

**Texas Regional Entity Advisory Committee Meeting**  
 Room 206, 7620 Metro Center Drive, Austin, Texas  
 May 19, 2009 at 10:00 a.m.\*\*

<b>Item</b>	<b>Topic</b>	<b>Presenter</b>	<b>Time**</b>
1.	Call to Order	M. Gent	10:00 a.m.
	<b>Convene Executive Session</b>		
2.	Executive Session	M. Gent	10:05 a.m.
	A. Approval of April 21, 2009 Minutes* (Vote)	M. Gent	10:05 a.m.
	B. Recommendation of CEO Market Compensation* (Vote)	M. Armentrout	10:10 a.m.
	C. Discussion of Privileged, Contract, Governance, Ethics, Personnel, Compliance, or Legal Matters*	S. Vincent	10:25 a.m.
	<b>Reconvene Open Session</b>		
3.	Approval of April 21, 2009 Minutes* (Vote)	M. Gent	10.35 a.m.
4.	Texas Regional Entity Administrative Update	L. Grimm	10:40 a.m.
5.	Human Resources & Governance Issues	M. Armentrout	10:50 a.m.
	A. Governance Changes Status Update	L. Grimm	10:52 a.m.
6.	Finance & Audit Issues	M. Gent	11:00 a.m.
	A. Financial Report (Q&A)*	T. Brewer	11:10 a.m.
	B. Recommend Acceptance of 2009 Audited Financials* (Vote)	M. Espinosa	11:20 a.m.
	C. Review 2010 Business Plan & Budget*	L. Grimm	11:30 a.m.
7.	Other Business	M. Gent	12:00 p.m.
8.	Future Agenda Items*	M. Gent	12:15 p.m.
9.	Vote on Matters from Executive Session, if applicable (Vote)	M. Gent	12:20 p.m.
	<b>Adjourn Committee Meeting</b>	M. Gent	12:30 p.m.

\* Background material enclosed or will be distributed prior to or at meeting.

\*\* All times shown in the Agenda are approximate.

The next Committee Meeting will be held on June 15, 2009 at  
 7620 Metro Center Drive, Austin, Texas.

**DRAFT MINUTES OF THE  
TEXAS REGIONAL ENTITY ADVISORY COMMITTEE**  
Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744  
April 21, 2009

**Committee Members**

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Don Ballard	Counsel, Office of Public Utility Counsel	Residential Small Consumer
Miguel Espinosa		Unaffiliated
Jan Newton		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas	

**Other Attendees**

Larry Grimm, Texas Regional Entity CEO and CCO  
 Susan Vincent, Texas Regional Entity Director, Legal Affairs  
 Jeff Whitmer, Texas Regional Entity Manager, Compliance Enforcement  
 Mark Henry, Texas Regional Entity Manager, Compliance Audits  
 Tony Shiekhi, Texas Regional Entity Manager, Stakeholder Management  
 Judith James, Texas Regional Entity Manager, Reliability Standards  
 Todd Brewer, Texas Regional Entity Senior Financial Analyst  
 Ryan Clay, Texas Regional Entity Senior Paralegal  
 Derrick Davis, Texas Regional Entity Corporate Counsel  
 Nancy Capezzuti, ERCOT VP and CAO  
 Jennifer Windler, LCRA  
 Eric Goff, Reliant Energy  
 Kenan Ogelman, CPS Energy

**Call to Order and Executive Session**

Chair Gent called the open session of the Texas Regional Entity ("Texas RE") Advisory Committee ("Committee") meeting to order at approximately 10:30 a.m. and immediately recessed the meeting for an Executive Session.

**Open Session Reconvened**

At 10:58 the Committee returned to Open Session.

**Don Ballard moved for the Committee to direct Texas RE staff to draft a letter to the NERC Board of Trustees, on behalf of the Committee expressing the deep concern and disappointment with the proposed Interpretation Response to reliability standard PRC-005, Requirement 1. Jan Newton seconded the motion. The Committee discussed the issue briefly, and A.D. Patton stated that the current Interpretation Response by the NERC stakeholders to PRC-005, R1 was short sighted and contrary to reliability. The motion passed by unanimous voice vote.**

## **Texas RE Update**

Larry Grimm provided the Committee with a Texas RE administrative update, including:

- The annual Under Frequency Load Shedding survey (which verifies Transmission and Distribution Service Providers (TDSPs) have the correct amount) will be conducted.
- On April 29, 2009 Texas RE is hosting an educational workshop on reliability standards development and requirements for reliability of the Bulk Electric System on May 6, 2009. The compliance workshop agenda is located at <http://www.ercot.com/calendar/2009/05/20090506-TRESCW>. There may be one or two more workshops later this year. Ms. Newton requested a copy of the workshop's agenda.
- The ERCOT Operations Training Seminar ended on April 16, 2009. 656 people attended this year's training seminar over a six week period. This is the most attendees over the 25 year history of the training seminar. 95 percent of the attendees rated the seminar as good or better.
- Texas RE staff has determined that NOGRR 0025 (which adds Section 9 to incorporate metrics to be monitored and reported on for QSEs, Resources, TDSPs and ERCOT) still lacks the proper metrics at this time. Texas RE is concerned that the TAC will not incorporate appropriate reliability metrics by July 31, 2009.

Dr. Patton asked if Texas RE was comfortable with PRR 800 (which removes the WGR QSEs exemption established in PRR 777). Mr. Grimm confirmed that Texas RE staff is comfortable with PRR 800, in its current form, and that it will be considered by the Protocol Revision Subcommittee (PRS) later this month. In response to a question by Mr. Armentrout asking if PRR 800 "goes far enough", Jeff Whitmer, Texas RE Manager, Enforcement, informed the Committee that the Texas RE staff commented on PRR 800 and the Protocol Revision Subcommittee (PRS) incorporated the comments, so Texas RE is satisfied with PRR 800 in its current form. Mr. Ballard commented on the overall process of Protocol revision requests indicating that the process should be strictly followed.

## **Human Resource & Governance Issues**

### **Recommend 2009 Goals and KPIs**

Upon request by Chair Gent, Mr. Grimm reviewed the changes made to the Texas RE 2009 Key Performance Indicators (KPIs) since the last Committee meeting. Dr. Patton asked the Committee if it would be appropriate to increase the percentage of the goal of conducting compliance analyses of significant events in KPI 3 to 35%, given the significance of the importance of investigating events. The Committee agreed that the last two goals of KPI 3 (comply with NERC CMEP timelines and develop internal CMEP-related procedures) should be reduced to 5% each, and the investigation of events goal should be increased to 35% of the KPI.

**Mark Armentrout made a motion to incorporate the aforementioned changes to KPI 3 and recommend the modified Texas RE 2009 KPIs to the full Board for approval; Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.**

### **Approval of Minutes**

**Mr. Armentrout made a motion to approve the minutes from the March 16, 2009 Committee meeting; Ms. Newton seconded the motion. The motion passed by unanimous voice vote.**

## **Finance & Audit Issues**

### **Monthly Financial Information**

Todd Brewer responded to questions by Mr. Espinosa about the monthly financial information. In response to a question by Mr. Espinosa asking why Texas RE has not signed an MOU with ERCOT ISO, Ms. Vincent explained to the Committee that Texas RE had signed an MOU with ERCOT ISO in January 2008, but the parties were currently in the process of amending the MOU to adjust it for the Texas RE move from Met Center.

