

# 2009 Texas Regional Entity Business Plan & Budget Overview

Finance & Audit Committee Meeting  
May 20, 2008

# Purpose of Today's Meeting

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- **Review budget schedule**
- **Discuss budget assumptions**
- **Review preliminary business plan and budget**
- **Obtain feedback**
- **A budget decision will not be needed today**

# 2009 Texas RE Budget Development Schedule

- ~~• April 15 – Review Preliminary Draft of 2009 Budget at F&A Committee~~
- ~~• May 9 – Draft #1 of Business Plan & Budget (BP&B) due to NERC~~
- ~~• May 19 – F&A Committee Special Meeting~~
- May 20 – F&A Committee & Board Discussion of Draft #1 of BP&B
- May 30 – Draft #2 of BP&B due to NERC
- June 17 – Final Budget Approval Required by Texas RE Board
- July 9 – Final Texas RE Board-Approved BP&B due to NERC

# 2009 Budget Assumptions

- **Texas RE will remain functionally separate from ERCOT ISO.**
- **Establishment of a 60 day cash reserve, per NERC guidance.**
- **Increase in Legal and Regulatory (investigations, enforcement actions, settlements, communications, regulatory oversight, and review & comment on procedural modifications).**
- **Invest in technology improvements and process automation (data and document management systems, website maintenance, and standards tracking).**

# 2009 Budget Assumptions (continued)

- **Non-statutory requirements will not increase**
  - Allocation to the Non-Statutory function is less than 15% of the total budget.
  - Few metrics in Nodal Protocols – requirements could change.
- **Increase in labor costs**
  - Additional and more complex audits due to the increasing number of registered entities and relationships.
  - More FERC-approved reliability standards.
  - Increased emphasis on situational awareness and cyber-security.
- **Surplus funds from '07 & '08 to offset 2009 funding requirements**
- **Texas RE Staff will move out of Met Center**

# Texas RE – Budget Drivers

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- **60 days cash reserves ~ \$855K**
- **Increased labor costs ~ \$899K**
- **Increased space & facility needs ~ \$400K**
- **Increase in meeting expense (system operations training and two compliance workshops) ~ Net \$30K**

# Additional Headcount Requirements

- **Forecast position unbudgeted for 2008**

- 1 FTE for Critical Infrastructure Protection (Cyber Security Expertise)
  - FERC Order 706:
    - ◆ FERC requires Regional Entities to work with Registered Entities so Registered Entities achieve full compliance in a timely manner.
    - ◆ FERC indicated that Regional Entities should file a request for additional funding if needed.

- **Additional positions requested for 2009**

- 2 FTEs for Compliance Enforcement
- 1 FTE – Performance Assessment and Reliability Analysis Engineer
- 1 FTE – Sr. Content Specialist (IT – to support data and content management functions and tools)
- 1 FTE – Legal Counsel (if outside counsel fees justify need)

# Combined FTEs by Function

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
<b>Combined Statutory &amp; Non-Statutory FTEs</b>				
<b>Operational Programs</b>				
Reliability Standards	2.0	1.7	1.7	0.0
Compliance and Organization Registration and Certification	6.4	12.4	13.7	1.3
Reliability Readiness Audit and Improvement	0.4	0.3	0.5	0.2
Training and Education	0.4	0.4	0.6	0.2
Reliability Assessment and Performance Analysis	5.3	1.4	2.2	0.8
Situational Awareness and Infrastructure Security	0.4	0.6	1.5	0.9
Protocol Compliance	3.2	3.1	2.9	-0.2
<b>Total FTEs Operational Programs</b>	<b>18.0</b>	<b>19.9</b>	<b>23.1</b>	<b>3.2</b>
<b>Administrative Programs</b>				
General & Administrative*	7.0	5.4	7.9	2.5
Information Technology	0.0	0.0	0.0	0.0
Legal and Regulatory	0.0	0.0	0.0	0.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	0.0	0.0	0.0	0.0
<b>Total FTEs Administrative Programs</b>	<b>7.0</b>	<b>5.4</b>	<b>7.9</b>	<b>2.5</b>
<b>Total FTEs</b>	<b>25.0</b>	<b>25.3</b>	<b>31.0</b>	<b>5.7</b>

\* Personnel are included in G&A to be consistent with the expense budget. The expense budget was consolidated to maintain employee salary confidentiality. In several instances the dollars within the plan could be directly tied to one individual employee.



