



2022 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: May 19, 2021

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Introduction

	TOTAL RESOURCES (in whole dollars)			
	2022 Budget	U.S.	Canada	Mexico
Statutory FTEs	66.0			
Non-statutory FTEs	-			
Total FTEs	66.0			
Statutory Expenses	\$ 16,648,613			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 16,648,613			
Statutory Inc(Dec) in Fixed Assets	\$ 512,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 512,000			
Statutory Working Capital Requirement	\$ (1,583,498)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (1,583,498)			
Total Statutory Funding Requirement	\$ 15,577,115			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 15,577,115			
Statutory Funding Assessments	\$ 15,003,365			
Non-Statutory Fees	\$ -			
NEL	381,905,336	381,905,336		
NEL%	100.00%	100.00%		

Refer to Table B-1 Reserve Analysis on page 37 in Section B

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC) effective January 1, 2021. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the Public Utility Commission of Texas (PUCT) and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 90% of Texas load and 75% of the Texas land area.

Membership and Governance

Membership

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

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE as a member and complies with the Texas RE Bylaws requirements. There is no charge for membership with Texas RE. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has one stakeholder committee, the Member Representatives Committee (MRC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC facilitates the Regional Standards Development Process, and coordinates the development of Regional Standards and variances with the development of continent-wide standards. A subcommittee of the MRC, the NERC Standards Review Forum (NSRF), monitors, reviews, and discusses NERC (continent-wide) Reliability Standards under development and Reliability Standards interpretation requests.

Board of Directors

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

- The Texas RE President and Chief Executive Officer (CEO)
- Four Independent Directors (elected by membership)
- Two Affiliated Directors (the Chair and Vice Chair of the Member Representatives Committee)
- Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an *ex officio* non-voting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an *ex officio* non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a CEO to manage and be responsible for the day-to-day on-going activities of Texas RE.

Statutory Functional Scope

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

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

Financial Policies

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

2022 Overview of Cost Impacts

In developing the Texas RE 2022 Business Plan and Budget, Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-Term Strategy. Texas RE also seeks input from its MRC, and posts the budget for comment. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the Texas RE 2022 budgeted statutory expenses (\$17,160,113) increased by 20.8% from the 2021 budgeted statutory expenses (\$14,211,539). Of the \$2,949,075 increase in budget, approximately \$834,000 (28%) is for one-time expenditures associated with the relocation of Texas RE's office to new, larger space.

The 2022 statutory assessment (\$15,003,365) increased 12.4% from the 2021 assessment (\$13,343,400).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 16.7%. Salaries expense is increasing 16.6%, which includes adding three additional Full Time Equivalents (FTEs) in 2022, all in the Compliance and Organization Registration and Certification Program, and an allowance for salary increases and promotions. Payroll taxes are increasing 18.2%. Total Benefits expense is increasing 16.2%. Health plan expense did not increase as projected in 2021; however, health plan expense is projected to increase 14% for 2022 over actual 2021 cost, which is lower than the 2021 budgeted cost. Employee Benefits include education reimbursement, relocation expenses, and training and professional development. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are increasing 16.5%. All personnel-related expenses are increasing based on the additional salary expense for additional FTEs. (See CMEP program for details concerning FTE increase).
- Total Meeting and Travel expenses are increasing 9%. Meetings expense is increasing by \$36,500. The 2022 budget includes Workshop Expense for a Reliability Summit and an offsite workshop in the Training and Education Program. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Meetings expense for 2022. Travel expense is remaining consistent with 2021.
- Total Operating expenses are increasing by 11.0%. The Consultants and Contracts expense is decreasing 20.5%. The 2021 budget includes search fees for two Board of Director positions, the CEO position, and three compensation studies which are not in the 2022 budget. Rent cost is increasing 36.4%. The lease for Texas RE's office space at Las Cimas expires in March 2022. New office space and a new lease has been secured effective April 1, 2022 causing an escalation in rent and utilities for 2022. The 2022 budget also includes a one-time expense of \$320,000 for costs to relocate the office and Fixed Asset additions of \$512,000 for furniture and equipment needed for the new office; these one-time costs have been allocated to the direct statutory programs on the basis of FTEs. Office cost is increasing 1.8%. Decreased costs for an external IT audit and penetration testing reduces Professional Services 1.2%.

All statutory activity in the 2022 Business Plan and Budget aligns with the ERO Enterprise Long-Term Strategy.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a high 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.

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 in 2019, 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 Long-Term Strategy

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

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee’s (RISC’s) currently identified 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.

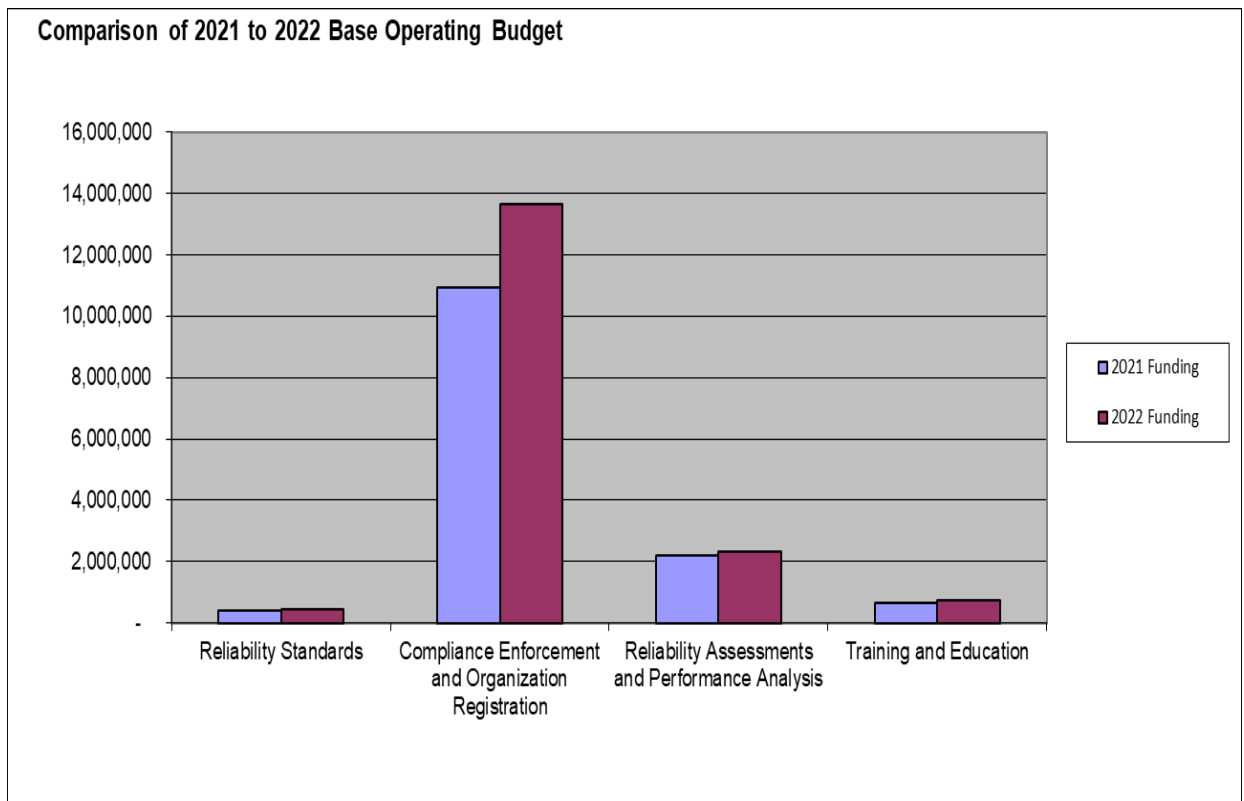
Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual,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

¹ The [2021 ERO Work Plan Priorities](#) were approved by the Board in November 2020. NERC management and the Board evaluate annual work plan priorities throughout the year.

Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2021	2021	2022	2022 Budget v 2021 Budget	Variance %
Reliability Standards	\$ 414,169	\$ 414,169	\$ 450,580	\$ 36,411	8.8%
Compliance Enforcement and Organization Registration	10,938,214	10,938,214	13,648,328	2,710,113	24.8%
Reliability Assessments and Performance Analysis	2,196,381	2,196,381	2,338,222	141,842	6.5%
Training and Education	662,774	662,774	723,482	60,709	9.2%
Total by Program	\$ 14,211,538	\$ 14,211,538	\$ 17,160,613	\$ 2,949,075	20.8%



FTEs by Program Area

Personnel Analysis

The following table displays total full-time equivalents (FTEs) by program area.