Mr. Espinosa also asked Ms. Vincent to summarize the legal expenses for the on-going FERC audit of Texas RE. Ms. Vincent stated that the expenditures to the Legal Department have remained relatively low to this point considering the depth of the responses and that a majority of the expenses are attributed to outside counsel review of possible privileged emails, printing and document indexing.

Ms. Newton pointed out that the "Consumable Expenses" and "Professional Services" categories on page 4 of the Financial Report were both above budget, but they had green arrows. Mr. Brewer indicated that the arrows should be yellow and agreed to make the correction in the future. Mr. Brewer responded to questions about the monthly report by Chair Gent.

Mr. Armentrout asked for Texas RE staff, starting in June to include a 2009 forecast column between the "Year to Date" and "Annual Budget" columns on page 6 of the Report. Mr. Brewer agreed to incorporate Mr. Armentrout's request.

### **2010 Budget Overview**

Mr. Grimm gave a brief overview and reflection on Texas RE's 2009 performance and budget. Mr. Grimm stated he was proud of the Texas RE's performance this past year. Mr. Grimm also indicated that the Texas RE would continue to work with NERC on process improvements. Chair Gent informed the Committee that NERC was staffing up to perform the CIP audits on nuclear facilities and requested that Texas RE auditors participate in future NERC nuclear audits that occurred in the ERCOT region.

Ms. Newton stated that since not all vacancies are filled the first month of each year, Texas RE might be over budgeting labor expenses. Ms. Newton noted that this category reflected an overage in 2008 as well as 2009. Ms. Newton also said that the Committee needs to understand the continued increase of Texas RE personnel staffing costs and determine when the ramp up would stabilize and flatten out. Chair Gent requested that the Texas RE attempt to "normalize the optics" reflected by the charts on page 10. Ms. Newton requested that the next budget presentation better describe the value added by the requested additional personnel.

In response to the Committee's questions on the additional Compliance Enforcement personnel described on slide 20, Dr. Patton commented on the need to have sufficient personnel to perform the required compliance activities and said that a timely compliance analysis is essential for reliability. Mr. Grimm explained that Texas RE was trying to separate the tasks of compliance audits and any subsequent enforcement actions, in accordance with NERC's preferred methodology.

Mr. Grimm told the Committee that the first draft of the Texas RE 2010 Business Plan and Budget (BP&B) was due to NERC on May 8, 2009.

### **Future Agenda Items**

Mr. Armentrout asked Texas RE staff to add all significant BP&B dates to the list of Future Agenda Items. Ms. Vincent informed the committee that a new Confidentiality Agreement for ERCOT staff that provided services to Texas RE would be a future agenda item.

### **Compliance & Standards Discussion**

Chair Gent noted that CPS1 was up in the ERCOT region from the previous month.

Dr. Patton discussed SAR 001 and the need to change ERCOT's ¼ vote to a full vote in the stakeholder process. In response to a question by Dr. Patton, Mr. Grimm explained that ERCOT ISO had not submitted a request for a new Standard Authorization Request to allow a full vote.

Chair Gent and the Committee generally discussed the listed compliance violations. In response to questions by the Committee, Mr. Grimm noted that Texas RE's relationship with NERC was very cooperative and that Texas RE works with NERC every step of the way through the compliance enforcement process. Mr. Armentrout generally discussed the Resource Plan metrics and the Committee agreed to discuss the details in Executive Session.

Chair Gent asked for TRE staff to elaborate on a recent frequency event. Jeff Whitmer explained that the oscillation event was caused by a stuck valve on a generating unit. Mr. Whitmer stated the unit was undergoing an approved test when this occurred and the event did not put the BPS at risk. The Committee briefly discussed the Conficker Virus and expressed concerns about potential impact to the BPS.

### **Adjournment**

Chair Gent adjourned the Texas RE Advisory Committee into executive session at approximately 12:01 p.m., noting that the Committee would not return to open session.

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Susan Vincent  
Corporate Secretary

## Discussion

## Discussion

**Date:** May 7, 2009  
**To:** Texas Regional Entity Board of Directors  
**From:** Larry Grimm, Chief Executive Officer and Chief Compliance Officer  
**Subject:** Recommendation of Texas Regional Entity 2009 Goals and KPIs

**Texas Regional Entity Board of Directors Date:** May 19, 2009

**Agenda Item No.:** 5A

**Issue:**

Approval of Texas Regional Entity 2009 Goals and Key Performance Indicators (KPIs).

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**Background/History:**

The Texas Regional Entity Advisory Committee (“Committee”) Charter requires that the Committee annually review and make recommendations to the Texas Regional Entity Board of Directors (“Board”), regarding the performance goals and objectives with respect to the compensation of the Chief Executive Officer (CEO). The Committee has reviewed and recommends that the Board approve the Texas Regional Entity 2009 Goals and KPIs, which are attached hereto as *Exhibit A*.

Larry Grimm, Texas Regional Entity CEO and Chief Compliance Officer, requests that the Board approve the Texas Regional Entity 2009 Goals and KPIs.

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**Key Factors Influencing Issue:**

- The requirement that Texas Regional Entity Goals be included in the Texas Regional Entity Budget and Business Plan.
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**Alternatives:**

- Modify the proposed Texas Regional Entity 2009 Goals and KPIs.
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**Conclusion/Recommendation:**

Mr. Grimm requests that the Board approve the Texas Regional Entity 2009 Goals and KPIs, as set forth in *Exhibit A*.



**RESOLUTION OF THE TEXAS REGIONAL ENTITY BOARD OF DIRECTORS**

, 2009

WHEREAS, the of Board Directors of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation, deems it desirable and in the best interest of Texas Regional Entity to approve the Texas Regional Entity 2009 Goals and Key Performance Indicators, as set forth in **Exhibit A**;

THEREFORE be it RESOLVED, that the Texas Regional Entity hereby recommends that the Board approve the Texas Regional Entity 2009 Goals and Key Performance Indicators, as set forth in **Exhibit A**, which is attached hereto and incorporated herein for all purposes.

**CORPORATE SECRETARY’S CERTIFICATE**

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the May 19, 2009 Texas Regional Entity Advisory Committee Meeting, the Texas Regional Entity Advisory Committee approved the above referenced resolution. The motion passed by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this            day of            , 2009.

\_\_\_\_\_  
Susan Vincent  
Corporate Secretary

# Exhibit A

## Texas Regional Entity 2009 Goals and Key Performance Indicators

	Key Performance Indicator	Pct.	Current Quarter Performance	Score	Status/Comments
1	Meet responsibilities as a Regional Entity and maintain independence from the ERCOT ISO.	25%			Audit to determine whether Texas RE is operating in compliance with (1) the Delegation Agreement between NERC and Texas RE, (2) the Texas RE Bylaws, and (3) other obligations and responsibilities as approved by FERC.
2	Prepare Texas RE Business Plan & Budget and conduct base operations within approved budget.	15%			Final Texas RE Board-approved BP&B due to NERC on July 8 <sup>th</sup> .
3	Effectively manage the NERC Compliance Monitoring and Enforcement Program.	20%			Perform in accordance with Delegation Agreement and NERC Rules of Procedure; meet all submittal schedules; participate in NERC, FERC, and Stakeholder activities as required.
4	Monitor and investigate non-compliance with ERCOT Protocols and Operating Guides.	15%			Monitor (not in real-time) Stakeholder performance and investigate all instances of potential non-compliance identified by Texas RE Staff or reported to Texas RE by the ERCOT ISO or other Stakeholder(s).
5	Manage the Texas RE Standards Development Process.	10%			Effectively facilitate and coordinate the activities of the Reliability Standards Committee (RSC) and Standard Drafting Teams (SDTs).
6	Effectively communicate with the Board, Industry, Regulators, and other Stakeholders.	15%			Routinely communicate with NERC Staff and other Regional Entity Staff at varying levels, to implement and maintain consistency and uniformity regarding compliance monitoring and enforcement, and standards development programs and discuss program issues; provide monthly Board reports on compliance activities; discuss Protocol compliance activities and related matters with PUCT Staff; regularly provide updates to Stakeholders related to Texas RE and NERC activities on website and in Stakeholder meetings; continue to develop IT automation tools for reporting and communication.
		100%			