# Statutory FTEs by Function

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	2.0	1.7	1.7	0.0
Compliance and Organization Registration and Certification	6.4	12.4	13.7	1.3
Reliability Readiness Audit and Improvement	0.4	0.3	0.5	0.2
Training and Education	0.4	0.4	0.6	0.2
Reliability Assessment and Performance Analysis	5.3	1.4	2.2	0.8
Situational Awareness and Infrastructure Security	0.4	0.6	1.5	0.9
<b>Total FTEs Operational Programs</b>	<b>14.8</b>	<b>16.8</b>	<b>20.2</b>	<b>3.4</b>
<b>Administrative Programs</b>				
General & Administrative*	4.5	4.0	6.7	2.7
Information Technology	0.0	0.0	0.0	0.0
Legal and Regulatory	0.0	0.0	0.0	0.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	0.0	0.0	0.0	0.0
<b>Total FTEs Administrative Programs</b>	<b>4.5</b>	<b>4.0</b>	<b>6.7</b>	<b>2.7</b>
<b>Total FTEs</b>	<b>19.3</b>	<b>20.8</b>	<b>26.9</b>	<b>6.1</b>

\* Personnel are included in G&A to be consistent with the expense budget. The expense budget was consolidated to maintain employee salary confidentiality. In several instances the dollars within the plan could be directly tied to one individual employee.

# Non-Statutory FTEs by Function

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
<b>NON-STATUTORY</b>				
<b>Operational Programs</b>				
Protocol	3.2	3.1	2.9	-0.2
<b>Total FTEs Operational Programs</b>	<b>3.2</b>	<b>3.1</b>	<b>2.9</b>	<b>-0.2</b>
<b>Administrative Programs</b>				
General & Administrative	2.5	1.4	1.2	-0.2
<b>Total FTEs Administrative Programs</b>	<b>2.5</b>	<b>1.4</b>	<b>1.2</b>	<b>-0.2</b>
<b>Total FTEs</b>	<b>5.7</b>	<b>4.5</b>	<b>4.1</b>	<b>-0.4</b>

# Texas RE – Statutory Budget

Statement of Activities 2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
<b>Funding</b>					
Assessments	\$ 3,226,066	\$ 3,226,066	\$ -	\$ 6,097,024	\$ 6,600,000
Membership Dues/Non-Stat Assessments	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	70,000	-	(70,000)	70,000	70,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 3,296,066</b>	<b>\$ 3,226,066</b>	<b>\$ (70,000)</b>	<b>\$ 6,167,024</b>	<b>\$ 6,670,000</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,718,289	\$ 1,747,254	\$ 28,965	\$ 2,496,968	\$ 749,714
Payroll Taxes	142,617	146,388	3,771	192,152	45,763
Benefits	206,195	207,011	816	268,261	61,250
Retirement Costs	201,040	206,849	5,809	355,497	148,648
<b>Total Personnel Expenses</b>	<b>\$ 2,268,141</b>	<b>\$ 2,307,502</b>	<b>\$ 39,361</b>	<b>\$ 3,312,877</b>	<b>\$ 1,005,375</b>
<b>Meeting Expenses</b>					
Meetings	\$ 73,240	\$ 3,240	\$ (70,000)	\$ 105,000	\$ 101,760
Travel	93,235	86,720	(6,515)	107,470	20,750
Conference Calls	1,000	-	(1,000)	-	-
<b>Total Meeting Expenses</b>	<b>\$ 167,475</b>	<b>\$ 89,960</b>	<b>\$ (77,515)</b>	<b>\$ 212,470</b>	<b>\$ 122,510</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000
Contracts	89,000	203,585	114,585	280,654	77,069
Office Rent	80,000	165,000	85,000	517,550	352,550
Office Costs	17,450	10,788	(6,662)	18,280	7,492
Professional Services	256,000	688,428	432,428	426,000	(262,428)
Computer Purchase & Maint.	123,000	439,001	316,001	527,032	88,031
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	11,160	11,160
Contingency	295,000	-	(295,000)	-	-
<b>Total Operating Expenses</b>	<b>\$ 860,450</b>	<b>\$ 1,506,802</b>	<b>\$ 646,352</b>	<b>\$ 1,786,676</b>	<b>\$ 279,874</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 855,000</b>	<b>\$ 855,000</b>
<b>Total Expenses</b>	<b>\$ 3,296,066</b>	<b>\$ 3,904,264</b>	<b>\$ 608,198</b>	<b>\$ 6,167,024</b>	<b>\$ 2,262,760</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (678,198)</b>	<b>\$ (678,198)</b>	<b>\$ -</b>	<b>\$ 678,198</b>