Total FTEs by Program Area	Budget 2021	Projection 2021	Direct FTEs 2022 Budget	Shared FTEs 2022 Budget	Total FTEs 2022 Budget	Change from 2021 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.25	1.25	1.25	-	1.25	-
Compliance and Organization Registration	38.75	38.75	41.75	-	41.75	3.00
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.00	6.00	6.00	-	6.00	-
Total FTEs Operational Programs	48.25	48.25	51.25	-	51.25	3.00
Administrative Programs						
General & Administrative	4.00	4.00	4.00	-	4.00	-
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	5.00	-	5.00	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
Total FTEs Administrative Programs	14.75	14.75	14.75	-	14.75	-
Total FTEs	63.00	63.00	66.00	-	66.00	3.00

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

2021 Budget and Projection and 2022 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2021 Budget & Projection, and 2022 Budget					
STATUTORY					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,343,400	\$ 13,343,400	\$ -	\$ 15,003,365	\$ 1,659,965
Penalties Released*	169,195	169,195	-	558,750	389,555
Total NERC Funding	\$ 13,512,595	\$ 13,512,595	\$ -	\$ 15,562,115	\$ 2,049,520
Interest	80,000	80,000	-	15,000	(65,000)
Total Funding (A)	\$ 13,592,595	\$ 13,592,595	\$ -	\$ 15,577,115	\$ 1,984,520
Expenses					
Personnel Expenses					
Salaries	\$ 7,886,558	\$ 7,886,558	\$ -	9,199,332	\$ 1,312,774
Payroll Taxes	537,917	537,917	-	635,827	97,910
Benefits	1,412,700	1,412,700	-	1,641,720	229,020
Retirement Costs	1,107,299	1,107,299	-	1,290,440	183,141
Total Personnel Expenses	\$ 10,944,474	\$ 10,944,474	\$ -	\$ 12,767,318	\$ 1,822,844
Meeting & Travel Expenses					
Meetings	\$ 35,400	\$ 35,400	\$ -	71,900	\$ 36,500
Travel	371,684	371,684	-	371,685	0
Total Meeting & Travel Expenses	\$ 407,085	\$ 407,084	\$ -	\$ 443,585	\$ 36,500
Operating Expenses, Excluding Depreciation					
Consultants & Contracts	\$ 442,404	\$ 442,404	\$ -	351,700	\$ (90,704)
Office Rent	1,080,000	1,080,000	-	1,473,545	393,545
Office Costs	672,740	672,740	-	684,840	12,100
Professional Services	614,835	614,835	-	607,625	(7,210)
Total Operating Expenses	\$ 2,809,979	\$ 2,809,979	\$ -	\$ 3,117,710	\$ 307,731
Total Direct Expenses	\$ 14,161,538	\$ 14,161,537	\$ -	\$ 16,328,613	\$ 2,167,075
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 320,000	\$ 320,000
Total Expenses (B)	\$ 14,161,538	\$ 14,161,538	\$ -	\$ 16,648,613	\$ 2,487,075
Change in Net Assets (A - B)	\$ (568,943)	\$ (568,943)	\$ -	\$ (1,071,498)	\$ (502,556)
Fixed Assets, excluding Right of Use Assets (C)					
	50,000	50,000	-	512,000	462,000
TOTAL BUDGET (B + C)	14,211,538	14,211,538	\$ -	\$ 17,160,613	\$ 2,949,075
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (618,943)	\$ (618,943)	\$ -	\$ (1,583,498)	\$ (964,556)
FTEs	63.00	63.00		66.00	

*Penalties Released in the current year reflects the designated amount of funds released to offset U.S. Assessments. Actual penalties invoiced in the current year are reported as income on the audited financial statements in accordance with Generally Accepted Accounting Printples (GAAP).

Approved by the Texas RE Board of Directors, May 19, 2021

Section A – Statutory Programs

2022 Business Plan and Budget



Section A — 2022 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	1.25	1.25	-
Direct Expenses	\$ 257,836	\$ 262,704	\$ 4,868
Indirect Expenses	\$ 155,038	\$ 175,389	\$ 20,351
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,295	\$ 12,488	\$ 11,192
Total Funding Requirement	\$ 414,169	\$ 450,580	\$ 36,411

Program Scope and Functional Description

Texas RE's Reliability Standards Program supports the NERC Reliability Standards Program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE MRC's standards development activities, the NERC Standards Review Forum (NSRF), and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. The Standards Development Process includes an appeal process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC Reliability Standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

In addition, Texas RE reviews proposed NERC Reliability Standards. This Program area supports and facilitates standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standards Development Process. The NSRF provides a regional stakeholder forum for education and discussion of NERC Reliability Standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

When developing Regional Standards, Texas RE is responsible for adhering to its FERC-approved Regional Standards development processes, and for assisting NERC as needed with obtaining NERC Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

2022 Key Assumptions

- Continent-wide NERC Reliability Standards projects will consist primarily of new Standards Authorization Requests, Periodic Reviews, Standards Efficiency Review (SER) Implementation, and Standards Grading, covering both Critical Infrastructure Protection (CIP) and Operations and Planning standards. These activities will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- Regional Standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Although Regional Standards development activity is expected to remain low, Texas RE Regional Standard BAL-001-TRE-2 is subject to periodic review and revision under the Texas RE Regional Standard development process, and additional technical resources may be required in support of region-specific activities in connection with this standard.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement, supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations is expected to remain low. However, guidance requests associated with the implementation of standards may increase.
- Regional Entities will continue to be asked to participate in teams to help enhance application business requirements and test business functionality for ERO Enterprise applications projects, including Align and the Secure Evidence Locker (SEL).

2022 Goals and Key Deliverables

- Provide input on and facilitate industry review of new and existing NERC Reliability Standards, including cost effectiveness/impact analysis.
 - Provide input and feedback for new and existing NERC Reliability Standards using compliance monitoring experience as a basis.
 - Provide guidance and outreach on approved NERC Reliability Standards and Regional Standards.
 - Develop, as needed, regional variances or Regional Standards to address specific reliability risks and evaluate the need for existing Regional Standards.
-

- Review existing Regional Standards to determine if any could be incorporated as a regional variance to a continent-wide NERC Reliability Standard.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2021.

Consultants and Contracts

No consulting support and contracts are budgeted for 2022, which is consistent with the 2021 budget.

Section A — 2022 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2022. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2021 Budget & Projection, and 2022 Budget					
RELIABILITY STANDARDS					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 345,684	\$ 345,684	\$ -	365,936	\$ 20,252
Penalties Released	4,383	4,383		13,628	9,245
Total NERC Funding	\$ 350,067	\$ 350,067	\$ -	\$ 379,564	\$ 29,497
Interest	2,073	2,073	-	366	(1,707)
Total Funding	\$ 352,140	\$ 352,140	\$ -	\$ 379,930	\$ 27,790
Expenses					
Personnel Expenses					
Salaries	\$ 174,732	\$ 174,732	\$ -	178,151	\$ 3,420
Payroll Taxes	12,643	12,643	-	12,875	232
Benefits	40,608	40,608	-	41,405	796
Retirement Costs	22,953	22,953	-	23,373	420
Total Personnel Expenses	\$ 250,936	\$ 250,936	\$ -	\$ 255,804	\$ 4,868
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	-	\$ -
Travel	6,900	6,900	-	6,900	-
Total Meeting & Travel Expenses	\$ 6,900	\$ 6,900	\$ -	\$ 6,900	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	-	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 257,836	\$ 257,836	\$ -	\$ 262,704	\$ 4,868
Indirect Expenses	\$ 155,038	\$ 155,038	\$ -	\$ 175,389	\$ 20,351
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 412,874	\$ 412,874	\$ -	\$ 438,092	\$ 25,219
Change in Assets	\$ (60,734)	\$ (60,734)	\$ -	\$ (58,163)	\$ 2,571
Fixed Assets, excluding Right of Use Assets (C)	\$ 1,295	\$ 1,295	-	\$ 12,488	11,192
TOTAL BUDGET	\$ 414,169	\$ 414,169	\$ -	\$ 450,580	\$ 36,411
TOTAL CHANGE IN WORKING CAPITAL	\$ (62,029)	\$ (62,029)	\$ -	\$ (70,650)	\$ (8,621)
FTEs	1.25	1.25	-	1.25	-