**KPI 1: Meet Responsibilities as a Regional Entity and Maintain Independence from the ERCOT ISO**

<b>Goal</b>	<b>Pct of KPI</b>	<b>Measurement</b>	<b>Status/Score</b>	<b>Performance</b>
Receive a favorable audit from FERC in 2009.	30%	Audit report indicates Texas RE effectively operating as a Regional Entity and maintaining its independence from the ERCOT ISO.		Texas RE operates in compliance with: (1) the Delegation Agreement between NERC and Texas RE; (2) the Texas RE Bylaws; and (3) all other obligations and responsibilities as approved by FERC.
Receive a favorable performance assessment from NERC in 2009.	30%	NERC's review and report indicates that Texas RE is performing in accordance with its delegation agreement with NERC – is developing and enforcing Reliability Standards and providing for an adequate level of Bulk Power System reliability in accordance with its delegation agreement.		Texas RE's enforcement program: (1) meets all applicable legal requirements; (2) promotes consistent interpretations of the Reliability Standards; (3) provides for comparable levels of sanctions and penalties for violations of the Reliability Standards which constitute comparable levels of threat to the Bulk-Power System; and (4) reflects the requirements of the enforcement program.
Respond as required to all FERC and NERC Requests for Information.	20%	Respond to requests in accordance with FERC directives.		All responses submitted to as agreed to between FERC and/or NERC and Texas RE.
Maintain effective relationships with FERC and NERC Staff.	20%	Good and positive relationship is maintained and nurtured.		Openly communicate, effectively interact, and maintain credibility with FERC and NERC Staff.
	100%			

**KPI 2: Prepare Texas RE Budget and Conduct Base Operations within Approved Budget**

<b>Goal</b>	<b>Pct of KPI</b>	<b>Measurement</b>	<b>Status/Score</b>	<b>Performance</b>
Develop achievable Texas RE Budget and Business Plan.	25%	Submit Texas RE Budget and Business Plan on time.		Draft #1 due to NERC on May 8 <sup>th</sup> ; Draft #2 due to NERC on May 29 <sup>th</sup> ; final Texas RE Board-approved BP&B due to NERC on July 8 <sup>th</sup> .
Receive a favorable Financial Audit.	25%	Successfully complete audit and submit report to NERC on time.		Obtain unqualified ("clean") audit opinions; audit report due to NERC by 150 days after the end of the fiscal year.
Maintain effective Texas RE fiscal controls.	20%	Submit to NERC un-audited quarterly interim financial statements by the 20 <sup>th</sup> day after the end of the fiscal quarter.		Reports provided to NERC prior to January 20 <sup>th</sup> , April 20 <sup>th</sup> , July 20 <sup>th</sup> , & October 20 <sup>th</sup> .
File all required reports with NERC.	15%	95% of reports submitted to NERC on time.		All reports and information submitted to NERC in accordance with timelines and guidelines provided to Texas RE.
Assess and revise cost accounting procedures and methods.	15%	Complete assessment and revision process by June 30, 2009.		Ensure procedures and methods are revised as needed to enhance Texas RE's operational and fiscal performance.
	100%			

### KPI 3: Effectively Manage the NERC Compliance Monitoring and Enforcement Program

Goal	Pct of KPI	Measurement	Status/Score	Performance
Develop Texas RE Compliance Program Implementation Plan annually and submit to NERC.	15%	Submit annual plan to NERC by November 1 <sup>st</sup> for the following calendar year.		Develop 2010 Implementation Plan; collaborate as needed with NERC Staff and other Regional Entity Staff to ensure uniformity and consistency among Regions.
For 2009, complete all compliance audits.	15%	Complete all 38 scheduled audits completed and issue final reports by December 31, 2009.		Audit schedule followed – 21 on-site; 18 tabletop (off-site).
Conduct compliance analyses of significant events and take applicable enforcement actions in accordance with the NERC Compliance Monitoring and Enforcement Program (CMEP).	35%	Analyses conducted in accordance with processes and procedures and appropriate enforcement actions taken.		All analyses conducted in a timely manner and completed in accordance with processes and procedures.
Prepare and submit to NERC all required reports.	10%	95% of reports submitted to NERC on time.		Reports submitted to NERC in accordance with timelines and guidelines provided to the Regional Entities.
Maintain up-to-date NERC Regional Compliance Registry and provide updates to NERC.	15%	Keep registry up-to-date/provide updates to NERC within 5 business days of being received from the Registered Entity or as requested by NERC.		Compliance registry updated in accordance with NERC requirements and updates are promptly provided to NERC.
Comply with all NERC CMEP timelines.	5%	Meet timelines 95% of time.		Adhere to and meet established timelines.
Develop internal CMEP-related Texas RE Procedures.	5%	Procedures developed and completed by March 31, 2009.		Completed procedures to be submitted for Legal and/or IT review by March 31, 2009; Legal and/or IT review complete by April 30, 2009.
	100%			

**KPI 4: Monitor and Investigate Non-Compliance with ERCOT Protocols and Operating Guides**

<b>Goal</b>	<b>Pct of KPI</b>	<b>Measurement</b>	<b>Status/Score</b>	<b>Performance</b>
Revise ERCOT Compliance Process	40%	Revision completed and submitted for Legal and CEO review by March 31, 2009.		Process revision completed in accordance with schedule.
Prepare and submit to the PUCT all required/requested reports.	30%	Reports provided to the PUCT on agreed to schedule.		Reports provided in accordance with approved process.
Comply with all ERCOT Compliance Process timelines.	30%	Meet timelines 90% of time.		Adhere to and meet established timelines.
	100%			

**KPI 5: Manage the Texas RE Standards Development Process**

<b>Goal</b>	<b>Pct of KPI</b>	<b>Measurement</b>	<b>Status/Score</b>	<b>Performance</b>
Comply with the Texas RE Standards Development Process and associated timelines.	70%	Process facilitated, effective and measurable Regional Standards are developed, and timelines met 90% of time.		Adhere to and meet established timelines.
Maintain an effective Registered Ballot Body (RBB).	30%	Each segment within the RBB is adequately represented.		Ballot body maintained with all segments represented.
	100%			

