ 390,000</b>	<b>\$ 217,500</b>	<b>\$ (172,500)</b>	<b>-44.2%</b>

**Explanation of Significant Variances – 2020 Budget versus 2021 Budget**

- The changes in **Computer Hardware and Software** are due to the changes in projects planned in 2020 compared to 2021.
- The decreases in **Furniture and Fixtures and Leasehold Improvements** are due to the office modifications needed to address the current and future growth of the organization included in the 2020 budget.

Table B-13: 2022 and 2023 Projections

Statement of Activities 2022 and 2023 Projections							
	2021 Budget	2022 Projection	\$ Change 21 v 22	% Change 21 v 22	2023 Projection	\$ Change 22 v 23	% Change 22 v 23
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 22,764,995	\$ 23,447,945	\$ 682,950	3.0%	\$ 24,385,863	\$ 937,918	4.0%
Penalty Sanctions	4,540,000	300,000	-4,240,000	-93%	300,000	-	0.0%
<b>Total ERO Funding</b>	<b>\$ 27,304,995</b>	<b>\$ 23,747,945</b>	<b>\$ (3,557,050)</b>	<b>-13.0%</b>	<b>\$ 24,685,863</b>	<b>-</b>	<b>-</b>
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Interest and Investment Income	50,000	50,000	-	0.0%	50,000	-	0.0%
Miscellaneous Income	-	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 27,354,995</b>	<b>\$ 23,797,945</b>	<b>\$ (3,557,050)</b>	<b>-13.0%</b>	<b>\$ 24,735,863</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 15,372,329	\$ 15,762,427	\$ 390,098	2.5%	\$ 16,262,795	\$ 500,368	3.2%
Payroll Taxes	934,645	940,527	5,882	0.6%	955,205	14,678	1.6%
Benefits	2,351,930	2,613,135	261,205	11.1%	2,850,229	237,094	9.1%
Retirement Costs	2,493,787	2,550,962	57,175	2.3%	2,615,552	64,590	2.5%
<b>Total Personnel Expenses</b>	<b>\$ 21,152,691</b>	<b>\$ 21,867,051</b>	<b>\$ 714,360</b>	<b>3.4%</b>	<b>\$ 22,683,781</b>	<b>\$ 816,730</b>	<b>3.7%</b>
<b>Meeting Expenses</b>							
Meetings & Conference Calls	\$ 379,635	\$ 389,126	\$ 9,491	2.5%	\$ 398,854	\$ 9,728	2.5%
Travel	601,000	619,030	18,030	3.0%	637,601	18,571	3.0%
<b>Total Meeting Expenses</b>	<b>\$ 980,635</b>	<b>\$ 1,008,156</b>	<b>\$ 27,521</b>	<b>2.8%</b>	<b>\$ 1,036,455</b>	<b>\$ 28,299</b>	<b>2.8%</b>
<b>Operating Expenses, excluding Depreciation</b>							
Consultants & Contracts	\$ 324,578	\$ 387,824	\$ 63,246	19.5%	\$ 451,702	\$ 63,878	16.5%
Office Rent	628,092	634,373	6,281	1.0%	640,717	6,344	1.0%
Office Costs	956,776	1,039,615	82,839	8.7%	1,091,596	51,981	5.0%
Professional Services	481,335	486,148	4,813	1.0%	491,010	4,861	1.0%
Miscellaneous	43,885	44,324	439	1.0%	44,767	443	1.0%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>2,434,666</b>	<b>2,592,284</b>	<b>157,618</b>	<b>6.5%</b>	<b>2,719,791</b>	<b>127,507</b>	<b>4.9%</b>
<b>Total Direct Expenses</b>	<b>\$ 24,567,992</b>	<b>\$ 25,467,490</b>	<b>\$ 899,498</b>	<b>3.7%</b>	<b>\$ 26,440,027</b>	<b>\$ 972,537</b>	<b>3.8%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 24,567,992</b>	<b>\$ 25,467,490</b>	<b>\$ 899,498</b>	<b>3.7%</b>	<b>\$ 26,440,027</b>	<b>\$ 972,537</b>	<b>3.8%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 2,787,003</b>	<b>\$ (1,669,545)</b>	<b>\$ (4,456,548)</b>	<b>-159.9%</b>	<b>\$ (1,704,164)</b>	<b>\$ (972,537)</b>	<b>58.3%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	217,500	217,500	\$ -	0.0%	\$ 217,500	\$ -	0.0%
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 217,500</b>	<b>\$ 217,500</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 217,500</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 24,785,492</b>	<b>\$ 25,684,990</b>	<b>\$ 899,498</b>	<b>3.6%</b>	<b>\$ 26,657,527</b>	<b>\$ 972,537</b>	<b>3.8%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ 2,569,503</b>	<b>\$ (1,887,045)</b>	<b>\$ (4,456,548)</b>	<b>-173.4%</b>	<b>\$ (1,921,664)</b>	<b>\$ (972,537)</b>	<b>51.5%</b>
<b>FTEs</b>	84.35	84.35	-	0.0%	84.35	-	0.0%