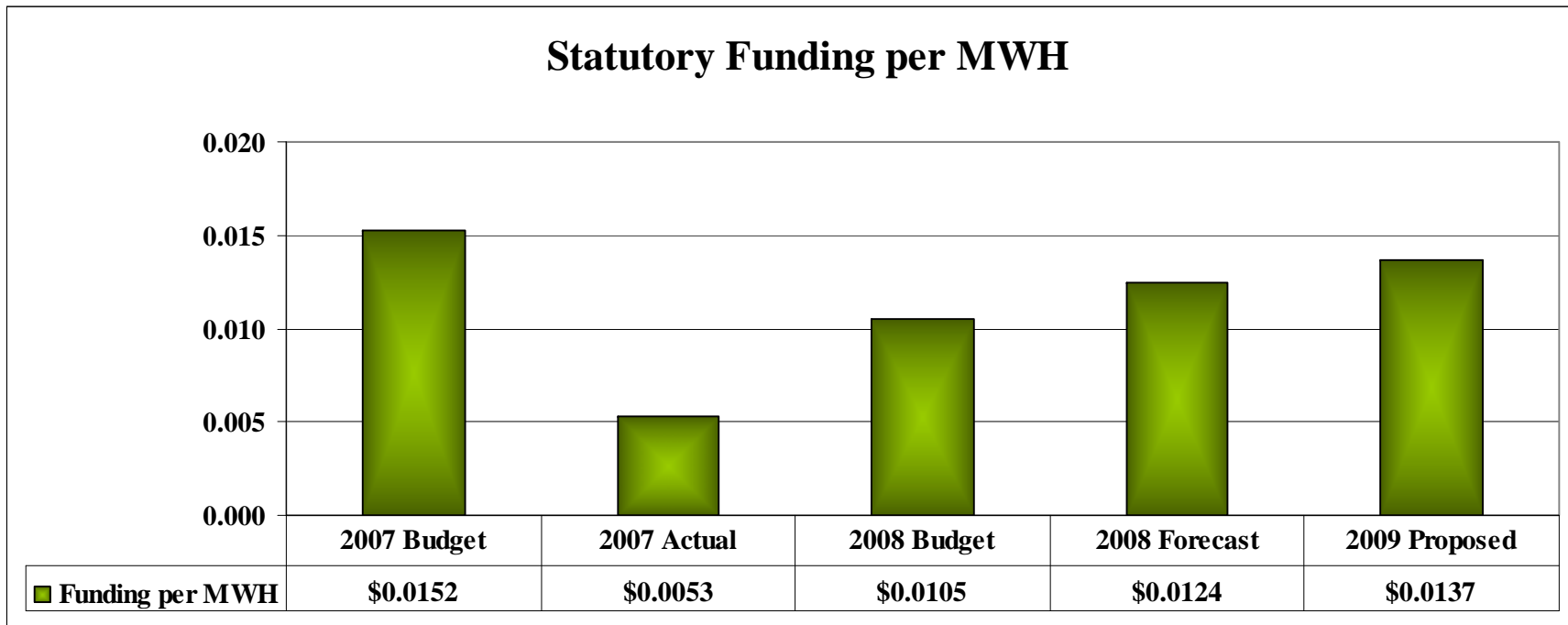
# Texas RE – Non-Statutory Budget

Statement of Activities 2008 Budget & Projection, and 2009 Budget					
NON-STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
<b>Funding</b>					
Revenue	\$ 848,782	\$ 775,885	\$ -	\$ 779,444	\$ 3,559
<b>Total Funding</b>	<b>\$ 848,782</b>	<b>\$ 775,885</b>	<b>\$ -</b>	<b>\$ 779,444</b>	<b>\$ 3,559</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 524,494	\$ 457,692	\$ (66,802)	\$ 377,580	\$ (80,112)
Payroll Taxes	43,533	36,615	(6,918)	30,206	(6,409)
Benefits	62,939	48,057	(14,882)	39,752	(8,306)
Retirement Costs	61,366	66,365	4,999	54,749	(11,616)
<b>Total Personnel Expenses</b>	<b>\$ 692,332</b>	<b>\$ 608,730</b>	<b>\$ (83,602)</b>	<b>\$ 502,287</b>	<b>\$ (106,443)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,900	4,172	272	2,181	(1,991)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,900</b>	<b>\$ 4,172</b>	<b>\$ 272</b>	<b>\$ 2,181</b>	<b>\$ (1,991)</b>