**KPI 6: Effectively Communicate With the Industry, Regulators, and Other Stakeholders.**

<b>Goal</b>	<b>Pct of KPI</b>	<b>Measurement</b>	<b>Status/Score</b>	<b>Performance</b>
Manage and implement new Texas RE-related IT projects.	15%	<ul style="list-style-type: none"> <li>• Texas RE Website deployed by 4/30/09 and content kept up-to-date.</li> <li>• Complete Document Management System by 12/31/09.</li> <li>• Complete Portal-related projects by 4/30/09.</li> </ul>		<ul style="list-style-type: none"> <li>• Project start date was January 5, 2009. This project has been delayed due to other higher priority projects.</li> <li>• Project start date projected to be April 2009.</li> <li>• Projects started December 2008.</li> </ul>
Communicate activities related to the Compliance and Standards Development Programs.	15%	Texas RE Staff to attend stakeholder meetings as needed/requested.		Texas RE Staff attend and participate in applicable stakeholder meetings; distribute updates and notices to market participants through the Texas RE Information list serve.
Coordinate communication activities related to the NERC/Texas RE Programs.	15%	Communications provided and coordinated as directed by NERC.		Regularly communicate and interact with NERC and Regional Entity Staffs at all levels to consistently and uniformly implement and maintain compliance, enforcement, and standards development programs.
Conduct Compliance Monitoring and Enforcement and Standards Development Program Informational Session(s).	15%	Sessions conducted.		Conduct workshops to inform and respond to questions from Registered Entities.
Effectively communicate with the Board, Regulators, and Legislators.	40%	Visit and maintain open communications with Board Directors and FERC and PUCT Commissioners and key staff, and key Texas Legislators and their aides.		Continue to regularly meet and interact with Board Directors and key PUCT and FERC Staff; continue to further develop communications relationships at all levels of FERC, NERC, and PUCT. Interact with Legislators as needed.
	100%			





**TEXAS  
REGIONAL  
ENTITY™**

*An Independent Division of ERCOT*

# Texas Regional Entity Financial Report April 2009

Board of Directors  
May 19, 2009

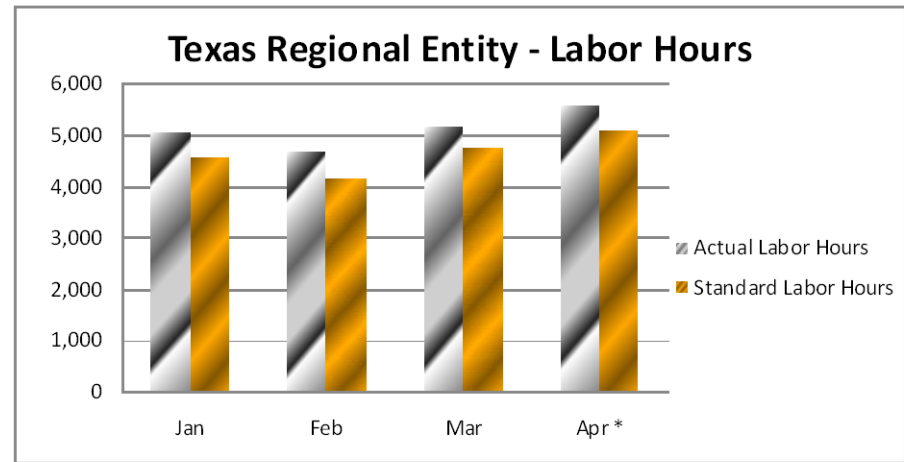
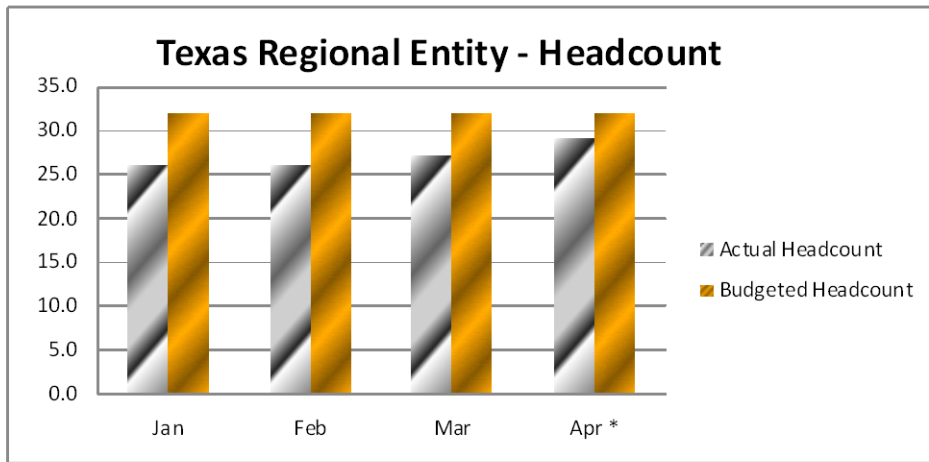
- **Draft 1 of Texas RE's Business Plan & Budget has been submitted to NERC for review:**
  - Texas RE Board approval needed June 15, 2009
  - Final Board approved Business Plan & Budget submitted to NERC before July 8, 2009
  - Draft budget submitted to NERC assumed continued arrangement of functional separation from ERCOT ISO.
- **Texas RE has concluded its major work on the 2008 Financial Statement Audit by PwC.**
  - Texas RE Board approval needed May 19, 2009

# April 2009 Actual Workforce

## Texas Regional Entity Headcount Statutory & Non-Statutory Combined For The Month Ended April 30, 2009

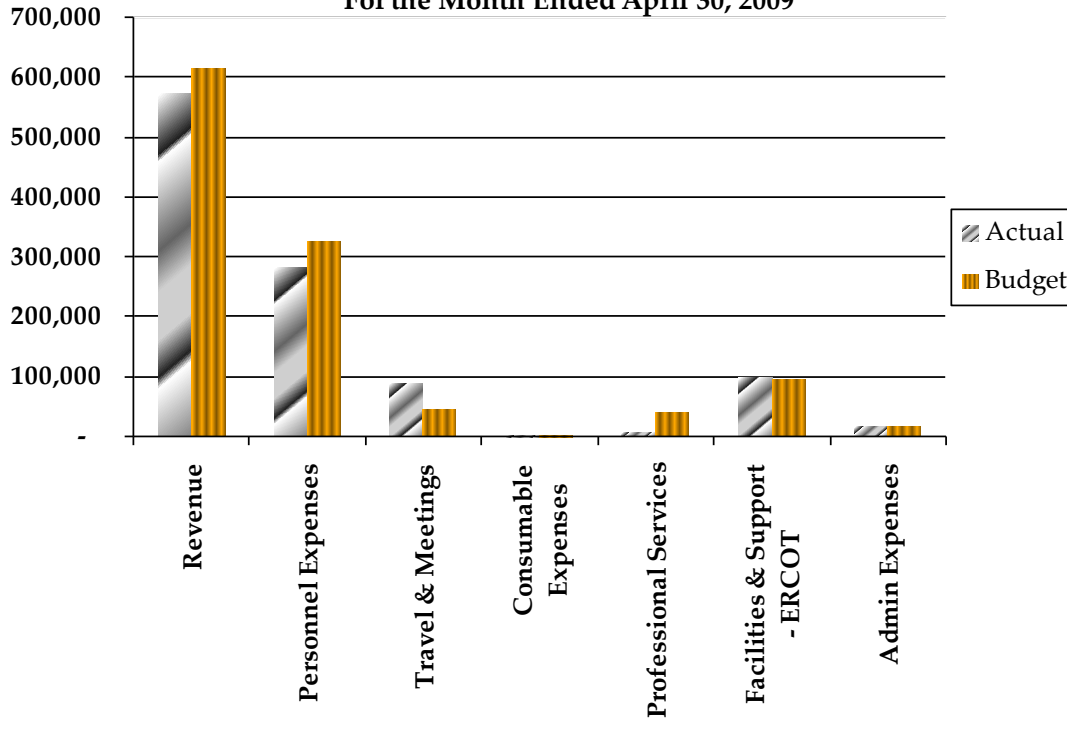
	Jan	Feb	Mar	Apr *	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual Headcount	26.0	26.0	27.0	29.0								
Budgeted Headcount	32.0	32.0	32.0	32.0								
<b>Variance Under/(Over)</b>	6.0	6.0	5.0	3.0								
Actual Labor Hours	5,050	4,688	5,154	5,584								
Standard Labor Hours	4,576	4,160	4,752	5,104								
<b>Variance Under/(Over)</b>	(474)	(528)	(402)	(480)								
Overtime Percentage	10.4%	12.7%	8.5%	9.4%								
<b>FTE's Calc'd from Labor</b>	28.7	29.3	29.3	31.7								