Approved by the Texas RE Board of Directors, May 19, 2021

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	38.75	41.75	3.0
Direct Expenses	\$ 6,091,875	\$ 7,373,253	\$ 1,281,377
Indirect Expenses	\$ 4,806,184	\$ 5,857,983	\$ 1,051,799
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 40,155	\$ 417,093	\$ 376,937
Total Funding Requirement	\$ 10,938,214	\$ 13,648,328	\$ 2,710,113

Program Scope and Functional Description

Texas RE’s Compliance Monitoring and Enforcement and Organization Registration and Certification Program includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and Regional Standards, and enforcing and ensuring mitigation of violations of standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, and data submittals.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Monitoring Program (CMEP) is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO’s compliance and enforcement functions. To support this effort, a set of new tools, referred to as Align and Secure Evidence Locker (SEL) have been developed collaboratively with NERC, the Regional Entities, and registered entities. Risk-based CMEP is designed to improve Bulk Electric System (BES) reliability by focusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. Align and SEL will support those initiatives across the ERO.

Implementation of, and consideration of enhancements for, Align and SEL are expected to be major activities for Texas RE and the registered entities in 2022. Risk-based CMEP efforts that continue to fully develop, and the increase in the number of registered entities, will require Texas RE to appropriately allocate current resources and request additional resources to provide continuous improvement in the processes. Based on the high level of coordination between NERC, Regional Entities, and registered entities that is necessary for an efficient and effective implementation, Align and SEL will shift and in some cases increase workload levels. Risk-based CMEP, enhanced security, and other factors (e.g., CIP Low Impact, Supply Chain, additional registered entities associated with solar and battery Facilities, etc.) have gradually but significantly impacted resource staffing of Texas RE.

To facilitate continuous improvement and quality efforts, three additional FTEs are included in the 2022 budget request. Since resource demands are not fully known but are forecasted to increase, consideration will be given to reallocating existing staff or using available reserves to provide as much resource support as possible.

2022 Key Assumptions

- Expand risk-based focus in all standards, compliance monitoring, and enforcement programs.
- Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the Reliability Issues Steering Committee’s biennial *ERO Reliability Risk Priorities Report*.
- Strengthen engagement across the reliability and security ecosystem in North America.
- Capture effectiveness, efficiency, and continuous improvement opportunities.

2022 Goals and Key Deliverables

COMPLIANCE MONITORING

- Participate in NERC standards development, including addressing FERC directives, emerging risks, Standards Authorization Requests, and further possible phases of Standards Efficiency Review (SER) project.
- Enhance the risk-based approach to compliance monitoring processes.
- Review, refine, and enhance Internal Control processes and outreach.
- Actively engage in the enhancement and full deployment of Align and SEL to ensure CMEP processes are efficient, effective, secure, and consistent for staff and stakeholders.
- Identify current and emerging risks to security and reliability affecting the ERCOT Interconnection.
- Identify and develop monitoring approaches focusing on emerging risks such as Distributed Energy Resources, storage, and demand side resources.
- Continue to focus on and mitigate cyber security risks.
- Promote and encourage effective collaboration and engagement with Texas RE Board, industry, regulators, and stakeholders.
- Expand ERO Enterprise stakeholder engagement to ensure the right subject matter experts participate to resolve issues in a timely and cost effective manner.
- Proactively participate in ERO working groups to efficiently and effectively work with the ERO Enterprise.
- Ensure Texas RE is appropriately staffed and managed to maximize stakeholder value, maintain independence, and perform all delegated responsibilities. Promote communication, motivation, team building, and workforce development within Texas RE.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion using the Align and SEL systems.
- Undertake enforcement activities in accordance with established risk-based approaches.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Conduct technical assessments of registered entities' plans and activities to mitigate noncompliance.
- Support streamlined mechanisms implemented to expedite possible violations that pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Enhance feedback loops to the Reliability Standard development process.

REGISTRATION AND CERTIFICATION

- Identify and register BES owners, operators, and users. Maintain accurate, up-to-date registration information through the Centralized Organization Registration ERO System (CORES), identifying entities responsible for compliance.
- Ensure entities performing the functions of Reliability Coordinator, Balancing Authority, and Transmission Operator have and maintain the tools, processes, and training to meet applicable Reliability Standards requirements.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is increasing by three compared with 2021.

Consultants and Contracts

Contracts and consulting services for this department has decreased due to costs associated with webCDMS being transferred to the IT department for 2022.

Section A — 2022 Business Plan and Budget – Statutory Programs

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2022. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2021 Budget & Projection, and 2022 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,716,202	\$ 10,716,202	\$ -	\$ 12,222,254	\$ 1,506,052
Penalties Released	135,882	135,882	-	455,177	319,295
Total NERC Funding	\$ 10,852,083	\$ 10,852,083	\$ -	\$ 12,677,430	\$ 1,825,347
Interest	64,249	64,249	-	12,220	(52,029)
Total Funding	\$ 10,916,332	\$ 10,916,332	\$ -	\$ 12,689,649	\$ 1,773,318
Expenses					
Personnel Expenses					
Salaries	\$ 4,066,256	\$ 4,066,256	\$ -	\$ 5,104,337	\$ 1,038,080
Payroll Taxes	310,653	310,653	-	391,088	80,435
Benefits	816,798	816,798	-	992,629	175,831
Retirement Costs	579,329	579,329	-	721,425	142,096
Total Personnel Expenses	\$ 5,773,036	\$ 5,773,036	\$ -	\$ 7,209,478	\$ 1,436,442
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	143,175	143,175	-	143,175	-
Total Meeting& Travel Expenses	\$ 143,175	\$ 143,175	\$ -	\$ 143,175	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 155,204	\$ 155,204	\$ -	\$ -	\$ (155,204)
Office Rent	-	-	-	-	-
Office Costs	20,460	20,460	-	20,600	140
Professional Services	-	-	-	-	-
Total Operating Expenses	\$ 175,664	\$ 175,664	\$ -	\$ 20,600	\$ (155,064)
Total Direct Expenses	\$ 6,091,875	\$ 6,091,875	\$ -	\$ 7,373,253	\$ 1,281,378
Indirect Expenses	\$ 4,806,184	\$ 4,806,184	\$ -	\$ 5,857,983	\$ 1,051,799
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 10,898,059	\$ 10,898,059	\$ -	\$ 13,231,235	\$ 2,333,177
Change in Net Assets	\$ 18,273	\$ 18,273	\$ -	\$ (541,586)	\$ (559,859)
Fixed Assets, excluding Right of Use Assets	\$ 40,155	\$ 40,155	\$ -	\$ 417,093	\$ 376,937
TOTAL BUDGET	\$ 10,938,214	\$ 10,938,214	\$ -	\$ 13,648,328	\$ 2,710,114
TOTAL CHANGE IN WORKING CAPITAL	\$ (21,883)	\$ (21,883)	\$ -	\$ (958,678)	\$ (936,796)
FTEs	38.75	38.75	-	41.75	3.00

Approved by the Texas RE Board of Directors, May 19, 2021

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	6.00	6.00	-
Direct Expenses	\$ 1,445,980	\$ 1,436,415	\$ (9,565)
Indirect Expenses	\$ 744,183	\$ 841,866	\$ 97,682
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 6,218	\$ 59,941	\$ 53,724
Total Funding Requirement	\$ 2,196,381	\$ 2,338,222	\$ 141,842

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program supports assessment of system adequacy and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system disturbances in the ERCOT region. In addition to these assessments and analyses, Texas RE participates with NERC and stakeholders in ongoing work to evaluate system performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, and grid modifications. Event analyses will determine causative factors for system disturbances as well as "lessons learned" upon recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness (SA) and Infrastructure Security. Situation Awareness is closely tied to initial event review, performed as part of the Event Analysis Process in the RAPA Program, while Texas RE's Infrastructure Security effort is handled primarily by IT staff and CIP resources within the CMEP and Organizational Registration and Certification Program.