## Explanation of 2022 and 2023 Budget Projections

The following is a breakdown of the projected budget ranges for 2022.

### **2022 Lower Range: 3.6%**

- Personnel Expense: 3.4%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 12%/8%
- Meeting Expense: 2.5%
- Travel Expense: 3.0%
- Operating Expense: 6.5%
  - CMEP Data Migration: \$35,000
  - Penetration Testing: \$60,000
  - Capability Management Software used for building models and measuring maturity for various business processes: \$75,000

### **2022 Higher Range to Address At-Risk Initiatives: 6.9%**

- Personnel Expense: 7.2%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 12%/8%
  - Hire 5 additional FTEs
- Meeting Expense: 2.5%
- Travel Expense: 3.0%
- Operating Expense: 6.5%
  - CMEP Data Migration: \$35,000
  - Penetration Testing: \$60,000
  - Capability Management Software used for building models and measuring maturity for various business processes: \$75,000

Notes:

1. 2022 projections are based on the 2021 budget.

The following is a breakdown of the projected budget ranges for 2023.

**2023 Lower Range: 3.8%**

- Personnel Expense: 3.7%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 12%/8%
- Meeting Expense: 2.5%
- Travel Expense: 3.0%
- Operating Expense: 4.9%
  - Program Improvements

**2023 Higher Range to Address At-Risk Initiatives: 9.1%**

- Personnel Expense: 9.9%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 12%/8%
  - Includes the 5 FTEs from the 2022 projection
  - Hire 3 additional FTEs
- Meeting Expense: 2.5%
- Travel Expense: 3.0%
- Operating Expense: 4.9%
  - Program Improvements

Notes:

1. 2023 projections are based on the 2022 lower range.

## **Section C: Non-Statutory Activities**

ReliabilityFirst performed only those functions delegated to it by the ERO in 2020 and the organization does not intend to perform any functions outside its ERO delegated activities in 2021, therefore Section C is not applicable.

