



RELIABILITY FIRST

**RELIABILITYFIRST CORPORATION
2023 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS
APRIL 28, 2022**

FIRST DRAFT

Table of Contents

Introduction	4
ERO Enterprise Model and Transformation	4
ERO Enterprise Strategic and Operational Planning.....	5
ReliabilityFirst Organizational Overview.....	6
Membership and Governance.....	7
2023 Key Assumptions	8
2023 Key Deliverables.....	8
2023 Overview of Budget	9
Summary of Budget by Program Area	11
2022 Versus 2023 Cost Allocation by Program Summary of Expenses	11
FTEs by Program Area	12
2022 Budget and Projection and 2023 Budget Comparisons.....	13
Section A: Statutory Programs	14
Reliability Standards Program	15
Compliance Monitoring and Enforcement, and Organization Registration Program	17
Reliability and Risk Analysis	19
Compliance Monitoring	25
Enforcement	29
Reliability Assessment and Performance Analysis Program	34
Training, Education, Outreach, and Operator Certification Program	38
Situational Awareness Program.....	42
Administrative Services	47
General and Administrative.....	49
Legal and Regulatory Affairs.....	51
Information Technology	53
Organization Development & Human Resources.....	56
Finance and Accounting	58
Section B: Supplemental Financial Information	60
Table B-1: Working Capital and Operating Reserve Analysis	61
Table B-2: Penalty Sanctions Received.....	62
Table B-3: Supplemental Funding	63
Table B-4: Personnel Expenses	64

Introduction

Table B-5: Meeting Expenses.....	65
Table B-6: Consultants and Contractors.....	66
Table B-7: Office Rent.....	66
Table B-8: Office Costs.....	67
Table B-9: Professional Services.....	67
Table B-10: Miscellaneous.....	68
Table B-11: Non-Operating Expenses.....	68
Table B-12: Fixed Assets.....	69
Table B-13: 2024 and 2025 Projections.....	70
Section C: Non-Statutory Activities.....	73
Section D: Additional Consolidated Financial Statements.....	74
2023 Consolidated Statement of Activities by Program.....	75
Statement of Financial Position.....	76
Appendix A: 2022 – 2023 Organization Chart.....	77

Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2023.

	2023 Budget			
	(in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	90.60			
Non-statutory FTEs	-			
Total FTEs	90.60			
Statutory Expenses	\$ 27,865,420			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 27,865,420			
Statutory Inc(Dec) in Fixed Assets	\$ 110,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 110,000			
Statutory Working Capital Requirement	\$ (86,662)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (86,662)			
Total Statutory Funding Requirement	\$ 27,888,759			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 27,888,759			
Statutory Funding Assessments	\$ 24,620,339	\$ 24,620,339	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL (MWH)	-			
NEL%	100%	100%	0%	0%

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations 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. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

Introduction

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Strategic and Operational Planning

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.

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

Introduction

the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, 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.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.¹

ReliabilityFirst Organizational Overview

ReliabilityFirst is a not-for-profit corporation 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 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.

¹ The [2022 ERO Work Plan Priorities](#) were approved by the NERC Board in November 2021. NERC management and the Board evaluate annual work plan priorities throughout the year.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO in 2023.

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 55 Members of ReliabilityFirst; 39 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 16 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.
- Four (4) 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.
- The President and CEO serves as a non-voting member of the Board of Directors

2023 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.

2023 Key Deliverables

- Promote a culture within the organization 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.

Introduction

- Ensure useful and reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among the entities in the ReliabilityFirst region.
- 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 (CMEP).
 - 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.
- Serve as an independent and objective voice when providing information around reliability risks (i.e., resource adequacy, impacts of the changing generation mix, etc.).

2023 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 2023. Overall, the ReliabilityFirst 2023 budget of \$27,975,420 increased 6.7% over the 2022 budget of \$26,219,927. The 2023 assessment of \$24,620,339 represents a 5.0% increase over the 2022 assessment of \$23,447,945.

Personnel costs increased by \$1,165,672 an increase of 5.2% over the 2022 budget, primarily as the result of inflation and its impact on salaries and the need for greater investment in security. Incorporated into the personnel costs are 2 additional Full Time Equivalent (FTE) Security Professionals and a 4% general wage increase, and these costs are the primary drivers for the 2023 budget increase. ReliabilityFirst does not include a personnel vacancy rate because the corporation has operated with a turnover rate well below 5% for the last several years, and because the budget does not include the cost of the corporation's recruitment activities and relocation to attract necessary employee candidates.

The Meetings, Operating and Fixed Asset costs of \$4,528,309 increased by 15.0% over the 2022 budget of \$3,938,489, primarily as a result of inflation and the need for greater investment in security. The increase was primarily the result of the following: 1) a \$388,675 increase in Contractors and Consultants is primarily driven by a third party security assessment, network

Introduction

maintenance projects, public website enhancements, cloud initiatives, security simulations activities, enhancing data managements systems, and network and audio/visual upgrades, 2) an increase of \$115,320 for inflationary impacts on workshop and outreach meeting costs, and initiatives for security training exercises 3) \$84,492 increase in office rent due to an office expansion and lease extension, and 4) a \$54,150 increase in Professional Services due to an increase in cybersecurity insurance costs. These variances were partially offset by a \$43,640 decrease in office costs primarily due to lower computer hardware costs and a \$10,000 decrease in total Fixed Asset costs due to changes in projects planned in 2022 compared to 2023.

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2023, which is the same level that existed in 2022. 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 a decrease in the target working capital reserve to \$8.6M. 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 2023 yielded a requirement of 100 FTEs in order to fully address the expected workload.

Although ReliabilityFirst's manpower analysis justifies a need for 100 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 90.6, which includes 2 additional FTE's, will be sufficient to perform its work. The need for these additional FTE's is described in General and Administrative and Information Technology 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.

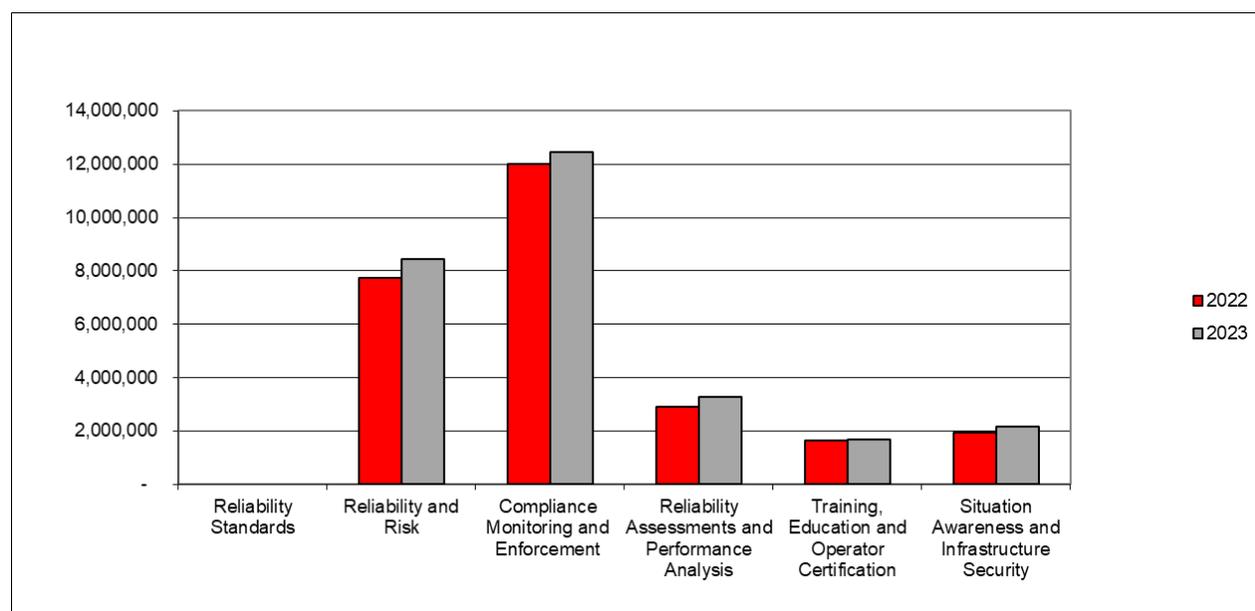
Introduction

Summary of Budget by Program Area

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

Program	Budget 2022	Projection 2022	Budget 2023	Variance 2022	
				Budget v 2023 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability and Risk Analysis	7,751,602	7,091,845	8,428,745	677,143	8.7%
Compliance Monitoring and Enforcement	12,003,963	11,262,673	12,455,300	451,337	3.8%
Reliability Assessments and Performance Analysis	2,892,808	2,853,978	3,274,533	381,725	13.2%
Training, Education and Operator Certification	1,631,907	1,483,936	1,667,802	35,894	2.2%
Situation Awareness and Infrastructure Security	1,939,647	1,954,146	2,149,041	209,394	10.8%
Total	26,219,927	24,646,578	27,975,420	1,755,493	6.7%

2022 Versus 2023 Cost Allocation by Program Summary of Expenses



Introduction

FTEs by Program Area

Total FTEs by Program Area	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget
STATUTORY				
Operational Programs				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability and Risk	20.00	21.00	21.00	1.00
Reliability and Risk	1.00	1.00	1.00	0.00
Reliability Analysis	1.00	1.00	1.00	0.00
Entity Engagement	7.00	8.00	8.00	1.00
Risk Analysis and Mitigation	8.00	8.00	8.00	0.00
Analysis Services	3.00	3.00	3.00	0.00
Compliance Monitoring and Enforcement	33.00	33.00	33.00	0.00
Operations and Planning	11.00	11.00	11.00	0.00
Critical Infrastructure Protection	10.00	10.00	10.00	0.00
Compliance Monitoring	2.00	2.00	2.00	0.00
Enforcement	10.00	10.00	10.00	0.00
Reliability Assessment and Performance Analysis	6.60	6.60	6.60	0.00
Training and Education	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	5.00	5.00	5.00	0.00
Total FTEs Operational Programs	67.60	68.60	68.60	1.00
Administrative Programs				
General and Administrative	4.00	4.00	5.00	1.00
Legal and Regulatory Affairs	3.00	2.00	2.00	-1.00
Information Technology	7.00	7.00	8.00	1.00
Human Resources	4.00	4.00	4.00	0.00
Finance and Accounting	3.00	3.00	3.00	0.00
Total FTEs Administrative Programs	21.00	20.00	22.00	1.00
Total FTEs	88.60	88.60	90.60	2.00

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

Introduction

2022 Budget and Projection and 2023 Budget Comparisons

The following table lists the 2022 budget and projection compared to the 2023 budget.