2022 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs. Evolution of ERO RAPA programs, particularly those involving data analytics and probabilistic analysis, have not established a need for additional Regional program resources at this time.
- Continued ERCOT ISO and Regional stakeholder support is expected in Regional planning activities that meet ERO schedules for the various proposed reliability assessments and Interconnection study case model building activities.
- Access to ERCOT-ISO data and applications continues as in the past.

- Travel and meeting expenses are held at 2021 levels given the fluid situation about COVID-19 impact on in-person gatherings and the outcome of inquiries on the February 2021 extreme cold weather event.

2022 Goals and Key Deliverables

- Provide independent review of regional data and assist NERC in overall development of the annual long-term, summer and winter reliability assessments, support enhanced use of probabilistic analysis and review of extreme conditions due to weather or other causes.
- Support NERC-wide modeling improvement efforts, particularly those related to dynamic loads, inverter-based resources, Distributed Energy Resources and generator model validation. As the Interconnection model designee associated with MOD-032 and MOD-033 Reliability Standards, Texas RE will provide outreach with stakeholders to integrate annual fidelity and quality tests into Interconnection study-case development processes.
- Participate in technical working groups under the NERC Reliability and Security Technical Committee and contribute to development of Reliability Guidelines and Technical Reference documents. Provide follow-up on effectiveness of guidelines with stakeholder outreach.
- Provide Section 1600 data collection support and analysis to meet NERC System Analysis initiatives or FERC requests. In 2022, additional data collection for wind, solar and battery systems is planned.
- Perform analysis as needed to evaluate NERC reliability metrics and contribute to NERC's annual State of Reliability report along with Region-specific annual reports and quarterly reviews. While content may change, the number of metrics and level of analysis is expected to remain essentially consistent in 2022 with 2021.
- Review NERC Reliability Standards and process developments. Evaluate against existing and proposed Regional criteria and processes for reliability concerns.
- Implement the NERC event analysis and cause-coding process, expecting a similar volume of events as 2020, estimated at 12 Category 1 (minor). Conduct follow-up on recommendations and trends from the February 2021 cold weather event and other major power system events. Review and trend approximately 80 lesser system events, such as remedial action scheme mis-operations, communications issues, and frequency disturbances.
- Support application of the BES Definition and associated processes through technical review of Registration requests. Ten or fewer requests with significant review are expected.
- Promote the work of the NERC Reliability Issues Steering Committee (RISC) to identify and prioritize BPS reliability risks and incorporate into RAPA activities and projects. Tailor RISC observations and Regional information to identify impacts within the Region and means to mitigate them.
- Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate "lessons learned," best practices, trends and observations. Conduct focused reviews with ten entities or stakeholder groups

on topics such as protection system mis-operations, model usage and validation and equipment performance data.

- Support Texas RE cross-departmental use of software applications and data from ERCOT ISO, NERC, and other sources for analysis needs. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time visualization tools.
- Continue joint activities with ERCOT ISO to host winter preparation workshops and conduct 30-40 site or virtual visits as appropriate following the recommendations of the 2021 ERO FERC inquiry.
- Provide Situation Awareness during major system events and ERO Crisis Action Plan drills. Manage NERC Alerts within the Region, anticipating four alerts, with two alerts expected to require extensive response coordination. Assist E-ISAC in outreach and planning NERC GridEx Security exercises. Texas RE will request to participate in Regional exercises for blackstart and severe weather operations.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2021.

Consultants and Contracts

No consulting support and contracts are budgeted for 2022, which is consistent with the 2021 budget. No task assignments have been identified that require consulting or contractor support.

Section A — 2022 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2022. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2021 Budget & Projection, and 2022 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,659,283	\$ 1,659,283	\$ -	\$ 1,756,492	\$ 97,209
Penalties Released	21,040	21,040	-	65,415	44,375
Total NERC Funding	\$ 1,680,323	\$ 1,680,323	\$ -	\$ 1,821,906	\$ 141,584
Interest	9,948	9,948	-	1,756	(8,192)
Total Funding	\$ 1,690,271	\$ 1,690,271	\$ -	\$ 1,823,662	\$ 133,391
Expenses					
Personnel Expenses					
Salaries	\$ 932,415	\$ 932,415	\$ -	\$ 962,540	\$ 30,124
Payroll Taxes	64,899	64,899	-	67,054	2,155
Benefits	155,128	155,128	-	170,407	15,279
Retirement Costs	134,397	134,397	-	138,774	4,377
Total Personnel Expenses	\$ 1,286,840	\$ 1,286,840	\$ -	\$ 1,338,775	\$ 51,935
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	87,500	87,500	-	87,500	-
Total Meeting & Travel Expenses	\$ 87,500	\$ 87,500	\$ -	\$ 87,500	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	71,640	71,640	-	10,140	(61,500)
Professional Services	-	-	-	-	-
Total Operating Expenses	\$ 71,640	\$ 71,640	\$ -	\$ 10,140	\$ (61,500)
Total Direct Expenses	\$ 1,445,980	\$ 1,445,980	\$ -	\$ 1,436,415	\$ (9,565)
Indirect Expenses	\$ 744,183	\$ 744,183	\$ -	\$ 841,866	\$ 97,682
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,190,163	\$ 2,190,163	\$ -	\$ 2,278,281	\$ 88,118
Change in Net Assets	\$ (499,892)	\$ (499,892)	\$ -	\$ (454,619)	\$ 45,274
Fixed Assets, excluding Right of Use Assets	\$ 6,218	\$ 6,218	\$ -	\$ 59,941	\$ 53,724
TOTAL BUDGET	\$ 2,196,381	\$ 2,196,381	\$ -	\$ 2,338,222	\$ 141,842
TOTAL CHANGE IN WORKING CAPITAL	\$ (506,110)	\$ (506,110)	\$ -	\$ (514,560)	\$ (8,450)
FTEs	6.00	6.00	-	6.00	-

Approved by the Texas RE Board of Directors, May 19, 2021

Training and Education

Training and Education (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 381,373	\$ 385,305	\$ 3,931
Indirect Expenses	\$ 279,069	\$ 315,700	\$ 36,631
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 2,332	\$ 22,478	\$ 20,146
Total Funding Requirement	\$ 662,774	\$ 723,482	\$ 60,709

Program Scope and Functional Description

Texas RE's Training, Education, and Continuing Education Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of NERC and Regional Reliability Standards, lessons learned from event analyses, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other programs provide expertise for educational materials, meetings, and workshops. Texas RE also supports ERO-wide initiatives such as GridSecCon and the Electric Power Human Performance Improvement Symposium, including co-hosting on a rotational basis among the Regions. In addition, Texas RE provides assistance for the annual ERCOT Operator Training Seminar and Generator Winter Weatherization Workshop.

Texas RE will continue to coordinate Standards and Compliance workshops, Reliability 101, security-based CIP workshops, and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2022. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost-effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other ERO Enterprise and external industry meetings.

2022 Key Assumptions

- Additional resources are required to support training related to ERO initiatives and stakeholder conferences.
- Additional resources are also required to support enhanced region-specific stakeholder training opportunities and develop new content-delivery platforms.

2022 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials for and present Reliability Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC Reliability Standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding Reliability Standards revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Maintain and continually enhance the Texas RE website.
- Develop an Annual Report summarizing Texas RE’s accomplishments during the prior year.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability working groups.
- Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.
- Explore opportunities to improve training for stakeholders and keep Texas RE’s content and delivery mediums relevant.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2021. Benefits expense includes employee training, which is being reduced in 2022.

Consultants and Contracts

No consulting support and contracts costs are budgeted for this department. No task assignments have been identified that require consulting or contractor support in 2022.