\* Does not include interns and consultants



# April 2009 Operating Expenses

**Texas RE - Income Statement by Category  
For the Month Ended April 30, 2009**

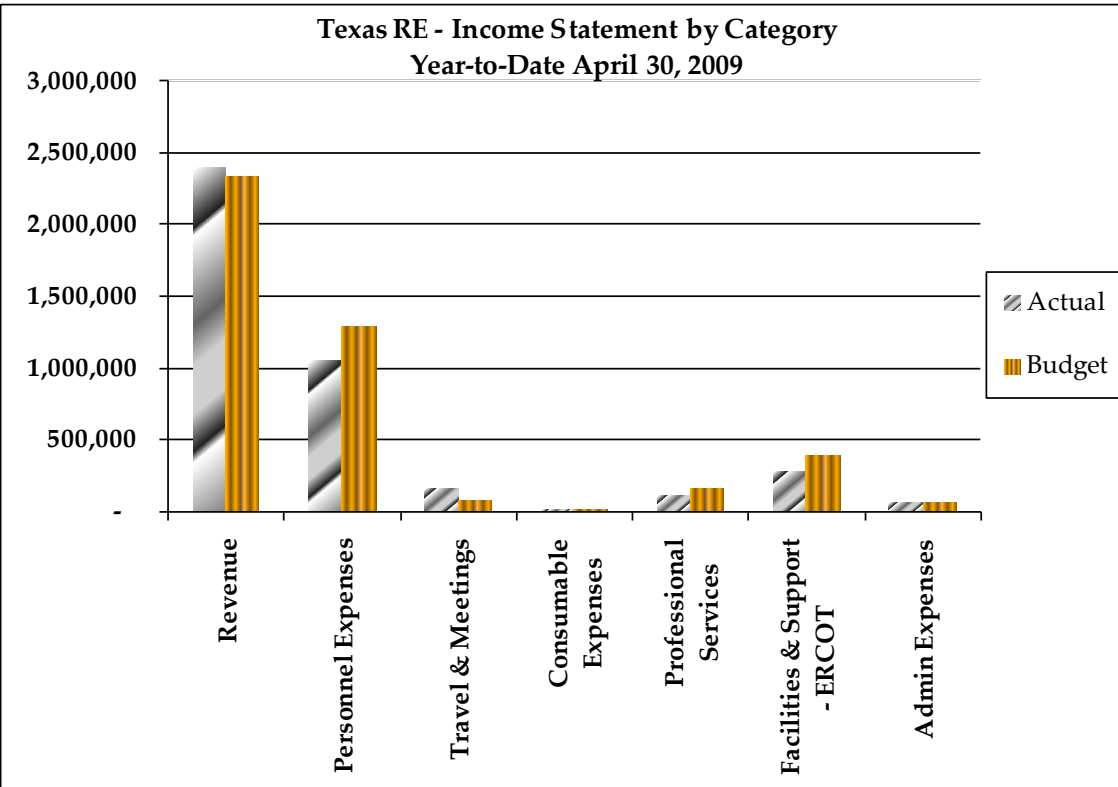


### April Comments

- ➔
**Revenue** - Revenue is lower than budget due to the Operations Training Seminar revenue collected in February and March, as well as Non-Stat revenue lower.
- ➔
**Personnel Expenses** - Lower due to employee vacancies. Budget is 32 FTEs, we currently are staffed at 29 FTEs.
- ➔
**Travel & Meetings Expenses** - Overspending due to final recognition of Operations Training Seminar costs; and higher than planned travel in April.
- ➔
**Consumable Expenses** - On target for the month.
- ➔
**Professional Services** - Less than plan for the month primarily due to underspending on legal expenses.
- ➔
**Facilities & Support** - Accruing the expenses associated with Texas RE's move and rent. In April reflected recruiting for 2 FTEs.
- ➔
**Administrative Expenses** - On target with plan.

# YTD April 2009 Operating Expenses

**Texas RE - Income Statement by Category  
Year-to-Date April 30, 2009**

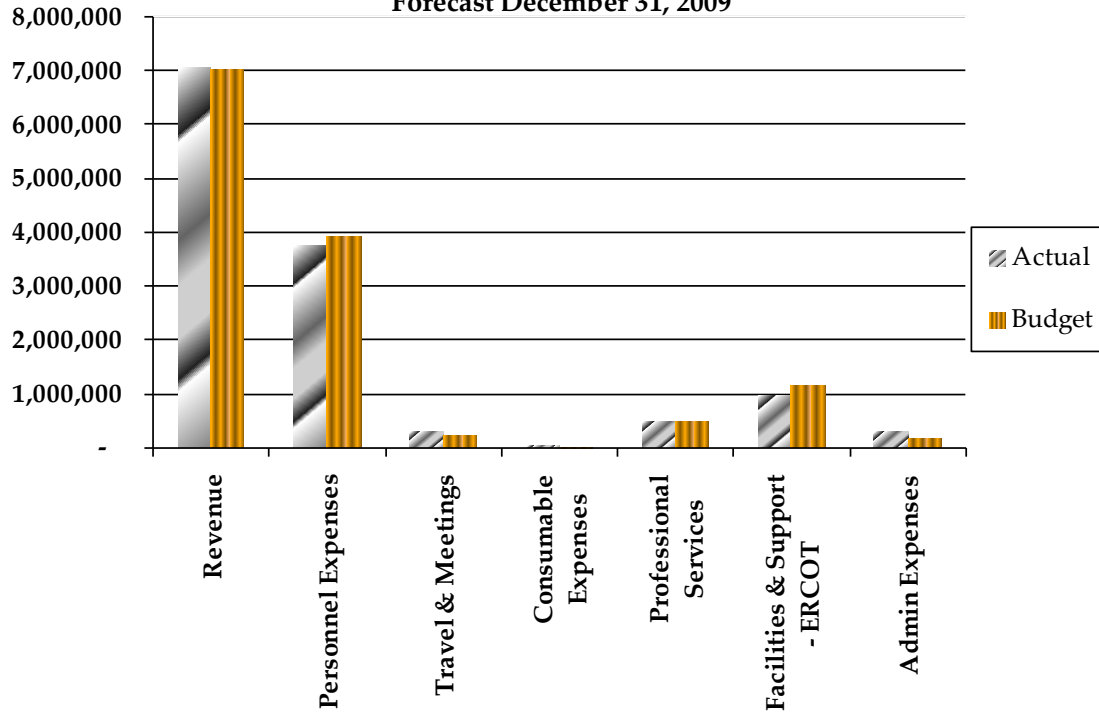


## YTD April Comments

- ➡ **Revenue** - Higher than budget due to the Operations Training Seminar revenue collected in February and March. The increased revenue will cover the higher costs under Travel & Meetings expense.
- ➡ **Personnel Expenses** - Lower YTD due to employee vacancies. Budget is 32 FTEs, we currently are staffed at 29 FTEs.
- ➡ **Travel & Meetings Expenses** - Overspending due to Operations Training Seminar costs, expenses are covered by revenue collected in February & March.
- ➡ **Consumable Expenses** - Currently spending at plan.
- ➡ **Professional Services** - Less than plan primarily due to underspending in legal.
- ➡ **Facilities & Support** - Accruing the expenses associated with Texas RE's move and rent. There will be a permanent variance due to the timing of Texas RE's move and the budget, as well as the expected rent and actual rent.
- ➡ **Administrative Expenses** - Currently on target for plan.