2022 Budget and Projection, and 2023 Budget					
STATUTORY					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Projection v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 23,447,945	\$ 23,447,945	\$ -	\$ 24,620,339	\$ 1,172,395
Penalties Released	3,488,681	3,488,681	-	3,168,420	(320,261)
Total ReliabilityFirst Funding	\$ 26,936,627	\$ 26,936,626	\$ -	\$ 27,788,759	\$ 852,134
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	50,000	50,000	(0)	100,000	50,000
Miscellaneous Income	-	-	-	-	-
Total Funding (A)	26,986,627	26,986,626	(0)	27,888,759	902,133
Expenses					
Personnel Expenses					
Salaries	\$ 16,274,245	\$ 15,671,622	\$ (602,623)	\$ 16,913,744	\$ 639,498
Payroll Taxes	992,282	945,954	(46,328)	1,052,888	60,606
Benefits	2,412,806	1,976,208	(436,598)	2,773,918	361,112
Retirement Costs	2,602,105	2,279,694	(322,413)	2,706,562	104,456
Total Personnel Expenses	\$ 22,281,438	\$ 20,873,478	\$ (1,407,961)	\$ 23,447,112	\$ 1,165,673
Meeting Expenses					
Meetings	\$ 357,675	\$ 268,256	\$ (89,419)	\$ 432,855	\$ 75,180
Conference Calls	\$ 21,960	\$ 21,960	\$ -	\$ 15,000	\$ (6,960)
Travel	\$ 601,000	\$ 450,750	\$ (150,250)	\$ 648,100	\$ 47,100
Total Meeting Expenses	\$ 980,635	\$ 740,966	\$ (239,669)	\$ 1,095,955	\$ 115,320
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 448,874	\$ 468,874	\$ 20,000	\$ 837,549	\$ 388,675
Office Rent	\$ 598,092	\$ 598,092	\$ -	\$ 682,584	\$ 84,492
Office Costs	\$ 1,110,388	\$ 1,164,244	\$ 53,856	\$ 1,066,747	\$ (43,640)
Professional Services	\$ 631,765	\$ 631,765	\$ -	\$ 685,915	\$ 54,150
Miscellaneous	\$ 48,735	\$ 49,159	\$ 423	\$ 49,559	\$ 824
Total Operating Expenses, excluding Depreciation	\$ 2,837,854	\$ 2,912,134	\$ 74,279	\$ 3,322,354	\$ 484,500
Total Direct Expenses	\$ 26,099,927	\$ 24,526,578	\$ (1,573,351)	\$ 27,865,420	\$ 1,765,493
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 26,099,927	\$ 24,526,578	\$ (1,573,351)	\$ 27,865,420	\$ 1,765,493
Change in Net Assets (= A - B)	\$ 886,699	\$ 2,460,047	\$ 1,573,351	\$ 23,338	\$ (863,360)
Fixed Asset Additions, excluding Right of Use Assets (C)	120,000	120,000	-	110,000	(10,000)
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc/(Dec) in Fixed Assets	\$ 120,000	\$ 120,000	\$ -	\$ 110,000	\$ (10,000)
Total Budget (= B + C)	\$ 26,219,927	\$ 24,646,578	\$ (1,573,351)	\$ 27,975,420	\$ 1,755,493
Change in Working Capital (= A - B - C)	\$ 766,700	\$ 2,340,047	\$ 1,573,351	\$ (86,662)	\$ (853,360)
FTEs	88.60	88.60	-	90.60	2.00

*Penalties released 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

Reliability Standards Program (in whole dollars)			
	2022	2023	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 0	\$ -	\$ (0)
Total Funding Requirement	\$ 0	\$ -	\$ (0)

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.

To date, ReliabilityFirst has developed only one FERC approved Regional Standard (Planning Resource Adequacy Analysis, Assessment and Documentation standard BAL-502-RF-03, approved by FERC on October 16, 2017) and has no current plans to develop any Regional Standards in 2023.

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. ReliabilityFirst has no current plans to develop regional criteria in 2023.

2023 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 Analysis and Compliance Monitoring Programs, 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 Analysis and Compliance Monitoring and Reliability Assessment and Performance Analysis Programs.

2023 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**

There are no planned changes in FTEs for 2023.

• Contractors and Consultants

No contractor or consultant support is budgeted in 2023.

Compliance Monitoring and Enforcement, and Organization Registration Program

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	53.00	54.00	1.00
Direct Expenses	\$ 13,669,858	\$ 14,067,622	\$ 397,764
Indirect Expenses	\$ 5,991,624	\$ 6,729,834	\$ 738,210
Inc(Dec) in Fixed Assets	\$ 94,083	\$ 86,589	\$ (7,494)
Total Funding Requirement	\$ 19,755,565	\$ 20,884,045	\$ 1,128,480

Program Scope and Functional Description

The CMEP, and Organization Registration 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 Program among three coordinated groups: Reliability and Risk Analysis, Compliance Monitoring, and Enforcement.

The Reliability and Risk Analysis 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 Analysis section, include: (1) conducting Inherent Risk Assessments and developing Compliance Oversight Plans to assess the risk posed by each entity and determine a plan for compliance monitoring activities; (2) conducting Assist Visits, 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 outreach, training, and education initiatives; (4) developing lessons learned and identifying key trends to share with the industry; (5) performing registration and certification review activities; and (6) conducting risk assessments and supporting mitigation plan activities associated with noncompliance.

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, security and resiliency, 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: (1) is clearly communicated; (2) is 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 Analysis, Compliance Monitoring, and Enforcement groups include the continued implementation of the Risk-Based CMEP, 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 Analysis, 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 Analysis

Reliability and Risk			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase
Total FTEs	20.00	21.00	1.00
Direct Expenses	\$ 5,455,109	\$ 5,777,914	\$ 322,805
Indirect Expenses	\$ 2,260,990	\$ 2,617,157	\$ 356,167
Inc(Dec) in Fixed Assets	\$ 35,503	\$ 33,673	\$ (1,830)
Total Funding Requirement	\$ 7,751,602	\$ 8,428,745	\$ 677,143

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

Program Scope and Functional Description

The Reliability Analysis group includes Analytic Services and Risk Analysis and Mitigation. The activities performed by the Reliability Analysis group include: Continued and focused development of the ReliabilityFirst Data Warehouse for information storage and retrieval (the Data Warehouse is intended to centralize ReliabilityFirst's data sets and provide business intelligence capabilities for better integration of disparate data and add visualization functions to better identify areas of concern or areas needing additional analysis); 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 quantitative assessments of data models; and partnering with other departments in conducting various risk assessments (e.g., Regional Risk Assessments and explorative Probabilistic, Predictive, Emerging Risk Assessments, etc.).

From a Risk Analysis and Mitigation (RAM) perspective the activities performed include Inherent Risk Assessments (identifying risks impacting an entity); Compliance Oversight Plans (creating a plan to monitor the entity's compliance with selected NERC Reliability Standards) and Registration (processing registration requests). 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 potential non-compliances (PNC's) and participation in the review of self-logged minimal risk issues; participate in outreach activities; BES Definition Exception Process activities; NERC-Led Registration Review Panel participation, and serving as a technical resource for the Corporation.

Reliability and Risk Analysis also includes Entity Engagement, which functions to assist stakeholders in improving their compliance programs and organizational reliability, risk identification and mitigation, security, and resilience; as well as, assisting stakeholders in achieving operational excellence, and improvements in organizational culture and overall program maturity. A communications FTE was transferred from Legal and Regulatory to Entity Engagement to better align with the department goals and workload activity.

2023 Key Assumptions

The Reliability and Risk Analysis 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 activities are expected to become steady-state activities with the ongoing implementation of the Risk-Based CMEP. These activities include completing Inherent Risk Assessments and Compliance Oversight Plans for all Registered Entities which address emerging risks to reliability and are tailored to the inherent risks and performance posed by specific entities.
2. In accordance with FERC's Order approving NERC's Risk-Based Registration Initiative, registration staff continues to participate in the NERC-Led Registration Review Panels described in the NERC Rules of Procedure, Appendix 5A, Section III.D.
3. There will continue to be an intentional focus on advanced analytics to support the described activities. This will include being instrumental in identifying emerging risks as well as development of metric driven analysis. In addition to the data provided internally across the ERO, external data sources will be explored to integrate into the Data Warehouse to continuously improve our ability to assess risk. This will result in an increase in workload.
4. 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 and Secure Evidence Locker. The full impact of the new ERO Enterprise ALIGN Tool and Secure Evidence Locker is unknown at this time, however the anticipated increase in administrative and processing tasks related to the new tool will increase the cycle time for performing routine tasks.
5. With the development of new and modified Standards that tackle changing risks in our footprint (e.g., winterization, supply chain, virtualization and cloud computing), we anticipate the need for additional Assist Visits, outreach, and training to help mature and enhance registered entity programs.
6. Registered Entities are more frequently making changes to their Energy Management Systems to enhance situational awareness, increase visibility of distributed energy resources, monitor for stability concerns, plus more easily adapt to new Standards such as TOP-001-5, TOP-003-3, and CIP-012-1. We anticipate more frequent certification review activities to assess these changes and ensure that the entities enhance their capabilities to mitigate these risks.

2023 Key Deliverables

- Process all registration requests.

-
- Process BES Exception Requests submittals and participate on NERC-Led Review Panels.
 - 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 (e.g. periodic Data Submittals) and analysis efforts.
 - Lead/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 CMEP, with a focus on the ongoing assessment of ReliabilityFirst Regional Risks, and continued maturation of the Inherent Risk Assessment and Compliance Oversight Plan process.
 - 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 the 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 non-compliances 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.
 - Participating in outreach activities to help entities move beyond baseline compliance.
 - Perform reviews of self-logged non-compliances, submitted quarterly by entities granted logging privileges, to assess the non-compliances and their associated risk determinations and mitigating activities.

- Support regional workshops, Technical Talks, targeted webinars, and other engagements with entities.
- Using inherent risk assessment and Regional Risk Assessment results, analyze and recommend outreach for identified risks related to specific entities or groups of entities.
- 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 Collaboration Groups promoting collaboration and consistency amongst the Regions and functional area programs. Assume leadership roles as appropriate.
- Monitor initiatives related to grid resilience and security from the Cyber Resilient Energy Delivery Consortium, National Laboratories, Public Utility Commissions and the Department of Energy. Participate in these efforts as requested and appropriate, incorporating lessons learned from these projects into ReliabilityFirst's tools and processes, and share lessons learned with stakeholders.
- Conduct Certifications and Certification Evaluations of Balancing Authority, Transmission Operator and Reliability Coordinator registered entities. Also perform Readiness Reviews with registered entities undergoing similar changes.
- Perform Assist Visits and Extended Assist Visits, including:
 - Provide guidance through entity Assist Visits on the CIP Reliability Standards, including a focus on new and revised Reliability Standards with technology related concerns including Cloud Computing, and Virtualization.
 - Continue targeted Extended Assist Visits with stakeholders that have been identified through Compliance, Enforcement, and/or Assessment engagements as needing long-term consultation by the ReliabilityFirst outreach staff.
- Implement and continue to mature programs and tools developed for entity self-assessment and self-evaluation of internal controls, organizational maturity, insider threat and cyber resilience.