Section A — 2022 Business Plan and Budget – Statutory Programs

Training and Education

The following table shows the funding sources and related expenses for the Training and Education Program for 2022. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2021 Budget & Projection, and 2022 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 622,231	\$ 622,231	\$ -	\$ 658,684	\$ 36,453
Penalties Released	7,890	7,890	-	24,530	16,641
Total NERC Funding	\$ 630,121	\$ 630,121	\$ -	\$ 683,215	\$ 53,094
Interest	3,731	3,731	-	659	(3,072)
Total Funding	\$ 633,852	\$ 633,852	\$ -	\$ 683,873	\$ 50,022
Expenses					
Personnel Expenses					
Salaries	\$ 247,624	\$ 247,624	\$ -	\$ 250,405	\$ 2,782
Payroll Taxes	17,824	17,824	-	17,963	139
Benefits	53,755	53,755	-	34,339	(19,416)
Retirement Costs	35,340	35,340	-	35,727	387
Total Personnel Expenses	\$ 354,543	\$ 354,543	\$ -	\$ 338,435	\$ (16,109)
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ 4,500	\$ 4,500	\$ -	\$ 34,500	\$ 30,000
Travel	3,030	3,030	-	3,030	-
Total Meeting & Travel Expenses	\$ 7,530	\$ 7,530	\$ -	\$ 37,530	\$ 30,000
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 3,500	\$ 3,500	\$ -	\$ -	\$ (3,500)
Office Rent	-	-	-	-	-
Office Costs	12,800	12,800	-	6,340	(6,460)
Professional Services	3,000	3,000	-	3,000	-
Total Operating Expenses	\$ 19,300	\$ 19,300	\$ -	\$ 9,340	\$ (9,960)
Total Direct Expenses	\$ 381,373	\$ 381,373	\$ -	\$ 385,305	\$ 3,931
Indirect Expenses	\$ 279,069	\$ 279,069	\$ -	\$ 315,700	\$ 36,631
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 660,442	\$ 660,442	\$ -	\$ 701,004	\$ 40,562
Change in Net Assets	\$ (26,591)	\$ (26,591)	\$ -	\$ (17,132)	\$ 9,459
Fixed Assets, excluding Right of Use Assets	\$ 2,332	\$ 2,332	\$ -	\$ 22,478	\$ 20,146
TOTAL BUDGET	\$ 662,774	\$ 662,774	\$ -	\$ 723,482	\$ 60,709
TOTAL CHANGE IN WORKING CAPITAL	\$ (28,922)	\$ (28,922)	\$ -	\$ (39,609)	\$ (10,687)
FTEs	2.25	2.25	-	2.25	-

Approved by the Texas RE Board of Directors, May 19, 2021

Administrative Services

Administrative Services						
	Direct Expenses & Fixed Asets			FTEs		
	2021 Budget	2022 Budget	Inc (Dec)	2021 Budget	2022 Budget	Inc (Dec)
General and Administrative	3,270,895	4,178,214	907,319	4.00	4.00	-
Legal and Regulatory	582,310	638,226	55,916	2.75	2.75	-
Information Technology	1,521,147	1,699,319	178,172	5.00	5.00	-
Human Resources	101,845	73,595	(28,250)	-	-	-
Finance and Accounting	558,278	601,583	43,305	3.00	3.00	-
Total Administrative Services	6,034,475	7,190,937	1,156,462	14.75	14.75	-

Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its Administrative Services expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total direct program FTEs.

Fixed asset additions that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

The increase in Expenses and Fixed Assets for Administrative Services includes one-time expenses of \$320,000 for costs to relocate the Texas RE offices and \$512,000 for furniture and equipment needed for the new offices; these expenditures are allocated to the direct activity programs on the basis of FTEs as described above.

General and Administrative

This Program includes the President and CEO, the Vice President and Chief Operating Officer (VP), the personnel costs for the HR Department, and the compensation and expenses of the Texas RE Board. The President and CEO carries out the general affairs of Texas RE including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The VP performs a leadership role in coordinating and facilitating the activities of all Texas RE programs. The VP reports to the CEO and acts on behalf of the CEO in his absence.

Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

The number of FTEs assigned to this Program is consistent with 2021. Administrative Services costs are allocated among Programs based on Program FTE count during the year.

Consulting support and contracts costs are decreasing 22.7% in 2022. The 2021 budget includes search fees for two Board of Director positions and the CEO position which are not in the 2022 budget.

Legal and Regulatory

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

2022 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

2022 Key Deliverables and Goals

- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.
- Negotiate contracts and review corporate documents.
- Update and maintain corporate policies and procedures.
- Oversee the prosecution and any appeal of contested enforcement or disputed registration matters.

The budgeted number of FTEs for Legal and Regulatory is remaining constant in 2022.

Consulting support and contracts are decreasing 54.1% to reflect actual costs for the ethics reporting hotline.

Legal Fees are remaining consistent in 2022.

Information Technology

Texas RE's Information Technology (IT) and physical and cyber security program provides IT and security support to Texas RE, including the following: hardware, systems, software, and applications support; physical and electronic and security, data center operations, IT and security-related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training and planning for improvement and efficiency of business processes and operations.

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

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations that have been approved by the ERO Executive Committee (ERO-EC), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2022 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

2022 Key Assumptions

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

2022 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including: IT and security; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
 - Continue to develop knowledge of systems through training and experience to reduce the reliance on external vendors.

- Continue to use third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's IT and Security internal controls program and security posture.
 - Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service, and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.
 - Continue to outsource IT and security services that are not within the core competencies or IT's cost-containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
- Develop internal applications to increase consistency, efficiency, and assist users in business processes.
 - Assist business staff with enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
 - Coordinate and share best practices with other Regional Entities and NERC.
 - Participate in the design, planning and implementation of ERO Centralized Applications.
 - Continue the Security Awareness Program that addresses, through education and training, social media vulnerabilities that pose threats to Texas RE systems.
 - Train and support Texas RE staff on software and applications.
 - Continue to develop and test failover and disaster recovery methods for all Texas RE systems.

The budgeted number of FTEs for IT are remaining constant in 2022.

IT-Managed Services, which is included in the consulting support and contracts category, is increasing \$125,000 (125.0%), to \$225,000, in 2022. This department's budget is picking up costs for IT Managed Services that has previously been budgeted in other departments, resulting in an increase in Consultants and Contracts indirect expense which previously would have been budgeted primarily in the direct activity programs. This transfer of budget responsibility results in an increase in indirect expenses which is in turn allocated to the direct activities on the basis of FTEs.

Human Resources

The Texas RE Human Resources (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources Information System products and ensures compliance with all federal and state requirements.

2022 Key Assumptions

- Provide competitive compensation and benefits.

- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

2022 Goals and Key Deliverables

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.

Personnel expenses are reported under G&A.

Consulting services and contracts are decreasing by 42.9% in 2022. The 2021 budget planned for three compensation studies and the 2022 budget plans for two studies: CEO and Executive.

Finance and Accounting

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

2022 Key Assumptions

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

2022 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, Senior Management, and the Texas RE Board.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

The budgeted number of FTEs for Finance and Accounting are remaining constant in 2022.

No consulting support and contracts are budgeted for 2022, which is consistent with the 2021 budget.

Section A — 2021 Business Plan and Budget – Statutory Programs

Administrative Services

The following table shows funding sources and related expenses for the Administrative Services section of the 2022 Business Plan and Budget. Explanations of variances by expense category are included with the Department Section and with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2021 Budget & Projection, and 2022 Budget					
ADMINISTRATIVE SERVICES					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 2,465,531	\$ 2,465,531	\$ -	\$ 2,703,899	\$ 238,369
Payroll Taxes	131,898	131,898	-	146,847	14,949
Benefits	346,410	346,410	-	402,940	56,529
Retirement Costs	335,280	335,280	-	371,141	35,861
Total Personnel Expenses	\$ 3,279,119	\$ 3,279,119	\$ -	\$ 3,624,827	\$ 345,707
Meeting and Travel Expenses					
Meetings & Conference Cal	\$ 30,900	\$ 30,900	\$ -	\$ 37,400	\$ 6,500
Travel	131,080	131,080	-	131,080	-
Total Meeting & Travel Expenses	\$ 161,980	\$ 161,980	\$ -	\$ 168,480	\$ 6,500
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 283,700	\$ 283,700	\$ -	\$ 351,700	\$ 68,000
Office Rent	1,080,000	1,080,000	-	1,473,545	393,545
Office Costs	567,840	567,840	-	647,760	79,920
Professional Services	611,835	611,835	-	604,625	(7,210)
Total Operating Expenses	\$ 2,543,375	\$ 2,543,375	\$ -	\$ 3,077,630	\$ 534,255
Total Direct Expenses	\$ 5,984,474	\$ 5,984,474	\$ -	\$ 6,870,937	\$ 886,462
Indirect Expenses	\$ (5,984,474)	\$ (5,984,474)	\$ -	\$ (7,190,937)	\$ (1,206,463)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 320,000	\$ 320,000
Total Expenses					
Change in Assets					
Fixed Assets, excluding Right of Use Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET					
TOTAL CHANGE IN WORKING CAPITAL					
FTEs	14.75	14.75	-	\$ 14.75	-