<b>Operating Expenses</b>					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	68,000	65,044	(2,956)	118,200	53,156
Office Costs	2,550	804	(1,746)	480	(324)
Professional Services	82,000	70,630	(11,370)	89,900	19,270
Computer Purchase & Maint.	-	26,505	26,505	36,396	9,891
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	30,000	30,000
<b>Total Operating Expenses</b>	<b>\$ 152,550</b>	<b>\$ 162,983</b>	<b>\$ 10,433</b>	<b>\$ 274,976</b>	<b>\$ 111,993</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 848,782</b>	<b>\$ 775,885</b>	<b>\$ (72,897)</b>	<b>\$ 779,444</b>	<b>\$ 3,559</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Texas RE – Estimated Funding Requirements

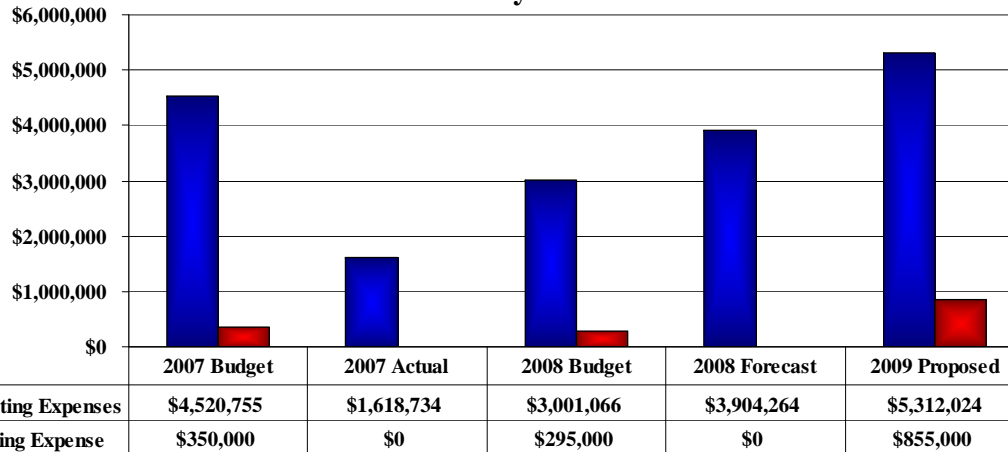
- The estimated funding requirement for the Statutory budget is:

2009 Budget	\$6,167,024
LESS Estimated Surplus Funds	<u>( 1,800,323)</u>
Net Funding for 2009	\$4,366,701
Net Funding per MWH	\$.0137