Resource Requirements

- **Personnel**

As discussed above in the 2023 Key Assumptions, time to complete routine CMEP related activities (mitigation plan acceptances/reviews and IRA/COP development) may initially increase significantly due to the roll out and Implementation of the new ERO Enterprise ALIGN Tool and primarily the Secure Evidence Lockers to address the need for greater data security. The analytics' workload has increased, also noted above in the 2023 Key Assumptions, and is anticipated to steadily increase as more data, both internal and external, is made available for consumption. There was an additional communications FTE transferred to this group who was originally included in the Legal & Regulatory section, noted in the 2022 projections and 2023 budget numbers. ReliabilityFirst is not

requesting any additional FTE's at this time, but will continue to evaluate the need for additional future resources.

- **Contractors and Consultants**

Consultant support is budgeted to support efforts related to the Winter Preparedness program and initiatives in Reliability Analysis in 2023.

The Entity Engagement and Risk and Resilience areas will also pursue interns to assist the teams with relevant work activities. Projected workload in 2023 is consistent with a need for an intern and not an FTE.

Reliability and Risk Analysis Budget Detail

The following table shows funding sources and related expenses for the Reliability and Risk Analysis section of the *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Reliability and Risk					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 6,704,655	\$ 6,704,655	\$ -	\$ 7,428,208	\$ 723,553
Penalties Released	1,032,154	1,032,154	-	969,924	(62,230)
Total ReliabilityFirst Funding	\$ 7,736,809	\$ 7,736,809	\$ -	\$ 8,398,132	\$ 661,323
Membership Dues	-	-	-	-	-
Interest & Investment Income	14,793	15,306	513	30,612	15,819
Miscellaneous Income	-	-	-	-	-
Total Funding (A)	7,751,602	7,752,115	513	8,428,745	677,143
Expenses					
Personnel Expenses					
Salaries	\$ 3,706,649	\$ 3,515,871	\$ (190,778)	\$ 3,892,253	\$ 185,604
Payroll Taxes	228,357	209,736	(18,621)	239,089	10,732
Benefits	488,678	374,154	(114,524)	530,960	42,282
Retirement Costs	574,211	492,753	(81,458)	613,752	39,541
Total Personnel Expenses	\$ 4,997,895	\$ 4,592,513	\$ (405,382)	\$ 5,276,054	\$ 278,159
Meeting Expenses					
Meetings	\$ 9,980	\$ 7,485	\$ (2,495)	\$ 10,880	\$ 900
Conference Calls	-	-	-	-	-
Travel	152,000	114,000	(38,000)	169,300	17,300
Total Meeting Expenses	\$ 161,980	\$ 121,485	\$ (40,495)	\$ 180,180	\$ 18,200
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 186,667	\$ 176,667
Office Rent	-	-	-	-	-
Office Costs	285,234	287,302	2,068	134,013	(151,221)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	1,000	1,000
Total Operating Expenses, excluding Depreciation	\$ 295,234	\$ 297,302	\$ 2,068	\$ 321,680	\$ 26,446
Total Direct Expenses	\$ 5,455,109	\$ 5,011,300	\$ (443,809)	\$ 5,777,914	\$ 322,805
Indirect Expenses	\$ 2,260,990	\$ 2,043,810	\$ (217,180)	\$ 2,617,157	\$ 356,167
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,716,099	\$ 7,055,110	\$ (660,989)	\$ 8,395,071	\$ 678,972
Change in Net Assets (= A - B)	\$ 35,503	\$ 697,005	\$ 661,502	\$ 33,673	\$ (1,830)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	\$ 35,503	\$ 36,735	\$ 1,232	\$ 33,673	\$ (1,830)
Inc/(Dec) in Fixed Assets	\$ 35,503	\$ 36,735	\$ 1,232	\$ 33,673	\$ (1,830)
Total Budget (= B + C)	\$ 7,751,602	\$ 7,091,845	\$ (659,757)	\$ 8,428,745	\$ 677,143
Change in Working Capital (= A - B - C)	\$ 0	\$ 660,270	\$ 660,270	\$ -	\$ (0)
FTEs	20.00	21.00	1.00	21.00	1.00

*Penalties released 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).

Compliance Monitoring and Enforcement (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	33.00	33.00	0.00
Direct Expenses	\$ 8,214,749	\$ 8,289,709	\$ 74,960
Indirect Expenses	\$ 3,730,634	\$ 4,112,676	\$ 382,042
Inc(Dec) in Fixed Assets	\$ 58,580	\$ 52,915	\$ (5,665)
Total Funding Requirement	\$ 12,003,963	\$ 12,455,300	\$ 451,337

The FTEs in this table are included in the Total FTEs in the Compliance Monitoring and Enforcement, and Organization Registration 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; Spot Checks; Self-Certifications; Investigations; assessing Complaints; assessing entity internal controls as part of each engagement; evaluating system events from a reliability, security 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.

2023 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, Self-Certifications), using a risk-based approach, ensuring that all activities are completed per the established process and timelines.
2. Pursuant to the risk-based CMEP, all Entities will have an Inherent Risk Assessment completed to determine their Compliance Oversight Plans (COP). 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 COP to identify Entity specific risks, analyze emerging industry risks, and develop its planned monitoring schedule and oversight approach.

3. The ERO Enterprise will continue to perform reviews of internal controls as part of the compliance monitoring engagement process. As the ERO Enterprise continues to mature its approach on internal controls this will continue to add time to the monitoring process and increase workload.
4. ReliabilityFirst will continue performing more frequent in-depth touch points across our footprint. The more frequent touch points reduce the scope of an individual engagement but adds to the overhead of managing a larger number of engagements throughout the year.
5. The ERO Enterprise will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. ReliabilityFirst will provide the necessary training to continue to provide a credible, skilled, competent, and respected compliance monitoring staff.
6. Staff will continue to partner with NERC as we develop the ERO Enterprise-wide Align tool and the implementation of the tool for ReliabilityFirst CMEP Activities.
7. With the CIP Standards being revised to include virtualization, the ERO Enterprise continues to evaluate whether the approved and ongoing changes will materially change the amount of rigor and time Regional Entities will need to spend on compliance monitoring activities, including whether field visits will be required and the impact the changes will have on ERO outreach efforts 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 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.

2023 Key Deliverables

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.
- Perform internal controls reviews as part of the compliance monitoring engagement process.
- Conduct thorough and professional collaborative compliance audits consistently with all Regions through the incorporation of the Auditor Handbook, Checklist, and the Align Tool.

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, keep abreast of new and emerging technologies, and maintain professional certifications.
- 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), various ERO and Regional Workshops, Technical Talks with RF and CIP and O&P related Assist Visits
- Compliance Monitoring engagements will be performed as separate CIP and O&P engagements unless agreed to otherwise between ReliabilityFirst and the Entity. Various Compliance Monitoring methods will be utilized based upon the focused risk and/or Entity being monitored.
- 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 based on the identification of emerging risks.
- Support the ERO Enterprise in continuing training and outreach for Registered Entities.
- Assist in the 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 2023 Key Assumptions, the workload in the O&P and CIP monitoring area has continually increased and is expected to continue increasing. This is driven by various factors, including the expansion of CIP scopes for entities with only Low Impact BES Cyber Systems, increased complexity of the Standards, 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.

All of these along with the enhanced security features included with the new ERO ALIGN CMEP tool, may require additional hours for the audit teams to complete their work. ReliabilityFirst is not requesting any additional FTE's in 2023 but will continue to evaluate the need for additional future resources.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2023 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 and familiarity, 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 also heavily involved in external outreach to help entities understand potential noncompliance trends and themes that may be early indicators of programmatic or systemic challenges.

ReliabilityFirst frequently serves as the lead Region in resolving multi-regional enforcement actions for those registered entities that transverse multiple regions (designated as multi-regional registered entities or 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, 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.

2023 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 increased number of CIP noncompliances will, at a minimum, 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. The number of CIP noncompliances may increase as a result of proposed revisions to the CIP Standards.
2. ReliabilityFirst will continue to process multiple Settlement Agreements due to the complexity of the CIP Standards and increased focus on certain Operations and Planning Standards, including standards and requirements covering facility ratings. Complex, higher-risk noncompliances disposed as Settlement Agreements will require approximately 65% 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.
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. 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.
5. 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 and certain Operations and Planning Standards, as well as increased participation in the self-logging program.
6. 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.
7. 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.
8. The number of hearings to be conducted is unknown, and therefore no internal or external resources have been budgeted for hearings.
9. 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 ReliabilityFirst newsletter.

2023 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 regular course of business in enforcement and other departments to assure informed decision-making.
- Draft and negotiate with entities, as applicable, all necessary disposition documents.
- Ensure all requisite notices are timely issued and provide post-filing support and advocacy with NERC and FERC.
- Ensure 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. This increased volume has been sustained since the implementation of CIP version 5, and this is expected to continue, and potentially increase with the newest proposed revisions to the CIP 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 and resolve related issues outside of enforcement. 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.

However, based on the assumptions as stated above, the Enforcement department has sufficient resources for 2023 and ReliabilityFirst is not seeking additional resources for Enforcement in this budget.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in 2023.