Approved by the Texas RE Board of Directors, May 19, 2021

Section B – Supplemental Financial Information

2022 Business Plan and Budget



Section B — Supplemental Financial Information

Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2021-2022				
STATUTORY				
	Total Reserve & Stabilization	Operating Reserve	Assessment Stabilization	Unreleased Penalties
Beginning Reserves, January 1, 2021	\$ 5,146,504	\$ 2,000,000	\$ 2,748,559	\$ 397,945
Plus: 2021 Funding (from LSEs or designees)	\$ 13,383,400	\$ 13,383,400	\$ -	\$ -
Plus: 2021 Other funding sources	80,000	80,000	-	-
Released from Assessment Stabilization & Contingency	-	618,943	(618,943)	-
Penalties Released in 2021	-	169,195	-	(169,195)
Penalty Sanctions Received July 1, 2020 - June 30, 2021	330,000	-	-	330,000
Less: 2021 Projected expenses & capital expenditures	(14,211,538)	(14,211,538)	-	-
Projected Reserves, December 31, 2021	\$ 4,728,366	\$ 2,040,000	\$ 2,129,616	\$ 558,750
Desired Reserves, December 31, 2022				
Target Reserve December 31, 2022	\$ 2,586,119	\$ 1,330,000	\$ 1,256,119	\$ -
Minus: Projected Reserves, December 31, 2021	(4,728,366)	(2,040,000)	(2,129,616)	(558,750)
Increase(decrease) in funding requirement to achieve Reserve	\$ (2,142,247)	\$ (710,000)	\$ (873,497)	\$ (558,750)
2022 Expenses and Capital Expenditures	\$ 17,160,613			
Less: Other Funding Sources	(15,000)			
Adjustment to achieve targeted working capital	(710,000)			
Reserves released from Assessment Stabilization	(873,497)			
Penalty Sanctions Released	(558,750)			
2022 NERC Assessment to Texas RE	\$ 15,003,365			

Explanation of Changes in Reserve Policy from Prior Years

The Board-approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators. The projected Operating Reserve for the 2022 budget period is \$1,330,000. In addition to reduction in the Operating Reserve amount, \$873,497 has been set aside for assessment stabilization to reduce the assessment in 2022.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 11 of the 2022 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2021. The 2022 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2021 are to be used to offset assessments in the 2022 Budget, as documented in the NERC Policy – *ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2021 through June 30, 2022 will be used to offset assessments in the 2023 Budget.

All penalties received by June 30, 2021 are detailed in Exhibit B-2.

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

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2021	Date Received	Amount Received
	9/1/2020 \$	36,750
	1/6/2021 \$	192,000
	5/28/2021 \$	330,000
Total Penalties Released		<u>\$ 558,750</u>

Table B-3 – Supplemental Funding

	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 80,000	\$ 80,000	\$ 15,000	\$ (65,000)
Total	\$ 80,000	\$ 80,000	\$ 15,000	\$ (65,000)
Total Outside Funding	\$ 80,000	\$ 80,000	\$ 15,000	\$ (65,000)

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- Texas RE anticipates its investments will earn interest of approximately \$15,000 in 2022. Texas RE’s banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. This is based on interest rates being lower than prior year.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Total Salaries	\$ 7,886,558	\$ 7,886,558	\$ 9,199,332	\$ 1,312,774	16.6%
Total Payroll Taxes	537,917	537,917	635,827	97,910	18.2%
Total Benefits	1,412,700	1,412,700	1,641,720	229,020	16.2%
Total Retirement	1,107,299	1,107,299	1,290,440	183,141	16.5%
Total Personnel Costs	\$ 10,944,474	\$ 10,944,474	\$ 12,767,318	\$ 1,822,844	16.7%
FTEs	63.00	63.00	66.00	3.00	4.8%
Cost per FTE					
Salaries	\$ 125,183	\$ 125,183	\$ 139,384	14,200	11.3%
Payroll Taxes	8,538	8,538	9,634	1,095	12.8%
Benefits	22,424	22,424	24,875	2,451	10.9%
Retirement	17,576	17,576	19,552	1,976	11.2%
Total Cost per FTE	\$ 173,722	\$ 173,722	\$ 193,444	\$ 19,722	11.4%

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- Total costs for Texas RE personnel expenses are increasing by 16.7%. Salaries expense is increasing 16.6%, which includes an additional three FTEs for the CMEP program. Salaries expense also includes an allowance for salary increases, promotions, and market adjustments.
- Payroll taxes are increasing 18.2%, which includes State Unemployment Insurance Tax.
- Total Benefits expense is increasing 16.2%. Health plan expense did not increase as projected in 2021; however, health plan expense is projected to increase 9% for 2022 over actual 2021 cost, which is lower than the 2021 budgeted cost. Employee Benefits include education reimbursement, relocation expenses, and training and professional development, which are increasing to accommodate the additional three FTEs.
- Retirement costs are increasing 16.5%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost. The overall cost for the plan has increased due to increases in fund costs and for additional FTEs.
- All personnel related expenses are increasing based on the additional salary expense for added FTEs.

Table B-5 – Meeting & Travel Expense

Meeting and Travel Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Meetings	\$ 35,400	\$ 35,400	\$ 71,900	\$ 36,500	103.1%
Travel	371,685	371,685	371,685	-	0.0%
	\$ 407,085	\$ 407,085	\$ 443,585	\$ 36,500	9.0%

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- Meetings expense is increasing 103.1%. The 2022 budget includes Workshop Expense for a proposed Reliability Summit and an offsite workshop in the Training and Education Program that was not included in the 2021 budget. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Meetings expense.
- The budget for Travel is remaining consistent with 2021.

Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	155,204	155,204	-	(155,204)	-100.0%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	3,500	3,500	-	(3,500)	-100.0%
General and Administrative	110,000	110,000	85,000	(25,000)	-22.7%
Legal and Regulatory	3,700	3,700	1,700	(2,000)	-54.1%
Information Technology	100,000	100,000	225,000	125,000	125.0%
Human Resources	70,000	70,000	40,000	(30,000)	-42.9%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 442,404	\$ 442,404	\$ 351,700	\$ (90,704)	-20.5%

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

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

Table B-7 – Office Rent

Rent	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Office Rent	\$ 742,000	\$ 742,000	\$ 964,798	\$ 222,798	30.0%
Utilities	324,000	324,000	\$ 494,747	170,747	52.7%
Maintenance	14,000	14,000	\$ 14,000	-	0.0%
Total Office Rent & Utilitites	\$ 1,080,000	\$ 1,080,000	\$ 1,473,545	\$ 393,545	36.4%

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- The lease for Texas RE office space at Las Cimas ends in March 2022. The new lease agreement at the MetCenter begins April 2022. The office space is larger to accommodate increased staffing, causing an escalation in Office Rent and utilities for 2022.