**Section D: Additional Consolidated Financial  
Statements**

## 2021 Consolidated Statement of Activities by Program

	Functions in Delegation Agreement														
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance	Compliance Monitoring and Enforcement	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
<b>Funding</b>															
<b>ReliabilityFirst Funding</b>															
ReliabilityFirst Assessments	22,764,995	22,764,995	-	22,764,995	-	6,236,500	8,588,749	2,498,906	1,384,211	1,487,126	2,569,503	-	-	-	-
Penalty Sanctions	4,540,000	4,540,000	-	4,540,000	-	1,405,573	2,108,359	463,839	210,836	351,393	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>27,304,995</b>	<b>27,304,995</b>	<b>-</b>	<b>27,304,995</b>	<b>-</b>	<b>7,642,073</b>	<b>10,697,108</b>	<b>2,962,745</b>	<b>1,595,047</b>	<b>1,838,519</b>	<b>2,569,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Investment Income	50,000	50,000	-	50,000	-	15,480	23,220	5,108	2,322	3,870	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>27,354,995</b>	<b>27,354,995</b>	<b>-</b>	<b>27,354,995</b>	<b>-</b>	<b>7,657,553</b>	<b>10,720,328</b>	<b>2,967,853</b>	<b>1,597,369</b>	<b>1,842,389</b>	<b>2,569,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	15,372,329	15,372,329	-	15,372,329	-	3,721,390	5,128,355	1,495,220	707,053	843,467	1,135,272	677,773	835,627	470,422	357,750
Payroll Taxes	934,645	934,645	-	934,645	-	229,341	330,787	90,895	36,672	52,832	43,704	35,353	60,553	27,768	26,740
Benefits	2,351,930	2,351,930	-	2,351,930	-	489,951	773,137	162,238	89,322	171,141	103,104	102,818	167,946	237,331	54,942
Retirement Costs	2,493,787	2,493,787	-	2,493,787	-	572,344	789,805	228,591	111,869	133,310	159,241	107,227	130,877	73,647	186,876
<b>Total Personnel Expenses</b>	<b>21,152,691</b>	<b>21,152,691</b>	<b>-</b>	<b>21,152,691</b>	<b>-</b>	<b>5,013,026</b>	<b>7,022,084</b>	<b>1,976,944</b>	<b>944,916</b>	<b>1,200,750</b>	<b>1,441,321</b>	<b>923,171</b>	<b>1,195,003</b>	<b>809,168</b>	<b>626,308</b>
<b>Meeting Expenses</b>															
Meetings & Conference Calls	379,635	379,635	-	379,635	-	9,600	9,825	8,000	237,600	1,500	32,000	1,000	23,160	56,600	350
Travel	601,000	601,000	-	601,000	-	152,000	226,000	95,000	18,000	50,000	20,000	15,000	11,000	8,000	6,000
<b>Total Meeting Expenses</b>	<b>980,635</b>	<b>980,635</b>	<b>-</b>	<b>980,635</b>	<b>-</b>	<b>161,600</b>	<b>235,825</b>	<b>103,000</b>	<b>255,600</b>	<b>51,500</b>	<b>52,000</b>	<b>16,000</b>	<b>34,160</b>	<b>64,600</b>	<b>6,350</b>
<b>Operating Expenses</b>															
Consultants & Contracts	324,578	324,578	-	324,578	-	10,000	70,000	116,624	50,000	10,000	-	3,500	45,204	19,250	-
Office Rent	628,092	628,092	-	628,092	-	-	-	-	-	-	557,532	-	70,560	-	-
Office Costs	956,776	956,776	-	956,776	-	277,705	92,186	46,862	17,070	31,334	72,240	25,758	330,296	16,685	46,640
Professional Services	481,335	481,335	-	481,335	-	-	-	-	-	-	314,750	10,000	-	22,060	134,525
Miscellaneous	43,885	43,885	-	43,885	-	7,400	-	-	500	-	14,325	-	3,160	18,500	-
<b>Total Operating Expenses</b>	<b>2,434,666</b>	<b>2,434,666</b>	<b>-</b>	<b>2,434,666</b>	<b>-</b>	<b>287,705</b>	<b>169,586</b>	<b>163,486</b>	<b>67,570</b>	<b>41,334</b>	<b>958,847</b>	<b>39,258</b>	<b>449,220</b>	<b>76,495</b>	<b>181,165</b>
<b>Total Direct Expenses</b>	<b>24,567,992</b>	<b>24,567,992</b>	<b>-</b>	<b>24,567,992</b>	<b>-</b>	<b>5,462,331</b>	<b>7,427,495</b>	<b>2,243,430</b>	<b>1,268,086</b>	<b>1,293,584</b>	<b>2,452,168</b>	<b>978,429</b>	<b>1,678,383</b>	<b>950,263</b>	<b>813,823</b>
<b>Indirect Expenses</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>2,127,884</b>	<b>3,191,826</b>	<b>702,202</b>	<b>319,183</b>	<b>531,971</b>	<b>(2,452,168)</b>	<b>(978,429)</b>	<b>(1,678,383)</b>	<b>(950,263)</b>	<b>(813,823)</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>24,567,992</b>	<b>24,567,992</b>	<b>-</b>	<b>24,567,992</b>	<b>-</b>	<b>7,590,215</b>	<b>10,619,321</b>	<b>2,945,632</b>	<b>1,587,269</b>	<b>1,825,555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>2,787,003</b>	<b>2,787,003</b>	<b>-</b>	<b>2,787,003</b>	<b>-</b>	<b>67,337</b>	<b>101,006</b>	<b>22,221</b>	<b>10,101</b>	<b>16,834</b>	<b>2,569,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>															
Computer & Software CapEx	217,500	217,500	-	217,500	-	-	-	-	-	-	-	-	217,500	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>217,500</b>	<b>217,500</b>	<b>-</b>	<b>217,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,500</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	0	0	-	0	-	67,337	101,006	22,221	10,101	16,834	-	-	(217,500)	-	-
<b>Inc/(Dec) Fixed Assets</b>	<b>217,500</b>	<b>217,500</b>	<b>-</b>	<b>217,500</b>	<b>-</b>	<b>67,337</b>	<b>101,006</b>	<b>22,221</b>	<b>10,101</b>	<b>16,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Budget</b>	<b>24,785,492</b>	<b>24,785,492</b>	<b>-</b>	<b>24,785,492</b>	<b>-</b>	<b>7,657,553</b>	<b>10,720,328</b>	<b>2,967,853</b>	<b>1,597,369</b>	<b>1,842,389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Working Capital</b>	<b>2,569,503</b>	<b>2,569,503</b>	<b>-</b>	<b>2,569,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,569,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>84.35</b>	<b>84.35</b>	<b>-</b>	<b>84.35</b>	<b>-</b>	<b>20.00</b>	<b>30.00</b>	<b>6.60</b>	<b>3.00</b>	<b>5.00</b>	<b>4.00</b>	<b>3.00</b>	<b>7.00</b>	<b>3.00</b>	<b>2.75</b>