Compliance Monitoring and Enforcement Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement section of the *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Compliance Monitoring and Enforcement					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 10,276,500	\$ 10,276,500	\$ -	\$ 10,883,028	\$ 606,528
Penalties Released	1,703,054	1,703,054	-	1,524,167	(178,887)
Total ReliabilityFirst Funding	\$ 11,979,554	\$ 11,979,554	\$ -	\$ 12,407,195	\$ 427,641
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	24,408	24,052	(356)	48,105	23,697
Miscellaneous Income	-	-	-	-	-
Total Funding (A)	12,003,963	12,003,606	(356)	12,455,300	451,337
Expenses					
Personnel Expenses					
Salaries	\$ 5,778,419	\$ 5,829,332	\$ 50,913	\$ 5,764,740	\$ (13,679)
Payroll Taxes	371,629	366,500	(5,129)	\$ 378,611	6,982
Benefits	835,456	715,456	(120,001)	\$ 917,255	81,798
Retirement Costs	884,951	812,205	(72,746)	\$ 876,614	(8,337)
Total Personnel Expenses	\$ 7,870,455	\$ 7,723,493	\$ (146,963)	\$ 7,937,220	\$ 66,765
Meeting Expenses					
Meetings	\$ 9,825	\$ 7,369	\$ (2,456)	\$ 12,425	\$ 2,600
Conference Calls	-	-	-	-	-
Travel	226,000	169,500	\$ (56,500)	\$ 237,200	11,200
Total Meeting Expenses	\$ 235,825	\$ 176,869	\$ (58,956)	\$ 249,625	\$ 13,800
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	91,069	75,484	(15,585)	\$ 83,464	(7,605)
Professional Services	-	-	-	-	-
Miscellaneous	7,400	7,400	-	\$ 9,400	2,000
Total Operating Expenses, excluding Depreciation	\$ 108,469	\$ 92,884	\$ (15,585)	\$ 102,864	\$ (5,605)
Total Direct Expenses	\$ 8,214,749	\$ 7,993,246	\$ (221,505)	\$ 8,289,709	\$ 74,960
Indirect Expenses	\$ 3,730,634	\$ 3,211,702	\$ (518,932)	\$ 4,112,676	\$ 382,042
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,945,383	\$ 11,204,947	\$ (740,437)	\$ 12,402,385	\$ 457,002
Change in Net Assets (= A - B)	\$ 58,580	\$ 798,659	\$ 740,080	\$ 52,915	\$ (5,665)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	\$ 58,580	57,726	(854)	\$ 52,915	\$ (5,665)
Inc/(Dec) in Fixed Assets	\$ 58,580	\$ 57,726	\$ (854)	\$ 52,915	\$ (5,665)
Total Budget (= B + C)	\$ 12,003,963	\$ 11,262,673	\$ (741,291)	\$ 12,455,300	\$ 451,337
Change in Working Capital (= A - B - C)	\$ 0	\$ 740,933	\$ 740,934	\$ -	\$ (0)
FTEs	33.00	33.00	-	33.00	-

*Penalties released 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).

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	6.60	6.60	0.00
Direct Expenses	\$ 2,134,965	\$ 2,441,414	\$ 306,450
Indirect Expenses	\$ 746,127	\$ 822,535	\$ 76,408
Inc(Dec) in Fixed Assets	\$ 11,716	\$ 10,583	\$ (1,133)
Total Funding Requirement	\$ 2,892,808	\$ 3,274,533	\$ 381,725

Program Scope and Functional Description

ReliabilityFirst's Engineering and System Performance (ESP) group executes the Reliability Assessment and Performance Analysis (RAPA) program within ReliabilityFirst. This team independently analyzes, assesses, and reports on the reliability and adequacy of the BES within the ReliabilityFirst footprint. This 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. The 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. This program provides resources and data input for the technical analyses and support of the many risk-based activities described in the Reliability and Risk Analysis, Compliance Monitoring, and Enforcement sections. The program also facilitates four of the technical stakeholder committees and several other industry discussion groups.

2023 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 ReliabilityFirst Reliability Assessment and Performance Analysis Program.

2023 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, the program produces 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 power-flow analysis assessments, and produce reports on the transmission assessment scope and results.
- Collect data and contribute to the production of 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 that represent the Bulk Power System within the ReliabilityFirst footprint as needed for regional study efforts.
- Reporting Requirements
 - Assist NERC in the collection, verification, and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), Misoperation Information Data Analysis System (MIDAS), and Geomagnetic Disturbance Data System (GMD). All these systems can be used for data analytics across the ERO Enterprise.
- Other Requirements and Activities
 - Support risk-based activities with the development and review of lessons learned, best practices, and guidance documentation across the ERO Enterprise and industry. 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.
 - Develop and maintain various data repositories, which includes, but is not limited to; support the development of ongoing data warehouse initiatives, maintenance of a linear contingency database, and maintenance of a data dictionary between GADS and the MMWG power-flow model.
 - 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 ERO Reliability Assessment and Performance Analysis Steering Group, Reliability Assessment Subcommittee, Performance Analysis Subcommittee, Probabilistic Assessment Working Group, and associated subgroups, as well as the MIDAS User Group, TADS User Group, and GADS User 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 (i.e., Protection Subcommittee, Transmission Performance Subcommittee, Generation Subcommittee) and task forces. Facilitate several industry groups aimed toward continuous improvement and excellence.
- Provide the various regional technical groups with information and knowledge to help entities improve human performance. Conduct a human performance workshop and facilitate an industry group aimed toward continuous improvement and excellence (such as the Substation Maintenance Community of Practice).
- Provide Registered Entities with tailored training and interaction through recurring workshops (such as the Protection Workshop for Technical Personnel).
- Provide knowledge, techniques, and data input in support of ReliabilityFirst's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts.
- Provide the various Registered Entities with information and knowledge to help entities improve vegetation contacts on non-BES facilities. Initiate and facilitate an industry group aimed toward continuous improvement and excellence in vegetation management (such as the Vegetation Management Community of Practice).

Resource Requirements

- **Personnel**

Based upon the assumptions stated above the Engineering and System Performance area has increased workloads, however, ReliabilityFirst is not requesting any additional FTE's in 2023 but will continue to evaluate the need for additional future resources.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to support:

- ERAG steady state and dynamic base case model assembly through the Multiregional Modeling Working Group (MMWG) processes.
- ERAG performance of power-flow analysis assessments.

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 supplementing staff which is 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 *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Reliability Assessment and Performance Analysis					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 2,547,315	\$ 2,547,315	\$ -	\$ 2,960,078	\$ 412,763
Penalties Released	340,611	340,611	-	304,833	(35,778)
Total ReliabilityFirst Funding	\$ 2,887,926	\$ 2,887,926	\$ -	\$ 3,264,912	\$ 376,986
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	4,882	4,810	(72)	9,621	4,739
Miscellaneous Income		-	-	-	-
Total Funding (A)	2,892,808	2,892,736	(72)	3,274,533	381,725
Expenses					
Personnel Expenses					
Salaries	\$ 1,399,167	\$ 1,494,878	\$ 95,711	\$ 1,603,212	\$ 204,045
Payroll Taxes	82,229	85,147	2,918	95,790	13,562
Benefits	145,186	153,644	8,458	216,919	71,733
Retirement Costs	221,857	209,400	(12,457)	253,352	31,495
Total Personnel Expenses	\$ 1,848,439	\$ 1,943,069	\$ 94,631	\$ 2,169,273	\$ 320,835
Meeting Expenses					
Meetings	\$ 8,250	\$ 6,188	\$ (2,063)	\$ 10,550	\$ 2,300
Conference Calls	-	-	\$ -	\$ -	-
Travel	95,000	71,250	\$ (23,750)	\$ 95,000	-
Total Meeting Expenses	\$ 103,250	\$ 77,438	\$ (25,813)	\$ 105,550	\$ 2,300
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 130,624	\$ 130,624	\$ -	\$ 111,278	\$ (19,346)
Office Rent	-	-	-	\$ -	-
Office Costs	52,652	48,962	(3,690)	55,313	2,661
Professional Services	-	-	-	\$ -	-
Miscellaneous	-	-	-	\$ -	-
Total Operating Expenses, excluding Depreciation	\$ 183,276	\$ 179,586	\$ (3,690)	\$ 166,591	\$ (16,685)
Total Direct Expenses	\$ 2,134,965	\$ 2,200,093	\$ 65,128	\$ 2,441,414	\$ 306,450
Indirect Expenses	\$ 746,127	\$ 642,340	\$ (103,787)	\$ 822,535	\$ 76,408
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,881,092	\$ 2,842,433	\$ (38,658)	\$ 3,263,949	\$ 382,858
Change in Net Assets (= A - B)	\$ 11,716	\$ 50,303	\$ 38,586	\$ 10,583	\$ (1,133)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	\$ 11,716	11,545	(171)	10,583	(1,133)
Inc/(Dec) in Fixed Assets	\$ 11,716	\$ 11,545	\$ (171)	\$ 10,583	\$ (1,133)
Total Budget (= B + C)	\$ 2,892,808	\$ 2,853,978	\$ (38,829)	\$ 3,274,533	\$ 381,725
Change in Working Capital (= A - B - C)	\$ 0	\$ 38,758	\$ 38,757	\$ -	\$ (0)
FTEs	6.60	6.60	-	6.60	-

*Penalties released 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).

Training, Education, Outreach, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 1,287,433	\$ 1,289,112	\$ 1,678
Indirect Expenses	\$ 339,149	\$ 373,880	\$ 34,731
Inc(Dec) in Fixed Assets	\$ 5,325	\$ 4,810	\$ (515)
Total Funding Requirement	\$ 1,631,907	\$ 1,667,802	\$ 35,894

Program Scope and Functional Description

Training ensures that the workforce is kept vigilant and attentive through educational sharpening and upskilling, ensuring valuable reliability and nurturing a culture of excellence in craft and continuous improvement. Outreach ensures that voices and needs are being heard, relationships are being development, and that concerns and gaps are being addressed preemptive to any loss of reliability or resilience. The ReliabilityFirst Training, Education and Outreach Program is designed for flexible participation, adding value at all levels within organizations and across the ERO.

ReliabilityFirst does not provide system operator certification training, as it would be duplicative with that offered by the Regional Transmission Organizations within the Region.

2023 Key Assumptions

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

- With the advent of the ERO Innovation and Continuous Improvement Collaboration Group, an assumption is that this will lead to additional project work and initiatives to strengthen the ERO Enterprise and more effectively engage with our key stakeholders on emerging risks and challenges.
- Pursuant to the program objectives, strategic partnerships and growth may be developed.
- ReliabilityFirst will be maturing its outreach and education as a lesson learned from the pandemic. Before the pandemic, our workshops were typically in-person; and during the pandemic, our workshops were typically virtual. Coming out of the pandemic, ReliabilityFirst will be enhancing its tools, processes, and training to deliver to a hybrid in-person and virtual audience simultaneously.
- NERC is introducing the ERO University where ReliabilityFirst will be contributing to and using new educational materials for both internal and external consumption.