# 2009 Forecast for Annual Operating Expenses <sup>22</sup>

Texas RE - Income Statement by Category  
Forecast December 31, 2009



## 2009 Forecast Comments

**Revenue** - Higher than budget due to the Operations Training Seminar. Non-statutory revenue will be approximately \$81K less than plan due to lower expenses.

**Personnel Expenses** - Lower YTD due to employee vacancies. Budget is 32 FTEs, we currently are staffed at 29 FTEs. Expect to be fully staffed before the end of June.

**Travel & Meetings Expenses** - Overspending due to Operations Training Seminar costs, however revenue exceeded cost for a net gain. Additionally, more NERC and Audit related travel.

**Consumable Expenses** - Expect to exceed plan primarily due to the FERC audit, as well as increases in wireless cards.

**Professional Services** - Expect to be higher than plan due to unbudgeted direct Board expenses.

**Facilities & Support** - Expect to be below budget on rent.

**Administrative Expenses** - Variance is primarily driven by hosting expenses for Texas RE's portal and website, as well as additional expenses for portal maintenance and bank fees.

# April 2009 Operating Expenses

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**Texas Regional Entity  
Income Statement  
Statutory & Non-Statutory Consolidated  
For the Period Ended April 30, 2009  
Unaudited Management Report**

Group Rollup	Group Rollup Name	Period to Date			Year to Date			Forecast	Annual	
		Actual	Budget	Difference	Actual	Budget	Difference	Actual	Budget	Difference
<b>Revenue</b>	1-Assessments and Revenue	566,403	577,817	(11,414)	2,217,365	2,303,967	(86,602)	6,888,014	6,969,023	(81,009)
	2-Workshops	4,487	35,000	(30,513)	174,029	35,000	139,029	174,029	70,000	104,029
	3-Interest Income	291	-	291	1,794	-	1,794	4,125	-	4,125
<b>Total Revenue</b>		<b>571,181</b>	<b>612,817</b>	<b>(41,635)</b>	<b>2,393,188</b>	<b>2,338,967</b>	<b>54,221</b>	<b>7,066,168</b>	<b>7,039,023</b>	<b>27,145</b>
<b>Personnel</b>	10-Salaries	220,687	247,063	26,376	809,404	979,512	170,108	2,913,236	2,945,048	31,812
	11-Payroll Taxes	15,719	20,172	4,453	65,830	84,776	18,946	225,184	235,604	10,420
	12-Employee Benefits	16,161	20,740	4,578	64,713	83,338	18,625	231,502	305,571	74,069
	13-Saving and Retirement	29,035	37,260	8,225	109,998	141,656	31,658	388,861	421,495	32,634
<b>Total Personnel</b>		<b>281,602</b>	<b>325,234</b>	<b>43,632</b>	<b>1,049,945</b>	<b>1,289,283</b>	<b>239,338</b>	<b>3,758,783</b>	<b>3,907,718</b>	<b>148,935</b>
<b>Travel &amp; Meetings</b>	20-Meetings & Training	74,479	35,000	(39,479)	119,161	35,000	(84,161)	157,394	105,000	(52,394)
	30-Travel	14,702	9,876	(4,827)	38,585	33,900	(4,685)	122,027	109,651	(12,376)
<b>Total Travel &amp; Meetings</b>		<b>89,182</b>	<b>44,876</b>	<b>(44,306)</b>	<b>157,746</b>	<b>68,900</b>	<b>(88,846)</b>	<b>279,421</b>	<b>214,651</b>	<b>(64,770)</b>
<b>Consumables</b>	40-Office Supplies	920	840	(80)	3,640	3,400	(240)	13,333	10,200	(3,133)
	41-Postage & Shipping	622	200	(422)	2,079	800	(1,279)	6,311	2,400	(3,911)
	42-Telecommunications	400	967	567	2,467	3,867	1,400	6,867	4,960	(1,907)
	43-Printing & Copying	-	100	100	-	400	400	800	1,200	400
<b>Total Consumables</b>		<b>1,942</b>	<b>2,107</b>	<b>164</b>	<b>8,186</b>	<b>8,467</b>	<b>280</b>	<b>27,311</b>	<b>18,760</b>	<b>(8,551)</b>
<b>Professional Services &amp; Consulting</b>	60-Professional Services-Legal	3,446	29,167	25,721	52,516	116,667	64,151	350,000	350,000	-
	61-Professional Services-Auditing	4,167	3,750	(417)	17,643	15,000	(2,643)	50,976	45,000	(5,976)
	62-Professional Services-Other	-	5,575	5,575	44,936	31,050	(13,886)	91,485	75,650	(15,835)
<b>Total Professional Services &amp; Consulting</b>		<b>7,613</b>	<b>38,492</b>	<b>30,880</b>	<b>115,094</b>	<b>162,717</b>	<b>47,623</b>	<b>492,461</b>	<b>470,650</b>	<b>(21,810)</b>
<b>Facilities &amp; Support - ERCOT</b>	70-Rent & Improvements*	35,718	49,979	14,261	88,223	199,916	111,693	340,364	599,748	259,384
	71-Support (HR, Treas, Finance, BOD)	41,380	26,388	(14,992)	119,074	105,551	(13,523)	368,303	316,654	(51,649)
	72-IT/MIS Support & Services	19,780	19,000	(780)	73,664	76,000	2,336	247,592	228,000	(19,592)
<b>Total Facilities &amp; Support - ERCOT</b>		<b>96,878</b>	<b>95,367</b>	<b>(1,511)</b>	<b>280,961</b>	<b>381,467</b>	<b>100,507</b>	<b>956,258</b>	<b>1,144,402</b>	<b>188,144</b>
<b>Administrative</b>	73-IT/MIS Projects, Purchases & Maint.	11,740	5,250	(6,490)	41,755	21,962	(19,793)	163,385	63,988	(99,397)
	74-Employee Training	2,584	550	(2,034)	4,246	2,420	(1,826)	9,266	7,440	(1,826)
	80-Depreciation Expense	2,476	6,378	3,903	9,902	25,513	15,611	106,246	76,540	(29,706)
	82-Bank Fees	58	-	(58)	566	-	(566)	1,766	-	(1,766)
	90-Miscellaneous Other	-	2,639	2,639	706	10,542	9,836	2,691	33,712	31,021
<b>Total Administrative Expenses</b>		<b>16,858</b>	<b>14,818</b>	<b>(2,040)</b>	<b>57,176</b>	<b>60,438</b>	<b>3,262</b>	<b>283,354</b>	<b>181,680</b>	<b>(101,674)</b>
<b>Total Expenses</b>		<b>494,075</b>	<b>520,893</b>	<b>26,818</b>	<b>1,669,108</b>	<b>1,971,272</b>	<b>302,163</b>	<b>5,797,588</b>	<b>5,937,861</b>	<b>140,273</b>
<b>GAIN / (LOSS) on Operating Expenses</b>		<b>77,107</b>	<b>91,924</b>	<b>(14,817)</b>	<b>724,080</b>	<b>367,696</b>	<b>356,384</b>	<b>1,268,580</b>	<b>1,101,162</b>	<b>167,418</b>
<b>Non-Operating Expenses</b>	91-Cash / Contingency Reserve	-	71,250	71,250	-	285,000	285,000	-	855,000	855,000
<b>Grand Total of Expenses (Operating &amp; Non-Operating)</b>		<b>494,075</b>	<b>592,143</b>	<b>98,068</b>	<b>1,669,108</b>	<b>2,256,272</b>	<b>587,163</b>	<b>5,797,588</b>	<b>6,792,861</b>	<b>995,273</b>
<b>TOTAL GAIN / (LOSS)</b>		<b>77,107</b>	<b>20,674</b>	<b>(139,703)</b>	<b>724,080</b>	<b>82,696</b>	<b>641,384</b>	<b>1,268,580</b>	<b>246,162</b>	<b>1,022,418</b>