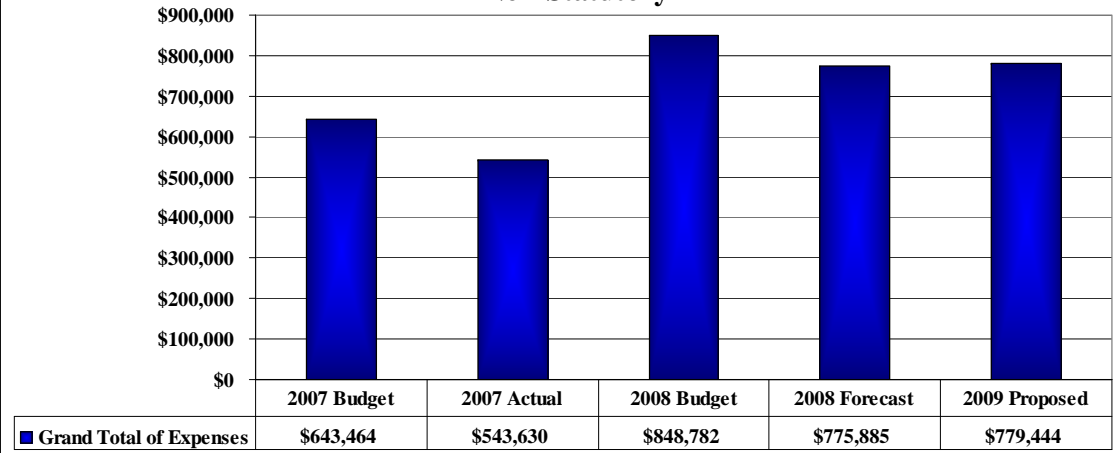


# 2009 Budget – Statutory & Non-Statutory Budget

**Texas RE Financial Trends**  
**Statutory**

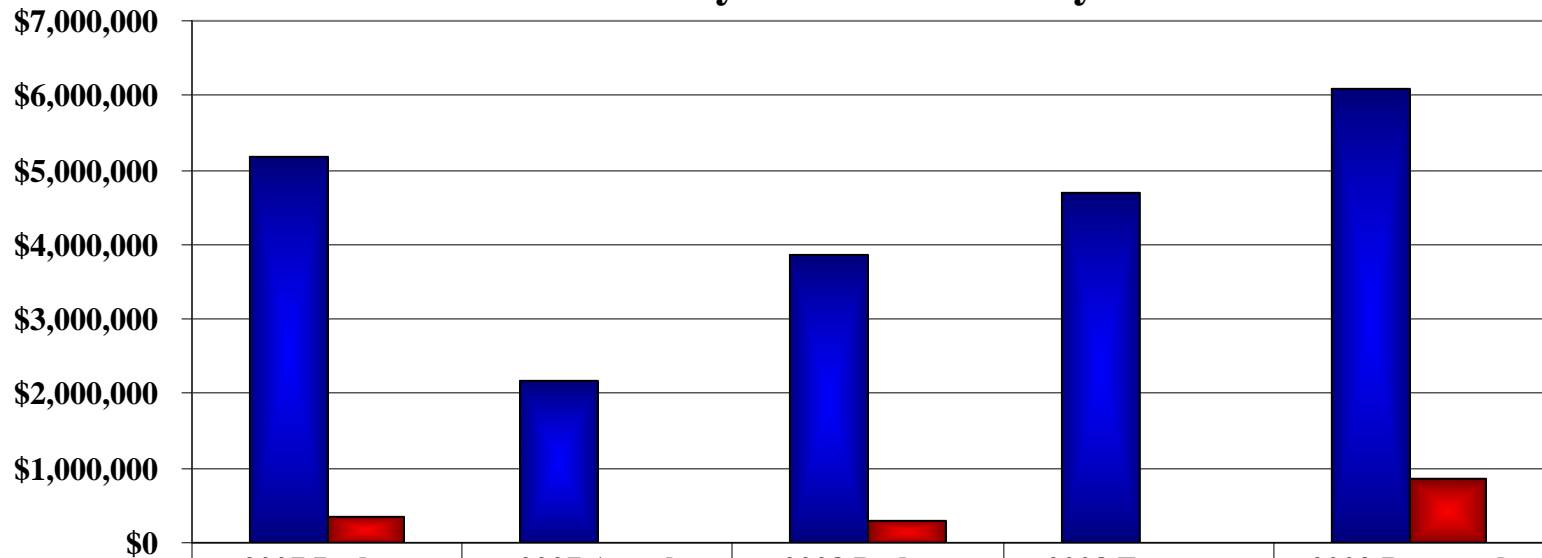