Table B-8 – Office Costs

Office Costs	Budget 2021	Projection 2021	Budget 2022	Variance	
				2022 Budget v 2021 Budget	Variance %
Telephone/Cell Phone	\$ 41,760	\$ 41,760	\$ 43,200	\$ 1,440	3.4%
Internet Expense	125,000	125,000	\$ 100,000	(25,000)	-20.0%
Office Supplies	42,350	42,350	\$ 42,950	600	1.4%
Computer Supplies & Maintenance	31,400	31,400	\$ 32,650	1,250	4.0%
IT Remote Support	1,350	1,350	\$ 1,350	-	0.0%
Software & Software Maintenance	170,100	170,100	\$ 215,250	45,150	26.5%
Subscriptions & Publications	25,020	25,020	\$ 23,540	(1,480)	-5.9%
Dues	8,200	8,200	\$ 9,200	1,000	12.2%
Postage	360	360	\$ 400	40	11.1%
Express Shipping	300	300	\$ 300	-	0.0%
Stationary & Office Forms	1,950	1,950	\$ 1,950	-	0.0%
Equipment Repair/Srv. Contracts	10,000	10,000	\$ 9,500	(500)	-5.0%
Bank Charges	1,800	1,800	\$ 1,800	-	0.0%
Property Taxes	12,000	12,000	\$ 12,000	-	0.0%
Merchant Credit Card Fee	1,400	1,400	\$ 2,000	600	42.9%
IT-Leased Equipment	196,000	196,000	\$ 165,000	(31,000)	-15.8%
Office Furniture & Equipment Exp	2,500	2,500	\$ 17,500	15,000	600.0%
IT Maintenance	-	-	\$ -	-	-
Employment Related Fees	1,250	1,250	\$ 6,250	5,000	400.0%
Total Office Costs	\$ 672,740	\$ 672,740	\$ 684,840	\$ 12,100	1.8%

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- All categories in the Office Costs have been adjusted in the 2022 budget to more accurately reflect actual experience.
- Internet Expense is decreasing to align with actual costs.
- Software and Software Maintenance is increasing to reflect the costs of the PI Software and the new accounting software.
- IT-Leased Equipment is decreasing to reflect new contract at lower prices.
- Office Furniture & Equipment is increasing to include non-capitalized furniture and equipment that will be needed for the office relocation.

Table B-9 – Professional Services

Professional Services	Budget		Projection		Variance	
	2021	2021	2022	2022 Budget v 2021 Budget	Variance %	
Board of Director Fees	\$ 359,835	\$ 359,835	\$ 371,525	\$ 11,690	3.2%	
Accounting & Auditing Fees	58,000	58,000	60,000	2,000	3.4%	
Legal Fees	30,000	30,000	30,000	-	0.0%	
Insurance - Commercial	73,000	73,000	77,350	4,350	6.0%	
Professional Services-Other	94,000	94,000	68,750	(25,250)	-26.9%	
Total Professional Services	\$ 614,835	\$ 614,835	\$ 607,625	\$ (7,210)	-1.2%	

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- Board of Director Fees have been adjusted to reflect the potential increases that have been recommended by a third-party compensation study and approved by the Director Compensation Committee in late 2020.
- Accounting and Auditing Fees are increasing slightly due to annual price adjustment.
- Commercial Insurance is projected to increase slightly based on an estimate from the broker.
- Legal Fees are remaining consistent with 2021 and Professional Services are decreasing. Two penetration tests and an external IT audit were budgeted for 2021. One penetration test is in the 2022 budget and the external IT audit has been removed.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget		Projection		Budget		Variance	
	2021		2021		2022		2022 Budget v 2021 Budget	Variance %
Miscellaneous Expense	\$	-	\$	-	\$	-	\$	-
Total Miscellaneous Expenses	\$	-	\$	-	\$	-	\$	-

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2021	Projection 2021	Budget 2022	Variance	
				2022 Budget v 2021 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment			\$ -		
Office Relocation	\$ -	\$ -	\$ 320,000	\$ 320,000	100.00%
Total Non-Operating Expenses	\$ -	\$ -	\$ 320,000	\$ 320,000	

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- The 2022 budget has one-time costs for Office relocation due to Texas RE is relocating the physical office space. No amount was budgeted in this category in prior years.

Table B-12 – Fixed Assets

Fixed Assets	Budget 2021	Projection 2021	Budget 2022	Variance	
				2022 Budget v 2021 Budget	Variance %
Computer & Software CapEx	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)	-100.0%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	512,000	512,000	
Leasehold Improvements	-	-	-	-	
Total Fix Assets	\$ 50,000	\$ 50,000	\$ 512,000	\$ 462,000	924.0%

Explanation of Significant Variances – 2022 Budget versus 2021 Budget

- Fixed Assets are increasing because the office move will require new and additional furniture and equipment.

Table B-13 – 2023 and 2024 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 Budget & Projected 2023 and 2024 Budgets								
	2022 Budget	2023 Projection	\$ Change 23 v 22	% Change 23 v 22	2024 Projection	\$ Change 24 v 23	% Change 24 v 23	
Funding								
ERO Funding								
NERC Assessments	\$ 15,003,364	\$ 15,603,498	\$ 600,135	4.0%	\$ 16,247,638	\$ 644,140	4.0%	
Penalties Released	228,750	-	(228,750)	-100.00%	-	-		
Total NERC Funding	\$ 15,232,114	\$ 15,603,498	\$ 371,385	2.4%	\$ 16,247,638	\$ 644,140	4.0%	
Interest	15,000	15,600	600	4.00%	16,224	624	4.0%	
Total Funding	\$ 15,247,114	\$ 15,619,098	\$ 371,985	2.4%	\$ 16,263,862	\$ 644,764	4.1%	
Expenses								
Personnel Expenses								
Salaries	\$ 9,199,332	\$ 9,567,305	\$ 367,973	4.0%	\$ 9,949,997	\$ 382,692	4.0%	
Payroll Taxes	635,827	661,260	25,433	4.0%	687,710	26,450	4.0%	
Benefits	1,641,720	1,707,388	65,669	4.0%	1,775,684	68,296	4.0%	
Retirement Costs	1,290,440	1,342,058	51,618	4.0%	1,395,740	53,682	4.0%	
Total Personnel Expenses	\$ 12,767,318	\$ 13,278,011	\$ 510,693	4.0%	\$ 13,809,131	\$ 531,120	4.0%	
Meeting & Travel Expenses								
Meetings & Conference Calls	\$ 71,900	\$ 74,776	\$ 2,876	4.0%	\$ 77,767	2,991	4.0%	
Travel	371,685	386,552	14,867	4.0%	402,014	15,462	4.0%	
Total Meeting & Travel Expenses	\$ 443,585	\$ 461,328	\$ 17,743	4.0%	\$ 479,781	\$ 18,453	4.0%	
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 351,700	\$ 365,768	14,068	4.0%	\$ 380,399	14,631	4.0%	
Office Rent	1,473,545	1,576,693	103,148	7.0%	1,671,295	94,602	6.0%	
Office Costs	684,840	712,234	27,394	4.0%	740,723	28,489	4.0%	
Professional Services	607,625	631,930	24,305	4.0%	657,207	25,277	4.0%	
Total Operating Expenses	\$ 3,117,710	\$ 3,286,625	\$ 168,915	5.4%	\$ 3,449,624	\$ 162,999	5.0%	
Total Direct Expenses	\$ 16,328,613	\$ 17,025,964	\$ 697,351	4.3%	\$ 17,738,536	\$ 712,572	4.2%	
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	
Other Non-Operating Expenses	\$ 320,000	\$ (320,000)	\$ (320,000)	-100.0%	-	-		
Total Expenses	\$ 16,648,613	\$ 17,025,964	\$ 377,351	2.3%	\$ 17,738,536	712,572	4.2%	
Change in Net Assets	\$ (1,401,499)	\$ (1,406,865)	\$ (5,366)	0.4%	\$ (1,474,674)	\$ (67,808)	4.8%	
Fixed Assets, excluding Right of Use Assets	\$ 512,000	\$ 100,000	\$ (412,000)	-80.5%	\$ 100,000	\$ (67,808)	0.0%	
TOTAL BUDGET	\$ 17,160,613	\$ 17,125,964	\$ (34,649)	-0.2%	\$ 17,838,536	\$ 712,572	4.2%	
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,913,499)	\$ (1,506,865)	\$ 406,634	0.0%	\$ (1,574,674)	(67,808)	4.5%	
FTEs	66	66	-	0.0%	66	-	0.0%	

2023 and 2024 Projection Analysis

Reflects no additional FTEs and an overall expense increase of approximately 4% per year for all categories, except rent. Rent is projected to increase 7.0% and 6.0%, respectively, in years 2023 and 2024.