\* NOTE: Accruing the rent expense in this report.



**Date:** May 7, 2009  
**To:** Texas Regional Entity Board of Directors  
**From:** Larry Grimm, Chief Executive Officer & Chief Compliance Officer  
**Subject:** Acceptance of 2008 Texas RE Audited Financial Statements

**Texas RE Board of Directors Meeting Date:** May 19, 2009

**Agenda Item No.:** 5c

**Issue:**

Acceptance of the 2008 audit of the Texas RE financial statements.

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**Background/History:**

Section 10.6 of the Bylaws provides that “[a]t least annually, an audit of the financial statements of ERCOT shall be performed by the Auditor approved by the Board.” PricewaterhouseCoopers, LLP (PwC) was engaged by Texas RE, subsequent to Board approval, to perform the annual audit of Texas RE’s financial books and records and has completed this audit. Texas Regional Entity is required by its Delegation Agreement with NERC to obtain and provide to NERC annual audited financial statements of Texas RE and, so long as it is a division of ERCOT, annual audited financial statements of ERCOT.

On May 19, 2009, it is expected, PwC will meet with the Texas RE Advisory Committee to discuss the proposed audit report for year 2008 and PwC’s assessment of the internal controls, recommendations, and other business items raised by the Advisory Committee.

The audit opinion is expected to be unqualified or “clean”, and the Advisory Committee is expected to recommend acceptance of the audited financial statements as presented by PwC during the May 19, 2009 Advisory Committee meeting.

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**Key Factors Influencing Issue:**

- The Bylaws requirement for the annual audit of financial statements
  - The Delegation Agreement requirement for Texas RE to submit to NERC annual audited financial statements of Texas RE and ERCOT
- 

**Alternatives:**

- Accept the 2008 Audited Financial Statements
  - Request PwC take further action to review Texas RE financials.
- 

**Conclusion/Recommendation:**

Texas RE respectfully requests that the Board accept the Texas RE audited financials and Report on Audit of Financial Statements for the Year Ending December 31, 2008.



RESOLUTION OF THE BOARD OF DIRECTORS OF  
TEXAS REGIONAL ENTITY, A DIVISION OF  
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

, 2009

WHEREAS, the Board of Directors of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation, deems it desirable and in the best interest of Texas Regional Entity to accept the Texas Regional Entity audited financial statements and PricewaterhouseCoopers, LLP Report on Audit of Financial Statements for the Year Ending December 31, 2008 ("Report"); and

NOW, THEREFORE be it RESOLVED, that the Board hereby accepts the Texas Regional Entity financial statements and the Report.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the May 19, 2009 Texas Regional Entity Board of Directors Meeting, the Board of Directors of Texas Regional Entity approved the above referenced resolution. The motion passed by

\_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this            day of            , 2009.

\_\_\_\_\_  
Susan Vincent  
Corporate Secretary

**The 2008 Audited Financial Statements  
will be provided at the May 19, 2009  
Board of Directors Meeting**

# 2010 Texas Regional Entity Preliminary Budget Overview

Texas RE Board of Directors  
May 19, 2009

# Purpose of Today's Meeting

- **Review budget development schedule and timeline**
- **Discuss budget goals and assumptions**
- **Review preliminary budget**
- **Obtain feedback from Texas RE Advisory Committee**
- **No budget decision needed today**

# 2010 Texas RE Budget Development Schedule

- ✓ **April 21 – Review Preliminary Draft of 2010 Budget at Texas RE Advisory Committee**
- ✓ **May 8 – Draft #1 of Business Plan & Budget (BP&B) due to NERC**
- **May 19 – Texas RE Advisory Committee & Board Discussion of Draft #1 of BP&B**
- **May 29 – Draft #2 of BP&B due to NERC**
- **June 15 – Final Budget Approval Required by Texas RE Board**
- **July 8 – Final Texas RE Board-Approved BP&B due to NERC**

# Texas RE Overarching Budget Goals - Summary

- **2010 will be the 3<sup>rd</sup> full year of operations for Texas RE.**
  - Programs and processes continue to evolve.
- **The budget process ensured that all of the functions were appropriately budgeted to:**
  - Discharge all of the NERC Delegation Agreement requirements.
  - Continue monitoring & reporting on Protocol compliance and non-compliance.
  - Ensure Texas RE continues to improve its processes by utilizing technology to enhance its operations.
  - Guarantee Texas RE has appropriate cash on hand.

# 2010 Base Budget Assumptions for Texas RE

- Texas RE will remain functionally separate from ERCOT ISO and will continue to receive administrative services and support from ERCOT ISO through a memorandum of understanding
- Texas RE will enhance its 60-day cash reserve established in 2009 with a 75-day cash reserve in 2010. Texas RE will possess unspent funds from the prior year that will offset this amount.
- Texas RE will use the remaining surplus funds from the prior year and any penalty funds received prior to July 1, 2009, to offset 2010 funding requirements.
- The Delegation Agreement requirements and NERC expectations will be constant. (No material changes will be required by either the NERC three-year assessment or the FERC audit).
- The number of registered entities is expected to remain fairly constant, except as specifically described herein (e.g. the Load-Serving Entity function) and the current audit frequency will remain constant.
- The number of contested enforcement and registration cases will remain low – one large or two small-to-mid-sized disputes in 2010.
- ERCOT ISO will continue to take primary responsibility for the research and preparation of the seasonal and long-term reliability assessments, with Texas RE responsible only for coordination and review of such assessments.

# 2010 Base Budget Assumptions (cont.)

- Increase in labor costs:
  - Merit increase of 3% and promotion increase of 1% assumed (consistent with ERCOT ISO assumptions).
  - Additional 2% increase for market adjustment to bring salaries in-line with industry standard.
  - Employee Benefits budget at 33% of salary.
  - Proposing to add 5 FTEs to Compliance.
- Increased Compliance staff required:
  - Additional and longer audits required, due to increased number of FERC-approved Reliability Standards (i.e. CIP Standard enforcement) and increased number of Registered Entities (i.e. LSE registration and possible TOP JROs).
  - Significant increased emphasis on situation awareness, cyber-security, and reliability assessments.
  - Increased Non-Statutory workload related to working with stakeholders and PUC to complete Nodal Protocol and Operating Guide metrics and required reports.