**Texas RE Financial Trends**  
**Non-Statutory**



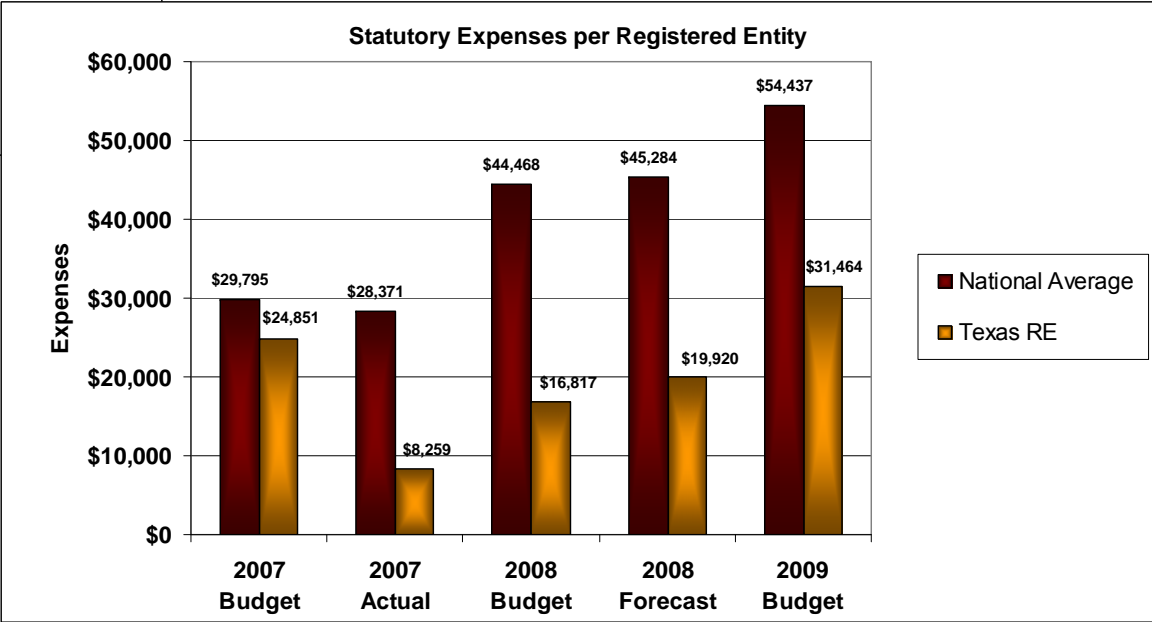
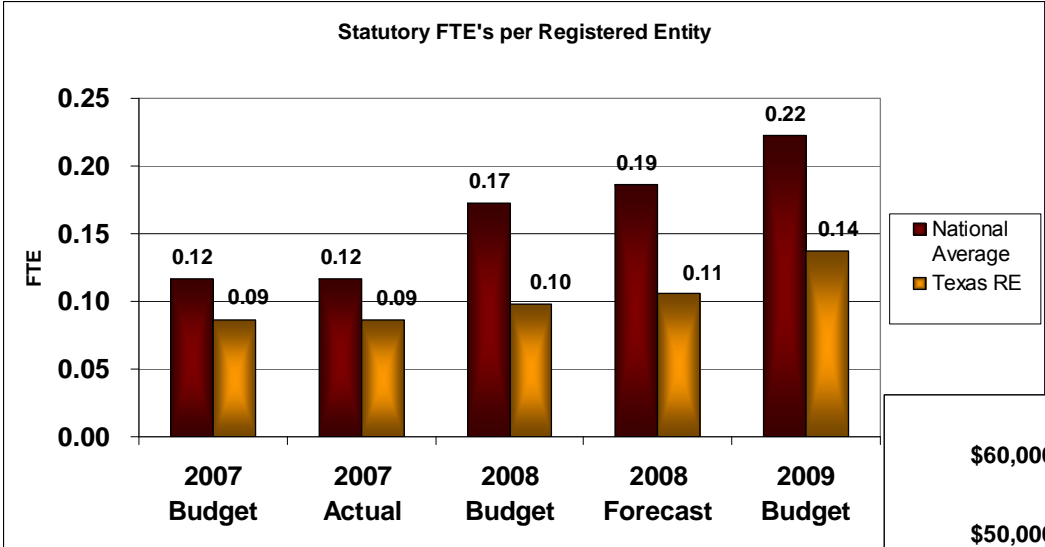
# 2009 Budget – Statutory & Non-Statutory