2023 Key Deliverables

- **Industry and Stakeholder Education and Continuous Improvement**

ReliabilityFirst will continue its education and assistance efforts to help all stakeholders achieve improvement and excellence in compliance, reliability, risk identification, security, and resilience. Internally, this team will also facilitate training and continuous improvement of staff skillsets to assess stakeholder compliance and operational programs, culture, and maturity. These activities include:

- 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.
 - Issue announcements, newsletters, and reports on key compliance, reliability, risk identification and mitigation, security, and resilience issues facing ReliabilityFirst and the industry.
 - Communicate key risks and risk mitigation strategies.
 - In concert with various ReliabilityFirst departments, develop and publish lessons learned and best practices.
 - Provide continued guidance on the implementation of the Risk-Based CMEP, including Inherent Risk Assessments, Compliance Oversight Plans, and Internal Control Reviews
 - Identify and communicate common themes and root causes of Reliability Standard violations.
 - Hold open stakeholder calls (Technical Talk with RF) covering topics related to compliance, reliability, security, resilience, and enforcement.
 - Share best practices concerning generator plant winter readiness.
 - Host targeted webinars on the compliance monitoring and enforcement processes, and other risk areas.
 - Increase focus on lessons learned or trends identified from reliability assessments.
 - Post educational materials on the ReliabilityFirst public website on pertinent reliability, risk, security, continuous improvement and resilience topics.
 - Develop capabilities for on-demand and virtual training opportunities on relevant reliability, risk, security, continuous improvement and resilience topics.
 - Deliver internal and stakeholder training related to the implementation of the new Align and Secure Evidence Locker platforms.
- **Industry Workshops and Outreach**

Continue workshops and outreach engagements to allow for information exchange between ReliabilityFirst and its stakeholders. Workshops and outreach will focus on understanding and mitigating risks to reliability, security, and resilience within the ReliabilityFirst footprint. Workshops and stakeholder outreach to be conducted include:

- One Reliability workshop (fall) to promote a culture of compliance focusing on reliability, security, resilience, risk management, internal controls, and targeted discussion on methods to demonstrate compliance.
 - 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 outreach to address internal controls, cybersecurity, community outreach, emerging risks (e.g., misoperations, fuel security, changing generation mix, insider threats and cyber security technology) as the need is identified and the sessions can be scheduled.
- **Personnel**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

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

Training, Education, Outreach 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 *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Training, Education, and Operator Certification Program					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 1,474,865	\$ 1,474,865	\$ -	\$ 1,524,868	\$ 50,003
Penalties Released	154,823	154,823	-	138,561	(16,262)
Total ReliabilityFirst Funding	\$ 1,629,688	\$ 1,629,688	\$ -	\$ 1,663,429	\$ 33,741
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	2,219	2,187	(32)	4,373	2,154
Miscellaneous Income		-	-	-	-
Total Funding (A)	1,631,907	1,631,875	(32)	1,667,802	35,895
Expenses					
Personnel Expenses					
Salaries	\$ 697,612	\$ 670,289	\$ (27,324)	\$ 676,925	\$ (20,688)
Payroll Taxes	37,514	37,117	(396)	38,348	834
Benefits	121,026	118,816	(2,210)	115,486	(5,540)
Retirement Costs	105,849	93,442	(12,406)	108,256	2,407
Total Personnel Expenses	\$ 962,000	\$ 919,664	\$ (42,336)	\$ 939,014	\$ (22,987)
Meeting Expenses					
Meetings	\$ 207,230	\$ 155,423	\$ (51,808)	\$ 223,100	\$ 15,870
Conference Calls	-	-	-	-	-
Travel	18,000	13,500	(4,500)	21,600	3,600
Total Meeting Expenses	\$ 225,230	\$ 168,923	\$ (56,308)	\$ 244,700	\$ 19,470
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 80,000	\$ 80,000	\$ -	\$ 80,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	19,703	17,628	(2,075)	24,898	5,195
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	500	-
Total Operating Expenses, excluding Depreciation	\$ 100,203	\$ 98,128	\$ (2,075)	\$ 105,398	\$ 5,195
Total Direct Expenses	\$ 1,287,433	\$ 1,186,715	\$ (100,719)	\$ 1,289,112	\$ 1,678
Indirect Expenses	\$ 339,149	\$ 291,973	\$ (47,176)	\$ 373,880	\$ 34,731
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,626,582	\$ 1,478,688	\$ (147,895)	\$ 1,662,991	\$ 36,409
Change in Net Assets (= A - B)	\$ 5,325	\$ 153,187	\$ 147,863	\$ 4,810	\$ (514)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	5,325	5,248	(77)	4,810	(515)
Inc/(Dec) in Fixed Assets	\$ 5,325	\$ 5,248	\$ (77)	\$ 4,810	\$ (515)
Total Budget (= B + C)	\$ 1,631,907	\$ 1,483,936	\$ (147,972)	\$ 1,667,802	\$ 35,894
Change in Working Capital (= A - B - C)	\$ (0)	\$ 147,939	\$ 147,940	\$ -	\$ 0
FTEs	3.00	3.00	-	3.00	-

*Penalties released 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).

Situational Awareness Program

Situation Awareness and Infrastructure Security Program			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	5.00	5.00	0.00
Direct Expenses	\$ 1,365,524	\$ 1,517,891	\$ 152,367
Indirect Expenses	\$ 565,248	\$ 623,133	\$ 57,885
Inc(Dec) in Fixed Assets	\$ 8,876	\$ 8,017	\$ (859)
Total Funding Requirement	\$ 1,939,647	\$ 2,149,041	\$ 209,393

Program Scope and Functional Description

The ReliabilityFirst Operational Analysis & Awareness (OAA) department focuses on Event Analysis, Situational Awareness, Threat Intelligence, and operational ReliabilityFirst and ERO Initiatives.

In support of the ERO Enterprise, OAA staff, in coordination with members of the Engineering and System Performance (ESP) and the Reliability and Risk Analysis groups, monitors present conditions on and emerging threats to the BES. OAA staff performs the event analysis process for system disturbances and events which includes working 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.

OAA staff performs ongoing monitoring of Situational Awareness utilizing various tools. This activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection to ensure reliability, security, and resilience of the BES.

The Events Analysis, Situational Awareness and Threat Intelligence program activities support the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, maintaining an awareness of conditions on the BES, and identifying potential and emerging threats to the BES. OAA staff works on various internal initiatives to support and develop risk-based tools to drive tactical, strategic and risk informed decision making; and collaborates with industry, stakeholders and the ERO community through various outreach activities.

2023 Key Assumptions

The OAA Event Analysis, Situational Awareness, and Threat Intelligence programs support the key value drivers and strategic focus areas set forth in the ERO Enterprise Long Term Strategy. They also include 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. OAA staff will participate in these exercises as appropriate.

2. OAA staff supports the ERO Enterprise through actively participating (and in some cases serving in leadership roles) in NERC committees, subcommittees, working groups, task forces, and other technical groups.
3. OAA staff will continue to support innovative and continuous improvement initiatives to drive efficiencies, effectiveness and risk informed decision making.
4. OAA staff will continue to support external collaboration with industry, other stakeholders, and the ERO Enterprise community.

2023 Key Deliverables

- Provide Information on Cyber & Physical Security, and Operational - Related Issues
 - OAA staff, in collaboration with the ReliabilityFirst CSO, support this activity which 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.
 - OAA staff, as part of Situational Awareness activities, will work with members of the E-ISAC and NERC staff to use existing and further develop a robust messaging system for dissemination of Operational and CIP-related messages to the appropriate target audience and will promote the use of the messaging system for exchange of security-related information.
- Monitor the Health of the BES
 - The use of Situational Awareness tools by OAA staff has been evolving over the last few years. The ReliabilityFirst OAA staff continues to participate in the Situational Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and uses the SAFNR 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), MISO Reliability Coordinator System (MCS), The Event Analysis Management System (TEAMS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to current SAFNR Version to monitor the health of the BES within the ReliabilityFirst geographical area. In addition to the tools just mentioned, OAA staff continues to investigate other tools for monitoring the grid.
- Evolve and facilitate the ReliabilityFirst Threat Intelligence Program
 - OAA staff is evolving, leading, and facilitating activities to monitor, quantify, and assess new and emerging threats to the BES. This includes assessing and exploring tools and techniques used to perform this activity in support of the Reliability and Risk Analysis program. The OAA staff will continue to enhance its

ability to collect and analyze data, leveraging the Analytic Services program to better identify and quantify emerging threats to the BES and to provide additional input to ReliabilityFirst staff, stakeholders and internally for various initiatives and projects (i.e., ReliabilityFirst Risk Register, ReliabilityFirst Regional Risk Assessment program, etc.)

- Engage in and contribute to ERO biennial GridEx and annual GridSecCon activities.
- Collect, validate, review, and analyze data for system events and disturbances as described in the 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.
- Author, publish and share lessons learned documents designed to convey lessons learned from NERC’s various activities such as the ERO Event Analysis Process and NERC/FERC supported initiatives (i.e., commissioning practices, data verification and validation, real-time 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 ESP 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 Analytic Services, Risk Analysis and Mitigation, 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).
- Engage and participate in the Event Analysis Subcommittee (EAS), ERO Event Analysis (EA), Energy Management System Working Group (EMSWG), System Protection & Control Working Group (SPCWG), 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**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

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

Situational Awareness Program Budget Detail

The following table shows funding sources and related expenses for the Situational Awareness section of the 2023 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Situation Awareness and Infrastructure Security					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 1,677,911	\$ 1,677,911	\$ -	\$ 1,910,818	\$ 232,908
Penalties Released	258,039	258,039	-	230,934	(27,104)
Total ReliabilityFirst Funding	\$ 1,935,949	\$ 1,935,949	\$ -	\$ 2,141,753	\$ 205,804
Membership Dues		\$ -	\$ -	-	\$ -
Interest & Investment Income	3,698	3,644	(54)	7,289	3,589
Miscellaneous Income		-	-	-	-
Total Funding (A)	1,939,647	1,939,593	(54)	2,149,041	209,392
Expenses					
Personnel Expenses					
Salaries	\$ 873,055	\$ 916,841	\$ 43,786	\$ 925,927	\$ 52,872
Payroll Taxes	54,875	56,312	1,437	58,395	3,520
Benefits	161,887	142,441	(19,446)	176,783	14,897
Retirement Costs	138,102	129,431	(8,672)	146,309	8,207
Total Personnel Expenses	\$ 1,227,919	\$ 1,245,025	\$ 17,106	\$ 1,307,415	\$ 79,496
Meeting Expenses					
Meetings	\$ 500	\$ 375	\$ (125)	\$ 3,500	\$ 3,000
Conference Calls	-	-	-	-	-
Travel	50,000	37,500	(12,500)	50,000	-
Total Meeting Expenses	\$ 50,500	\$ 37,875	\$ (12,625)	\$ 53,500	\$ 3,000
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ (20,000)
Office Rent	-	-	-	-	-
Office Costs	67,105	155,878	88,773	156,976	89,871
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses, excluding Depreciation	\$ 87,105	\$ 175,878	\$ 88,773	\$ 156,976	\$ 69,871
Total Direct Expenses	\$ 1,365,524	\$ 1,458,778	\$ 93,254	\$ 1,517,891	\$ 152,367
Indirect Expenses	\$ 565,248	\$ 486,621	\$ (78,627)	\$ 623,133	\$ 57,885
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,930,772	\$ 1,945,399	\$ 14,627	\$ 2,141,024	\$ 210,251
Change in Net Assets (= A - B)	\$ 8,876	\$ (5,806)	\$ (14,681)	\$ 8,017	\$ (859)
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
Allocation of Fixed Assets	8,876	8,746	(130)	8,017	(859)
Inc/(Dec) in Fixed Assets	\$ 8,876	\$ 8,746	\$ (130)	\$ 8,017	\$ (859)
Total Budget (= B + C)	\$ 1,939,647	\$ 1,954,146	\$ 14,497	\$ 2,149,041	\$ 209,393
Change in Working Capital (= A - B - C)	\$ (0)	\$ (14,553)	\$ (14,551)	\$ -	\$ 0
FTEs	5.00	5.00	-	5.00	-

*Penalties released 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).