## Statement of Financial Position

### 2019 Statement of Financial Position

#### STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-19
<b>ASSETS</b>	
Current Assets	
Cash	2,836,707
Cash - Regulatory Designated	4,417,627
Investments	6,430,393
Accounts receivable, net of allowance for uncollectible accounts	79,512
Prepaid expenses	208,076
<b>Total Current Assets</b>	<b>13,972,315</b>
Noncurrent Assets	
Deferred Compensation Plan Assets	349,547
<b>Total Noncurrent Assets</b>	<b>349,547</b>
Fixed Assets	
Furniture and Equipment	371,514
Leasehold Improvements	2,034,076
Computer Hardware and Software	3,403,513
Less Accumulated Deprecation	(3,863,996)
<b>Total Fixed Assets</b>	<b>1,945,107</b>
<b>Total Assets</b>	<b>16,266,969</b>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	188,640
Accrued expenses	4,372,451
Deferred Rent	200,245
<b>Total Current Liabilities</b>	<b>4,761,336</b>
Long Term Liabilities	
Accrued expenses	253,624
Deferred Revenue	350,000
Deferred Rent	1,481,414
Deferred Compensation	349,547
<b>Total Long Term Liabilities</b>	<b>2,434,585</b>
<b>Total Liabilities</b>	<b>7,195,921</b>
Net Assets	
Without Donor Restrictions	
Undesignated	1,508,669
Operating Reserve Fund	1,000,000
Working Capital Reserve Fund	2,144,752
Regulatory Designated Funds	4,417,627
<b>Total Net Asset</b>	<b>9,071,048</b>
<b>Total Liabilities and Net Assets</b>	<b>16,266,969</b>

# Appendix A: 2020 – 2021 Organization Chart