**Texas RE Financial Trends**  
**Combined Statutory & Non-Statutory**



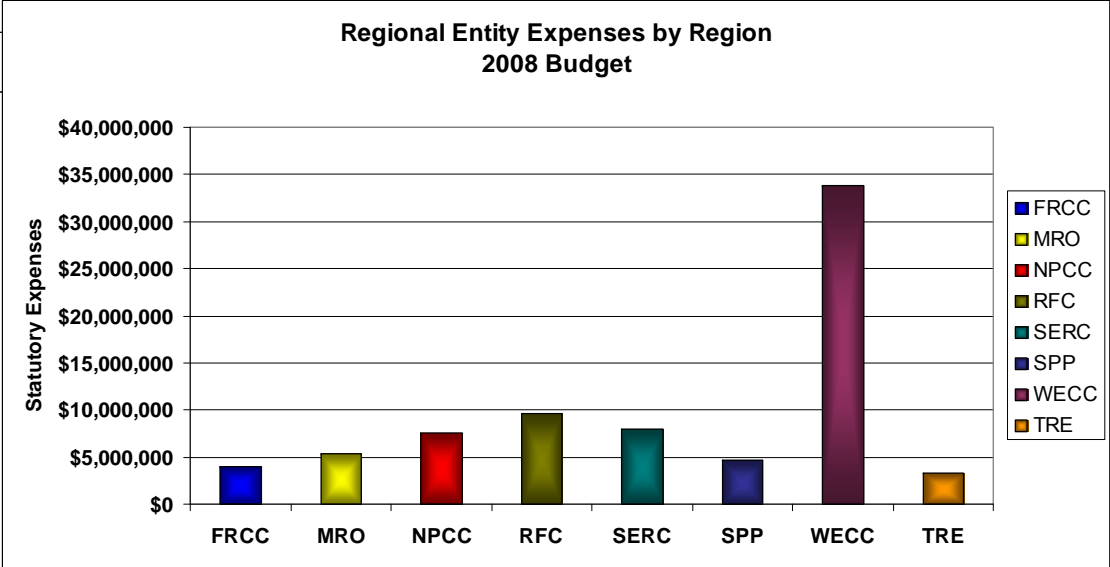
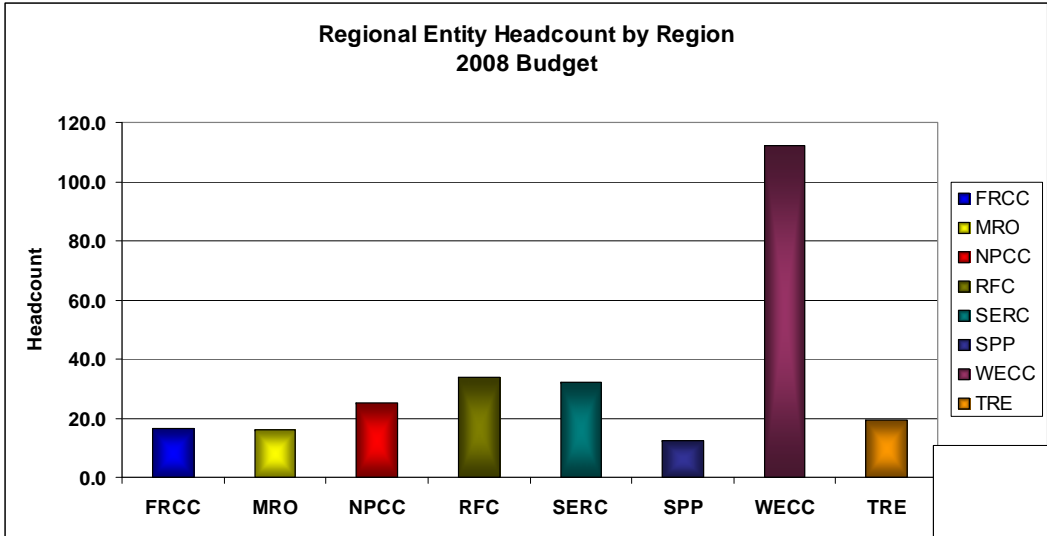
■ Total Operating Expenses	\$5,164,219	\$2,162,364	\$3,849,848	\$4,680,149	\$6,091,468
■ Non-Operating Expense	\$350,000	\$0	\$295,000	\$0	\$855,000

# Budget Comparisons – Texas RE vs. Nat'l RE Avg.





# 2008 Budget Comparison - Texas RE vs. Nat'l RE Avg.



# Looking on the Horizon – Known Items

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- **Critical Infrastructure Protection**
- **Situational Awareness and Reliability Assessment**
- **Improved and Increasing Communications & Data Management**

# Looking on the Horizon – Unknown Items

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- **Appeals/Hearings**
- **Compliance Violations Investigations**
- **TOP Joint Registrations**
- **LSE Registrations**
- **New FERC Directives**
- **Nodal Protocol Metrics and New PUC Directives**