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2022	2023	Increase (Decrease)	2022	2023	Increase (Decrease)
General and Administrative	\$ 2,798,620	\$ 3,425,730	\$ 627,110	4.00	5.00	1.00
Legal and Regulatory*	\$ 987,435	\$ 772,209	\$ (215,226)	3.00	2.00	(1.00)
Information Technology	\$ 2,059,405	\$ 2,397,743	\$ 338,338	7.00	8.00	1.00
Human Resources	\$ 1,100,774	\$ 1,147,115	\$ 46,341	4.00	4.00	0.00
Finance and Accounting	\$ 815,913	\$ 916,583	\$ 100,671	3.00	3.00	0.00
Total Administrative Services	\$ 7,762,147	\$ 8,659,381	\$ 897,235	21.00	22.00	1.00

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.

Section A – Statutory Programs

Administrative Services

Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the 2023 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Administrative Services					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 766,700	\$ 766,700	\$ -	\$ (86,662)	\$ (853,362)
Penalties Released		-	-	\$ -	-
Total ReliabilityFirst Funding	\$ 766,700	\$ 766,700	\$ -	\$ (86,662)	\$ (853,362)
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income		-	-	-	-
Miscellaneous Income		-	-	-	-
Total Funding (A)	766,700	766,700	-	(86,662)	(853,362)
Expenses					
Personnel Expenses					
Salaries	\$ 3,819,342	\$ 3,244,410	\$ (574,932)	\$ 4,050,687	\$ 231,345
Payroll Taxes	217,678	191,142	(26,536)	\$ 242,655	24,977
Benefits	660,573	471,698	(188,875)	\$ 816,516	155,942
Retirement Costs	677,136	542,462	(134,674)	\$ 708,278	31,142
Total Personnel Expenses	\$ 5,374,730	\$ 4,449,713	\$ (925,016)	\$ 5,818,136	\$ 443,406
Meeting Expenses					
Meetings	\$ 121,890	\$ 91,418	\$ (30,473)	\$ 172,400	\$ 50,510
Conference Calls	21,960	21,960	-	\$ 15,000	(6,960)
Travel	60,000	45,000	(15,000)	\$ 75,000	15,000
Total Meeting Expenses	\$ 203,850	\$ 158,378	\$ (45,473)	\$ 262,400	\$ 58,550
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 198,250	\$ 218,250	\$ 20,000	\$ 449,604	\$ 251,354
Office Rent	598,092	598,092	-	\$ 682,584	84,492
Office Costs	594,625	578,990	(15,635)	\$ 612,083	17,459
Professional Services	631,765	631,765	-	\$ 685,915	54,150
Miscellaneous	40,835	41,259	423	\$ 38,659	(2,176)
Total Operating Expenses, excluding Depreciation	\$ 2,063,567	\$ 2,068,356	\$ 4,788	\$ 2,468,845	\$ 405,279
Total Direct Expenses	\$ 7,642,147	\$ 6,676,447	\$ (965,701)	\$ 8,549,381	\$ 907,235
Indirect Expenses	\$ (7,642,147)	\$ (6,676,447)	\$ 965,701	\$ (8,549,381)	\$ (907,234)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ (0)	\$ -	\$ 0	\$ (0)	\$ 0
Change in Net Assets (= A - B)	\$ 766,700	\$ 766,700	\$ (0)	\$ (86,662)	\$ (853,362)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	120,000	120,000	-	110,000	(10,000)
	(120,000)	(120,000)	-	\$ (110,000)	10,000
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (= B + C)	\$ (0)	\$ -	\$ 0	\$ (0)	\$ 0
Change in Working Capital (= A - B - C)	\$ 766,700	\$ 766,700	\$ (0)	\$ (86,662)	\$ (853,362)
FTEs	21.00	20.00	(1.00)	22.00	1.00

*Penalties released 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).

General and Administrative

Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Chief Security Officer (CSO), a Senior Executive Assistant, and two security personnel. 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.

2023 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) and related security outreach efforts to the members in our region. We will look for opportunities to enhance those relationships and outreach efforts with tabletop exercises and simulation activities.

In addition to consolidated security assessment and audit activities performed across the ERO, ReliabilityFirst will maintain recurring third-party security assessment activities in order to uncover undetected vulnerabilities, measure security control effectiveness, gauge security maturity, and ultimately reduce risk to the enterprise.

With additional assessments comes additional remediation efforts, so we will be looking to grow both our IT team and our corporate security team to drive that growth in security maturity.

2023 Key Deliverables

- Support of the ReliabilityFirst 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 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.
- Implement a Network Traffic Analysis technology solution
 - In coordination with the Information Technology department, identify and implement a technology solution that performs Network Traffic Analysis and alerts the ReliabilityFirst security team when anomalous network traffic is identified.
- 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**

An increase in one FTE for 2023 who will be dedicated to corporate security initiatives.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 3rd Party Security Assessments in 2023.

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 various State regulatory bodies); (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 program 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 program is responsible for ReliabilityFirst's regulatory affairs. This includes communication and outreach to FERC, NERC, and State regulatory agencies 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 program 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 program 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.

2023 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.

2023 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**

There was a communications FTE transferred to Reliability and Risk from this group, noted in the 2022 administrative projections and 2023 administrative budget numbers. There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in 2023.

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
- Cloud Tenant Management

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 ninth year of operation. Operational experience to date has been excellent and experts believe it 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.

2023 Key Assumptions

The IT Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the recently developed ERO 3 Year Cybersecurity Strategy 2022 – 2023. The objectives include the support for building and implementing centralized enterprise applications for the ERO and implementation of controls and processes to provide like protections to the identified ERO security risks, respectively. The IT Program includes the following regional assumptions:

1. Utilize Continuous improvement to maintain and advance the security posture across the corporation-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.
6. Continue close collaboration with Corporate Security to ensure that planned objectives are prioritized and desired results are purposely implemented.

2023 Key Deliverables

- Continue assessment of system(s) and/or services that could potentially be outsourced or moved into a secure cloud hosted environment. The ERO Enterprise recognizes that this alternative must be considered 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 corporation-wide Information Management System.

-
- Continue enhancements of the internal and external websites and related applications to further improve employee efficiency and customer experience. Transitioning to an externally hosted public website to create a new modernized look and feel which will provide greater flexibility in content management and usability.
 - 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. Efforts to advance the implementations of Identity Access Management, Data Loss Prevention, Vulnerability Scanning, Network Traffic Analysis and 24x7 Security Monitoring will continue within 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 CHIRP (Cyber Hygiene and Internet Risk Program), CRISP (Cybersecurity Risk Information Sharing Program), and E-ISAC 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 for 2023 who will be a dedicated security resource to cover the anticipated increase in security controls and processes.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2023 as needed for network maintenance projects, cloud initiatives, security simulation activities, enhancing data management systems, and network and audio/visual upgrades.

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 Human Resources (HR) program centers on ReliabilityFirst's greatest resources, the staff and the organization's culture. The HR department is responsible for the attraction and retention of a diverse and talented workforce, employee engagement, creating a work environment of 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 HR department oversees the organization's corporate goals, corporate strategic plan and driving ReliabilityFirst's diversity and inclusion priorities. The HR 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 91 individuals, equivalent to 90.60 FTEs. 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.

2023 Key Assumptions

The 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.

2023 Key Deliverables

- Recruit and retain highly skilled employees.
- Implement new recruiting strategies to identify diverse candidates
- Develop and deploy diversity and inclusion training, series, regional and ERO resource groups to foster a culture of inclusion.
- Assess workforce model against organizational needs and changing competitive market
- 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 and forecast for future talent needs.
- 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**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2023 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.

2023 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.

2023 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**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

Contractor or consultant support is budgeted in 2023 for internal control efforts and system enhancements.

Section B: Supplemental Financial Information

Table B-1: Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2022 - 2023				
STATUTORY				
	Total	Working Capital and Working Capital Reserve	Unreleased Penalties	Operating Reserve
Beginning Working Capital Per Audit, December 31, 2021	13,001,138			
Less: Adjustment for Future Long-Term Liabilities	(23,694)			
Beginning Reserve Balances, January 1, 2022	12,977,444	6,690,563	5,286,881	1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2022	0	3,488,681	(3,488,681)	
Plus: Penalty Sanctions Received January 1 -June 30, 2022	1,370,220		1,370,220	
Plus: 2022 ReliabilityFirst Funding (from LSEs or designees)	23,447,945	23,447,945		
Plus: 2022 Other funding sources	50,000	50,000		
Less: 2022 Projected expenses & capital expenditures	(24,646,578)	(24,646,578)		
Other Adjustments to Reserves ¹	(158,313)	(158,313)		
Projected Working Capital and Operating Reserves, December 31, 2022	13,040,717	8,872,297	3,168,420	1,000,000
Targeted Working Capital and Operating Reserves, December 31, 2023 ³	9,627,323	8,627,323		1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2022	(13,040,717)	(8,872,297)	(3,168,420)	(1,000,000)
Total Adjustments to Reserves	(3,413,395)	(244,975)	(3,168,420)	0
2023 Expenses and Capital Expenditures	27,975,420			
Less: Penalty Sanctions ²	(3,168,420)			
Less: Other Funding Sources	(100,000)			
Adjustment to Achieve Reserve Balances	(244,975)			
Other Adjustments to Reserve ¹	158,313			
2023 ReliabilityFirst Assessment	24,620,339			

¹ 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.

² Represents penalty sanctions collected from July 1, 2021 to June 30, 2022.

³ The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on April 28, 2022.

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 2023, the working capital reserve is being decreased by \$0.2M to meet the Board-approved target reserve of approximately \$8.6M at December 31, 2023. The Targeted Working Capital balance of \$8.6M 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 March 9, 2022, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy, is the same amount budgeted in the 2022 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 2021 and June 30, 2022	
Dates Received	Amount Received
Collected July 1, 2021 to December 31, 2021	1,798,200
Collected January 1, 2022 to June 30, 2022	1,370,220
Total	3,168,420

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 Analysis;
- Compliance Monitoring and Enforcement;
- Reliability Assessments and Performance Analysis;
- Training, Education, Outreach, and Operator Certification; and
- Situational Awareness.