Section C – Non-Statutory Activities

2022 Business Plan and Budget

Texas Re has no Non-Statutory Activities



Section D – Supplemental Information

2022 Business Plan and Budget



Section D – Supplemental Information

2022 Statement of Activities by Program.

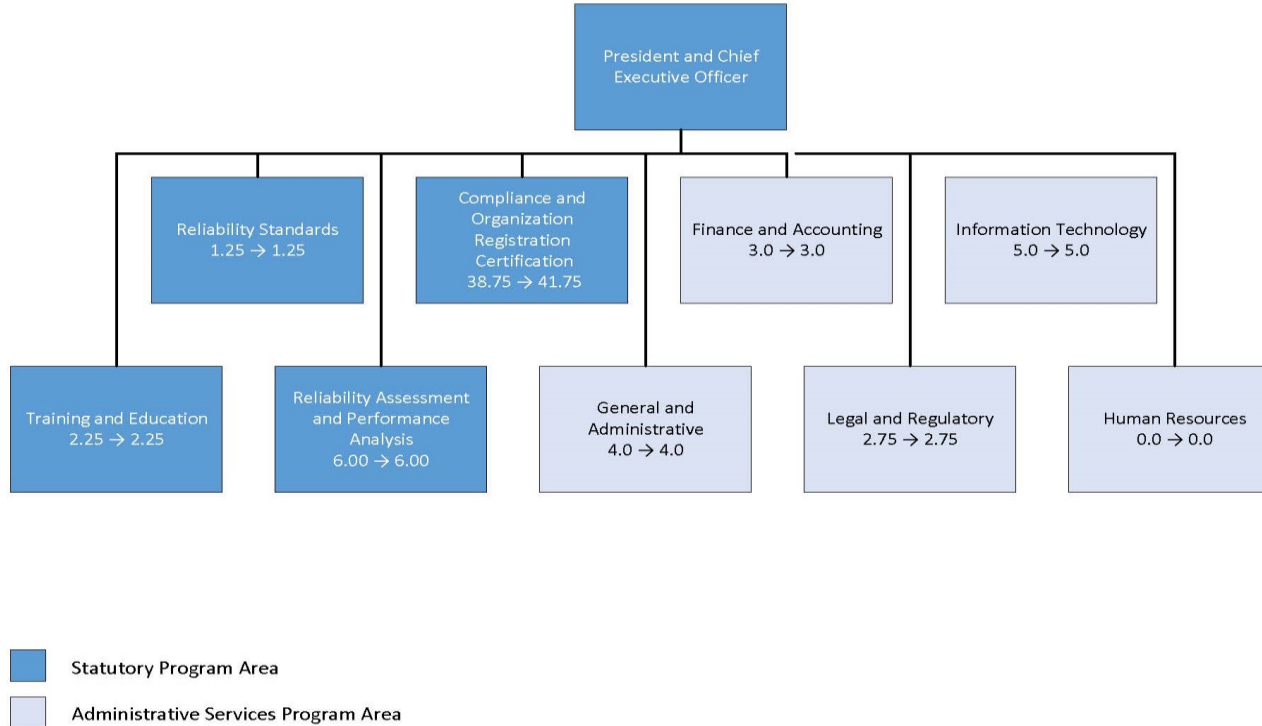
Funding	Statutory Total	Reliability Standards	CMEP	RAPA	Training and Education	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
ERO Funding										
NERC Assessments	\$ 15,003,365	\$ 365,936	\$ 12,222,254	\$ 1,756,492	\$ 658,684	\$ -	\$ -		\$ -	
Penalties Released	558,750	13,628	455,177	65,415	24,530					
Total NERC Funding	\$ 15,562,115	\$ 379,564	\$ 12,677,431	\$ 1,821,906	\$ 683,215	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	15,000	366	12,220	1,756	659	-				
Total Funding	\$ 15,577,115	\$ 379,930	\$ 12,689,650	\$ 1,823,662	\$ 683,873	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses										
Personnel Expenses										
Salaries	\$ 9,199,332	\$ 178,151	\$ 5,104,337	\$ 962,540	\$ 250,405	\$ 1,304,464	\$ 431,733	\$ 584,433	\$ -	\$ 383,268
Payroll Taxes	635,827	12,875	391,088	67,054	17,963	50,598	26,270	43,925	-	26,054
Benefits	1,641,720	41,405	992,629	170,407	34,339	126,969	68,327	142,319	-	65,326
Retirement Costs	1,290,440	23,373	721,425	138,774	35,727	173,678	62,016	80,742	-	54,705
Total Personnel Expenses	\$ 12,767,318	\$ 255,804	\$ 7,209,478	\$ 1,338,775	\$ 338,435	\$ 1,655,709	\$ 588,346	\$ 851,419	\$ -	\$ 529,353
Meeting Expenses										
Meetings & Conference Calls	\$ 71,900	\$ -	\$ -	\$ -	\$ 34,500	\$ 10,000	\$ -	\$ 11,400	\$ 16,000	\$ -
Travel	371,685	6,900	143,175	87,500	3,030	94,395	13,650	9,950	5,585	7,500
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 443,585	\$ 6,900	\$ 143,175	\$ 87,500	\$ 37,530	\$ 104,395	\$ 13,650	\$ 21,350	\$ 21,585	\$ 7,500
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 351,700	\$ -	\$ -	\$ -	\$ -	\$ 85,000	\$ 1,700	\$ 225,000	\$ 40,000	\$ -
Office Rent	1,473,545	-	-	-	-	1,473,545	-	-	-	-
Office Costs	684,840	-	20,600	10,140	6,340	90,690	4,530	536,550	11,260	4,730
Professional Services	607,625	-	-	-	3,000	448,875	30,000	65,000	750	60,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 3,117,710	\$ -	\$ 20,600	\$ 10,140	\$ 9,340	\$ 2,098,110	\$ 36,230	\$ 826,550	\$ 52,010	\$ 64,730
Total Direct Expenses	\$ 16,328,613	\$ 262,704	\$ 7,373,253	\$ 1,436,415	\$ 385,305	\$ 3,858,214	\$ 638,226	\$ 1,699,319	\$ 73,595	\$ 601,583
Indirect Expenses	\$ -	\$ 175,389	\$ 5,857,983	\$ 841,866	\$ 315,700	\$ (4,178,214)	\$ (638,226)	\$ (1,699,319)	\$ (73,595)	\$ (601,583)
Other Non-Operating	320,000	-	-	-	-	320,000	-	-	-	-
Total Expenses	\$ 16,648,613	\$ 438,092	\$ 13,231,235	\$ 2,278,281	\$ 701,004	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	\$ (1,071,497)	\$ (58,163)	\$ (541,585)	\$ (454,619)	\$ (17,131)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets, excluding Right of Use Assets	\$ 512,000	\$ 12,488	\$ 417,093	\$ 59,941	\$ 22,478	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ 17,160,613	\$ 450,580	\$ 13,648,328	\$ 2,338,222	\$ 723,482	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,583,497)	\$ (70,650)	\$ (958,677)	\$ (514,560)	\$ (39,609)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	66.00	1.25	41.75	6.00	2.25	4.00	2.75	5.00	-	3.00

Statement of Financial Position

Statement of Financial Position				
	(Per Audit)		Projected	Budget
	31-Dec-20		31-Dec-21	31-Dec-22
ASSETS				
Cash	\$ 4,970,683	\$	4,288,000	\$ 4,000,000
Accounts receivable, net of allowance for uncollectible	-		-	-
Other Receivables	7,350		-	-
Prepaid expenses and other current assets	470,890		300,000	300,000
Security deposit	39,705		39,705	39,705
Cash value of insurance policies	-		-	-
Property and equipment	20,981		55,000	79,003
Total Assets	\$ 5,509,609	\$	4,682,705	\$ 4,418,708
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 1,017,900	\$	850,000	\$ 850,000
Deferred income/rent	1,919		109,713	-
Deferred penalty income	-		-	-
Regional assessments	-		-	-
Deferred compensation	-		-	-
Accrued retirement liabilities				
Accrued incentive compensation				
Total Liabilities	\$ 1,019,819	\$	959,713	\$ 850,000
Unrestricted Net Assets				
Undesignated	\$ 4,283,692	\$	3,012,992	\$ 3,399,708
Regulator designated	206,098		710,000	169,000
Total Net Assets	\$ 4,489,790	\$	3,722,992	\$ 3,568,708
Total Liabilities and Net Assets	\$ 5,509,609	\$	4,682,705	\$ 4,418,708

2022 Texas RE Organization Chart

2022 Texas RE Organization Chart



Arrow indicates number of FTEs from 2021 to 2022.