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget
Interest Income	\$ 50,000	\$ 100,000	\$ 100,000	\$ 50,000
Total Outside Funding	\$ 50,000	\$ 100,000	\$ 100,000	\$ 50,000

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- No significant variances requiring explanation.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Salaries					
Salaries	\$ 16,209,863	\$ 15,607,240	\$ 16,849,344	\$ 639,480	3.9%
Vacation Expense	64,382	64,382	64,400	18	0.0%
Total Salaries	\$ 16,274,245	\$ 15,671,622	\$ 16,913,744	\$ 639,498	3.9%
Total Payroll Taxes	\$ 992,282	\$ 945,954	\$ 1,052,888	\$ 60,606	6.1%
Benefits					
Workers Compensation	\$ 17,000	\$ 17,000	\$ 17,000	\$ -	0.0%
Medical Insurance	1,907,913	1,779,964	2,225,045	317,132	16.6%
Life-LTD Insurance	140,243	130,454	149,446	9,203	6.6%
Training & Education	347,650	48,790	382,427	34,777	10.0%
Relocation	-	-	-	-	-
Total Benefits	\$ 2,412,806	\$ 1,976,208	\$ 2,773,918	\$ 361,112	15.0%
Retirement					
Discretionary 401k Contribution	\$ 1,581,740	\$ 1,374,437	\$ 1,639,274	\$ 57,534	3.6%
Savings Plan	924,017	808,907	953,937	29,920	3.2%
Pension & Savings Admin	96,350	96,350	113,350	17,000	17.6%
Total Retirement	\$ 2,602,107	\$ 2,279,694	\$ 2,706,562	\$ 104,455	4.0%
Total Personnel Costs	\$ 22,281,440	\$ 20,873,478	\$ 23,447,112	\$ 1,165,672	5.2%
FTEs	88.60	88.60	90.60	2.00	2.3%
Cost per FTE					
Salaries	\$ 183,682	\$ 176,881	\$ 186,686	3,004	1.6%
Payroll Taxes	11,200	10,677	11,621	422	3.8%
Benefits	27,233	22,305	30,617	3,385	12.4%
Retirement	29,369	25,730	29,874	505	1.7%
Total Cost per FTE	\$ 251,484	\$ 235,592	\$ 258,798	\$ 7,315	2.9%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The overall increase in **Personnel Expenses** is mainly due to the addition of 2 new FTEs, a 4% general wage increase, and promotions.
- The decrease in **Pension & Savings Admin** is due to the difference in the staff mix between 2022 and 2023.

Table B-5: Meeting Expenses

Meeting Expenses	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Reliability and Risk	\$ 161,980	\$ 121,485	\$ 180,180	18,200	11.2%
Compliance Monitoring and Enforcement	\$ 235,825	\$ 176,869	\$ 249,625	13,800	5.9%
Reliability Assessment and Performance Analysis	\$ 103,250	\$ 77,438	\$ 105,550	2,300	2.2%
Training and Education	\$ 225,230	\$ 168,923	\$ 244,700	19,470	8.6%
Situation Awareness and Infrastructure Security	\$ 50,500	\$ 37,875	\$ 53,500	3,000	5.9%
Administrative Services	\$ 203,850	\$ 158,378	\$ 262,400	58,550	28.7%
Total Meeting Expenses	\$ 980,635	\$ 740,966	\$ 1,095,955	\$ 115,320	11.8%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Training and Education** is due to inflationary impacts on costs associated with the Reliability, CIP, and technical workshops.
- The increase in **Administrative Services** is due to security training exercises.
- The increase in **Reliability and Risk** is a result of inflation impacts on travel costs and increased entity outreach.

Table B-6: Consultants and Contractors

Consultants & Contracts	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Reliability and Risk	\$ 10,000	\$ 10,000	\$ 186,667	176,667	1766.7%
Compliance Monitoring and Enforcement	\$ 10,000	\$ 10,000	\$ 10,000	-	0.0%
Reliability Assessment and Performance Analysis	\$ 130,624	\$ 130,624	\$ 111,278	(19,346)	-14.8%
Training and Education	\$ 80,000	\$ 80,000	\$ 80,000	-	0.0%
Situation Awareness and Infrastructure Security	\$ 20,000	\$ 20,000	\$ -	(20,000)	-100.0%
Administrative Services	\$ 198,250	\$ 218,250	\$ 449,604	251,354	126.8%
Consultants & Contracts Total	\$ 448,874	\$ 468,874	\$ 837,549	\$ 388,675	86.6%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Administrative Services** is due to a third party security assessment, network maintenance projects, cloud initiatives, security simulations activities, enhancing data managements systems, and network and audio/visual upgrades.
- The increase in **Reliability and Risk** is due to the increased costs associated with public website enhancements, data analytics initiatives, and plant winterization efforts.
- The decrease in **Situational Awareness** is due to a decrease in various project work.
- The decrease in **Reliability Assessment and Performance Analysis** is mainly due to a decrease in various project work.

Table B-7: Office Rent

Office Rent	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Office Rent	\$ 467,532	\$ 467,532	\$ 552,024	\$ 84,492	18.1%
Data Center Rent	\$ 70,560	\$ 70,560	\$ 70,560	-	0.0%
Utilities	\$ 60,000	\$ 60,000	\$ 60,000	-	0.0%
Total Office Rent	\$ 598,092	\$ 598,092	\$ 682,584	\$ 84,492	14.1%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Office Rent** is due to an office expansion and lease extension.

Table B-8: Office Costs**Explanation of Significant Variances – 2022 Budget versus 2023 Budget**

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Telephone	\$ 92,222	\$ 88,280	\$ 105,106	\$ 12,884	14.0%
Internet	\$ 41,586	\$ 23,628	\$ 29,988	(11,598)	-27.9%
Office Supplies	\$ 19,600	\$ 19,600	\$ 20,050	450	2.3%
Computer Supplies and Maintenance	\$ 900,606	\$ 990,941	\$ 830,165	(70,441)	-7.8%
Publications & Subscriptions	\$ 19,585	\$ 16,100	\$ 29,159	9,574	48.9%
Dues	\$ 22,309	\$ 11,215	\$ 37,749	15,440	69.2%
Postage	\$ 1,300	\$ 1,300	\$ 1,300	-	0.0%
Express Shipping	\$ 500	\$ 500	\$ 500	-	0.0%
Copying	\$ 3,000	\$ 3,000	\$ 3,000	-	0.0%
Stationary Forms	\$ 850	\$ 850	\$ 900	50	5.9%
Equipment Repair/Service Contracts	\$ 8,830	\$ 8,830	\$ 8,830	-	0.0%
Total Office Costs	\$ 1,110,388	\$ 1,164,244	\$ 1,066,747	\$ (43,640)	-3.9%

- The decrease in **Computer Supplies and Maintenance** is primarily due lower computer hardware costs.

Table B-9: Professional Services

Professional Services	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Independent Trustee Fees	\$ 449,000	\$ 449,000	\$ 447,000	\$ (2,000)	-0.4%
Accounting & Auditing Fees	\$ 72,665	\$ 72,665	\$ 75,815	3,150	4.3%
Outside Legal	\$ 15,000	\$ 15,000	\$ 15,000	-	0.0%
Insurance Commercial	\$ 95,100	\$ 95,100	\$ 148,100	53,000	55.7%
Total Services	\$ 631,765	\$ 631,765	\$ 685,915	\$ 54,150	8.6%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Insurance Commercial** is due to an expected rise in the cost of cybersecurity insurance.

Table B-10: Miscellaneous

Miscellaneous Expense	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Miscellaneous	\$ 48,735	\$ 49,159	\$ 49,559	\$ 824	1.7%
Total Miscellaneous Expense	\$ 48,735	\$ 49,159	\$ 49,559	\$ 824	1.7%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- No significant variances requiring explanation

Table B-11: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- No significant variances requiring explanation.

Table B-12: Fixed Assets

Fixed Assets	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Computer Hardware	\$ 90,000	\$ 90,000	\$ 70,000	\$ (20,000)	-22.2%
Computer Software	\$ 30,000	\$ 30,000	\$ 40,000	10,000	33.3%
Furniture & Fixtures	\$ -	\$ -	\$ -	-	-
Leasehold Improvements	\$ -	\$ -	\$ -	-	-
Total Fixed Assets	\$ 120,000	\$ 120,000	\$ 110,000	\$ (10,000)	-8.3%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- No significant variances requiring explanation.

Table B-13: 2024 and 2025 Projections

Statement of Activities 2024 and 2025 Projections							
	2023 Budget	2024 Projection	\$ Change 23 v 24	% Change 23 v 24	2025 Projection	\$ Change 24 v 25	% Change 24 v 25
Funding							
ERO Funding							
ERO Assessments	\$ 24,620,339	\$ 25,605,153	\$ 984,814	4.0%	\$ 26,373,307	\$ 768,155	3.0%
Penalty Sanctions	3,168,420	1,000,000	(2,168,420)	-68%	1,000,000	-	0.0%
Total ERO Funding	\$ 27,788,759	\$ 26,605,153	\$ (1,183,606)	-4.3%	\$ 27,373,307	-	-
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Interest and Investment Income	100,000	100,000	-	0.0%	100,000	-	0.0%
Miscellaneous Income	-	-	-	-	-	-	-
Total Funding (A)	\$ 27,888,759	\$ 26,705,153	\$ (1,183,606)	-4.2%	\$ 27,473,307	\$ -	0.0%
Expenses							
Personnel Expenses							
Salaries	\$ 16,913,744	\$ 17,621,156	\$ 707,412	4.2%	\$ 18,149,790	\$ 528,635	3.0%
Payroll Taxes	1,052,888	1,096,925	44,037	4.2%	1,129,833	32,908	3.0%
Benefits	2,773,918	2,912,778	138,859	5.0%	3,054,291	141,513	4.9%
Retirement Costs	2,706,562	2,819,763	113,201	4.2%	2,904,356	84,593	3.0%
Total Personnel Expenses	\$ 23,447,112	\$ 24,450,621	\$ 1,003,510	4.3%	\$ 25,238,269	\$ 787,648	3.2%
Meeting Expenses							
Meetings	\$ 432,855	\$ 441,512	\$ 8,657	2.0%	\$ 450,342	\$ 8,830	2.0%
Conference Calls	\$ 15,000	\$ 15,300	\$ 300	2.0%	\$ 15,606	\$ 306	2.0%
Travel	648,100	667,543	19,443	3.0%	687,569	20,026	3.0%
Total Meeting Expenses	\$ 1,095,955	\$ 1,124,355	\$ 28,400	2.6%	\$ 1,153,518	\$ 29,163	2.6%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 837,549	\$ 929,679	\$ 92,130	11.0%	\$ 1,025,436	\$ 95,757	10.3%
Office Rent	682,584	689,410	6,826	1.0%	696,304	6,894	1.0%
Office Costs	1,066,747	1,194,757	128,010	12.0%	1,338,128	143,371	12.0%
Professional Services	685,915	692,774	6,859	1.0%	699,702	6,928	1.0%
Miscellaneous	49,559	50,054	496	1.0%	50,555	501	1.0%
Total Operating Expenses, excluding Depreciation	3,322,354	3,556,674	234,321	7.1%	3,810,125	253,450	7.1%
Total Direct Expenses	\$ 27,865,420	\$ 29,131,651	\$ 1,266,230	4.5%	\$ 30,201,912	\$ 1,070,261	3.7%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 27,865,420	\$ 29,131,651	\$ 1,266,230	4.5%	\$ 30,201,912	\$ 1,070,261	3.7%
Change in Net Assets (= A - B)	\$ 23,338	\$ (2,426,498)	\$ (2,449,836)	-10497%	\$ (2,728,604)	\$ (1,070,261)	44.1%
Fixed Asset Additions, excluding Right of Use Assets (C)	110,000	110,000	\$ -	0.0%	\$ 110,000	\$ -	0.0%
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Inc/(Dec) in Fixed Assets	\$ 110,000	\$ 110,000	\$ -	0.0%	\$ 110,000	\$ -	0.0%
Total Budget (= B+ C)	\$ 27,975,420	\$ 29,241,651	\$ 1,266,230	4.5%	\$ 30,311,912	\$ 1,070,261	3.7%
Change in Working Capital (= A - B - C)	\$ (86,662)	\$ (2,536,498)	\$ (2,449,836)	2826.9%	\$ (2,838,604)	\$ (1,070,261)	42.2%
FTEs	90.60	92.60	2	2.2%	92.60	-	0.0%

Explanation of 2024 and 2025 Budget Projections

The following is a breakdown of the projected budget ranges for 2024.

2024 Lower Range: 4.5%

- Personnel Expense: 4.3%
 - Wages Increase: 3%
 - Medical/Dental Premiums: 6%
 - Hire 2 additional FTEs
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.1%
- Fixed Assets: \$110,000

2024 Higher Range to Address At-Risk Initiatives: 7.8%

- Personnel Expense: 8.0%
 - Wages Increase: 5%
 - Medical/Dental Premiums: 10%
 - Hire 3 additional FTEs (in addition to 2 FTE's from low range)
- Meeting Expense: 7%
- Travel Expense: 7%
- Operating Expense: 7.4%
- Fixed Assets: \$110,000

Notes:

1. 2024 projections are based on the 2023 budget.

The following is a breakdown of the projected budget ranges for 2025.

2025 Lower Range: 3.7%

- Personnel Expense: 3.2%
 - Wages Increase: 3%
 - Medical/Dental/Vision Premiums: 6%
 - Includes the 2 FTEs from the 2024 low projection
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.1%
- Fixed Assets: \$110,000

2025 Higher Range to Address At-Risk Initiatives: 9.3%

- Personnel Expense: 9.7%
 - Wages Increase: 5%
 - Medical/Dental Premiums: 10%
 - Includes the 5 FTEs from the 2024 high projection
 - Hire 2 additional FTEs
- Meeting Expense: 7%
- Travel Expense: 7%
- Operating Expense: 7.4%
- Fixed Assets: \$110,000

Notes:

1. 2025 projections are based on the 2024 low projection (except for FTEs as noted).

Section C: Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2022 and the organization does not intend to perform any functions outside its ERO delegated activities in 2023, therefore Section C is not applicable.

**Section D: Additional Consolidated Financial
Statements**

2023 Consolidated Statement of Activities by Program

	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance	Compliance Monitoring and Enforcement	Reliability Assessment and Performance Analysis (Section 600)	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
Funding															
ReliabilityFirst Funding															
ReliabilityFirst Assessments	24,620,339	24,620,339	-	24,620,339	-	7,428,208	10,883,028	2,960,078	1,524,868	1,910,818	(86,662)	-	-	-	-
Penalty Sanctions	3,168,420	3,168,420	-	3,168,420	-	969,924	1,524,167	304,833	138,561	230,934	-	-	-	-	-
Total ReliabilityFirst Funding	27,788,759	27,788,759	-	27,788,759	-	8,398,132	12,407,195	3,264,912	1,663,429	2,141,753	(86,662)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Investment Income	100,000	100,000	-	100,000	-	30,612	48,105	9,621	4,373	7,289	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	27,888,759	27,888,759	-	27,888,759	-	8,428,745	12,455,300	3,274,533	1,667,802	2,149,041	(86,662)	-	-	-	-
Expenses															
Personnel Expenses															
Salaries	16,913,744	16,913,744	-	16,913,744	-	3,892,253	5,764,740	1,603,212	676,925	925,927	1,474,188	540,138	1,072,957	593,605	369,799
Payroll Taxes	1,052,888	1,052,888	-	1,052,888	-	239,089	378,611	95,790	38,348	58,395	66,298	26,818	81,110	40,885	27,544
Benefits	2,773,918	2,773,918	-	2,773,918	-	530,960	917,255	216,919	115,486	176,783	165,292	88,264	216,623	267,642	78,694
Retirement Costs	2,706,562	2,706,562	-	2,706,562	-	613,752	876,614	253,352	108,256	146,309	208,918	72,926	167,838	87,996	170,598
Total Personnel Expenses	23,447,112	23,447,112	-	23,447,112	-	5,276,054	7,937,220	2,169,273	939,014	1,307,415	1,914,697	728,147	1,538,528	990,128	646,635
Meeting Expenses															
Meetings	432,855	432,855	-	432,855	-	10,880	12,425	10,550	223,100	3,500	120,000	3,000	1,500	46,700	1,200
Conference Calls	15,000	15,000	-	15,000	-	-	-	-	-	-	-	-	15,000	-	-
Travel	648,100	648,100	-	648,100	-	169,300	237,200	95,000	21,600	50,000	26,000	15,000	13,000	15,000	6,000
Total Meeting Expenses	1,095,955	1,095,955	-	1,095,955	-	180,180	249,625	105,550	244,700	53,500	146,000	18,000	29,500	61,700	7,200
Operating Expenses															
Consultants & Contracts	837,549	837,549	-	837,549	-	186,667	10,000	111,278	80,000	-	200,000	-	208,004	26,500	15,100
Office Rent	682,584	682,584	-	682,584	-	-	-	-	-	-	612,024	-	70,560	-	-
Office Costs	1,066,747	1,066,747	-	1,066,747	-	134,013	83,464	55,313	24,898	156,976	76,260	25,062	437,241	19,347	54,173
Professional Services	685,915	685,915	-	685,915	-	-	-	-	-	-	462,000	-	-	30,440	193,475
Miscellaneous	49,559	49,559	-	49,559	-	1,000	9,400	-	500	-	14,749	1,000	3,910	19,000	-
Total Operating Expenses	3,322,354	3,322,354	-	3,322,354	-	321,680	102,864	166,591	105,398	156,976	1,365,033	26,062	719,715	95,287	262,748
Total Direct Expenses	27,865,420	27,865,420	-	27,865,420	-	5,777,914	8,289,709	2,441,414	1,289,112	1,517,891	3,425,730	772,209	2,287,743	1,147,115	916,583
Indirect Expenses	0	0	-	0	-	2,617,157	4,112,676	822,535	373,880	623,133	(3,425,730)	(772,209)	(2,287,743)	(1,147,115)	(916,583)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	27,865,420	27,865,420	-	27,865,420	-	8,395,071	12,402,385	3,263,949	1,662,991	2,141,024	-	-	-	-	-
Change in Assets	23,338	23,338	-	23,338	-	33,673	52,915	10,583	4,810	8,017	(86,662)	-	-	-	-
Fixed Assets															
Computer & Software CapEx	110,000	110,000	-	110,000	-	-	-	-	-	-	-	-	110,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	110,000	110,000	-	110,000	-	-	-	-	-	-	-	-	110,000	-	-
Allocation of Fixed Assets	-	-	-	-	-	33,673	52,915	10,583	4,810	8,017	-	-	(110,000)	-	-
Inc/(Dec) Fixed Assets	110,000	110,000	-	110,000	-	33,673	52,915	10,583	4,810	8,017	-	-	-	-	-
Total Budget	27,975,420	27,975,420	-	27,975,420	-	8,428,745	12,455,300	3,274,533	1,667,802	2,149,041	-	-	-	-	-
Change in Working Capital	(86,662)	(86,662)	-	(86,662)	-	-	-	-	-	-	(86,662)	-	-	-	-
FTEs	90.60	90.60	-	90.60	-	21.00	33.00	6.60	3.00	5.00	5.00	2.00	8.00	4.00	3.00

Statement of Financial Position

2021 Statement of Financial Position	
STATUTORY and NON-STATUTORY	
(Per Audit)	
31-Dec-21	
ASSETS	
Current Assets	
Cash	2,365,145
Cash - Regulatory Designated	3,488,681
Investments	10,209,432
Accounts receivable, net of allowance for uncollectible accounts	181,095
Prepaid expenses	362,706
Total Current Assets	16,607,059
Noncurrent Assets	
Cash-regulatory designated (net of current portion)	1,773,200
Deferred Compensation Plan Assets	356,098
Total Noncurrent Assets	2,129,298
Fixed Assets	
Furniture and Equipment	410,579
Leasehold Improvements	2,086,939
Computer Hardware and Software	3,553,877
Construction in Progress	152,521
	6,203,916
Less Accumulated Depreciation	4,699,664
Total Fixed Assets	1,504,252
	3,633,550
Total Noncurrent Assets	3,633,550
Total Assets	20,240,609
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	275,426
Accrued expenses	5,103,695
Deferred Rent	142,569
Total Current Liabilities	5,521,690
Long Term Liabilities	
Deferred Revenue	350,000
Accrued Expenses (net of current portion)	122,536
Deferred Rent (net of current portion)	1,174,014
Deferred Compensation	356,098
Total Long Term Liabilities	2,002,648
Total Liabilities	7,524,338
Net Assets	
Without Donor Restrictions	
Undesignated	5,549,856
Operating Reserve Fund	1,000,000
Working Capital Reserve Fund	904,534
Regulatory Designated Funds	5,261,881
Total Net Asset	12,716,271
Total Liabilities and Net Assets	20,240,609

Appendix A: 2022 – 2023 Organization Chart