# 2010 Budget–Statutory & Non-Statutory - Summary

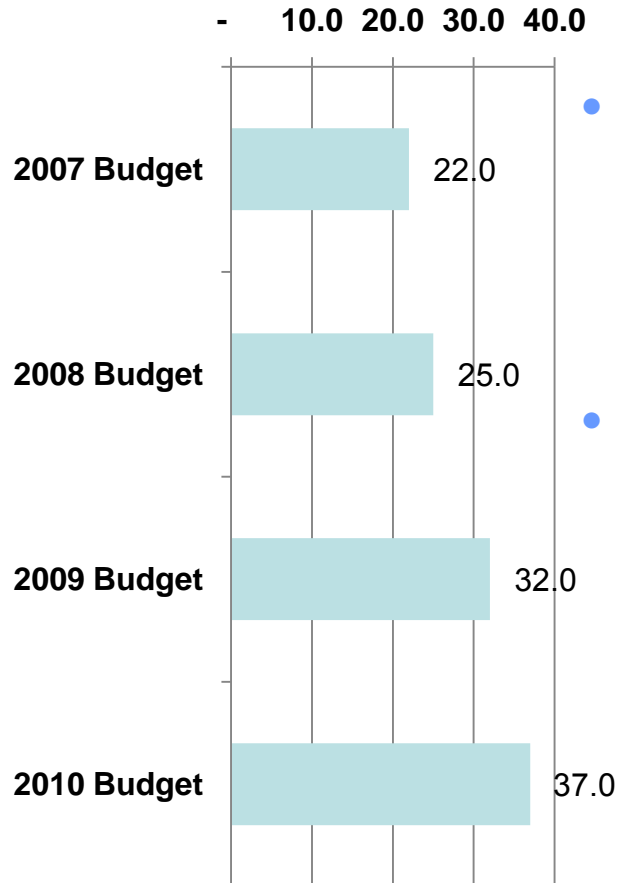
- **Personnel Expenses (Salary & Benefits) ~ \$973K ↑ 25%**
  - Increase associated with adding 5 staff (detailed under personnel increase section). Salary and Benefits Expense \$662K.
  - 4% merit + promotion (3% effective rate) and 2% market adjustment increases for existing staff. Salary and Benefits Expense \$273K.
  - Additional benefits expense \$37K for increase in benefits percentage from 32% to 33%.
- **Technology Related Costs**
  - **Compliance Portal and Web Hosting ~ \$158K ↑ 315%**
    - Portal will be in place all year and adds redundancy for portal and website to ensure adequate uptime.
  - **Capital Expenses (IT Tools and Other) ~ \$51K ↑ 16%**
    - IT capital projects to improve efficiency and consistency of compliance documentation and information exchange.
      - \$302K for portal projects, and \$50K for Document Management.
  - **Depreciation ~ \$103K ↑ 135%**
    - Due to additional capital projects in process as well as future capital projects.
- **Travel ~ \$78K ↑ 72%**
  - Increasing due to additional required travel related to NERC and FERC meetings and increased length and number of compliance audits.
- **MOU (ERCOT ISO) ~ (\$22K) ↓ 2%**
  - Increased MOU Expenses \$223K, offset by \$246K in reduced rent and facilities services in 2010.
- **Operations Training Seminar ~ \$110K ↑ 105%**
  - OTS expenses higher than 2009 budget due to move offsite from Met Center, but funded by attendees to the seminar.

## 5 Additional Headcount for Texas RE - Overview

- **1 FTE for Compliance Audit Function**
  - Longer audits, additional audit requirements, and additional registered entities
- **1 FTE – Critical Infrastructure Protection Subject Matter Expert**
  - CIP Standard enforcement begins in 2010
- **1 FTE – Stakeholder Management**
  - Respond more timely to organization registration questions, issues, changes, and concerns; manage registration appeals; facilitate and coordinate entity certifications; increased participation in reliability assessments process.
- **1 FTE – Compliance Enforcement**
  - Address anticipated increased enforcement activity due to CIP Standard enforcement and increased number of entity registrations; maintain acceptable procedural timelines
- **1 FTE – Situation Awareness**
  - Delegated function; stay current on ERCOT system conditions; maintain reasonable timeline for event review, compliance analysis, and Compliance Violation Investigations

# Headcount Changes from 2007 to 2010

## Texas RE Headcount



- **2007 → 2008 Increase 3.0 FTEs**

- 2.0 Senior Compliance Engineers due to the need to formalize and add granularity to the audit process.
- Added 1.0 paralegal to assist the legal counsel with board, regulatory, enforcement activities, and other legal requests.

- **2008 → 2009 Increase 7.0 FTEs**

- New, more granular audit process necessitated hiring additional staff to fulfill all audit requirements under CMEP. Compliance staff increased by 4.0 positions. Additionally, the number of scheduled spot checks (small audits) increased from 1 to approximately 15. Also, added 1 CIP staff.
- Added 1.0 legal counsel due to increases in legal and regulatory filings, requests for information, and general legal work. Added 1.0 position for IT to provide IT support and maintenance for compliance portal, website, and other IT tools to internal/external users. The IT staff person also assists the IT manager with changes to content or the tools.

- **2009 → 2010 Increase 5.0 FTEs**

- 2.0 FTEs for increasing needs in Compliance Enforcement & Situation Awareness. New staff are required to complete all required penalty assessments, analysis work and monitoring activities required under the CMEP.
- 1.0 Audit staff needed to accommodate increased workload for audit schedule. Audits are more complex and lengthened due to complexity.
- 1.0 staff requested for CIP, Texas RE Critical Infrastructure processes and procedures for CIP compliance audits need to be created and implemented before January 1, 2011 when all applicable registered entities will have to be CIP compliant.
- 1.0 staff for stakeholder management to create, maintain and communicate registration and certification processes internally and with registered entities; review and approve registration and certification submittals and activities; review Joint Registration Organization (JRO) agreements; point of contact for registered entities' questions and inquiries about NERC registration and certification

# Combined FTEs by Function

Total FTE's by Program Area	Budget 2009	Projection 2009	Budget 2010	Change from 2009 Budget
<b>COMBINED STATUTORY &amp; NON-STATUTORY FTEs</b>				
<b>Operational Programs</b>				
Reliability Standards	1.70	1.84	2.06	0.36
Compliance and Organization Registration and Certification	14.15	15.01	18.69	4.54
Training and Education	0.60	0.84	0.97	0.37
Reliability Assessment and Performance Analysis	2.20	2.15	2.29	0.09
Situational Awareness and Infrastructure Security	1.50	1.43	3.24	1.74
Protocol Compliance	3.85	4.05	5.03	1.18
<b>Total FTEs Operational Programs</b>	<b>24.00</b>	<b>25.32</b>	<b>32.28</b>	<b>8.28</b>
<b>Administrative Programs *</b>				
General & Administrative	2.90	2.87	2.01	-0.89
Information Technology	1.70	1.29	0.69	-1.01
Legal and Regulatory	2.55	1.67	1.17	-1.38
Finance & Accounting	0.85	0.85	0.85	0.00
<b>Total FTEs Administrative Programs</b>	<b>8.00</b>	<b>6.68</b>	<b>4.72</b>	<b>-3.28</b>
<b>Total FTEs</b>	<b>32.00</b>	<b>32.00</b>	<b>37.00</b>	<b>5.00</b>

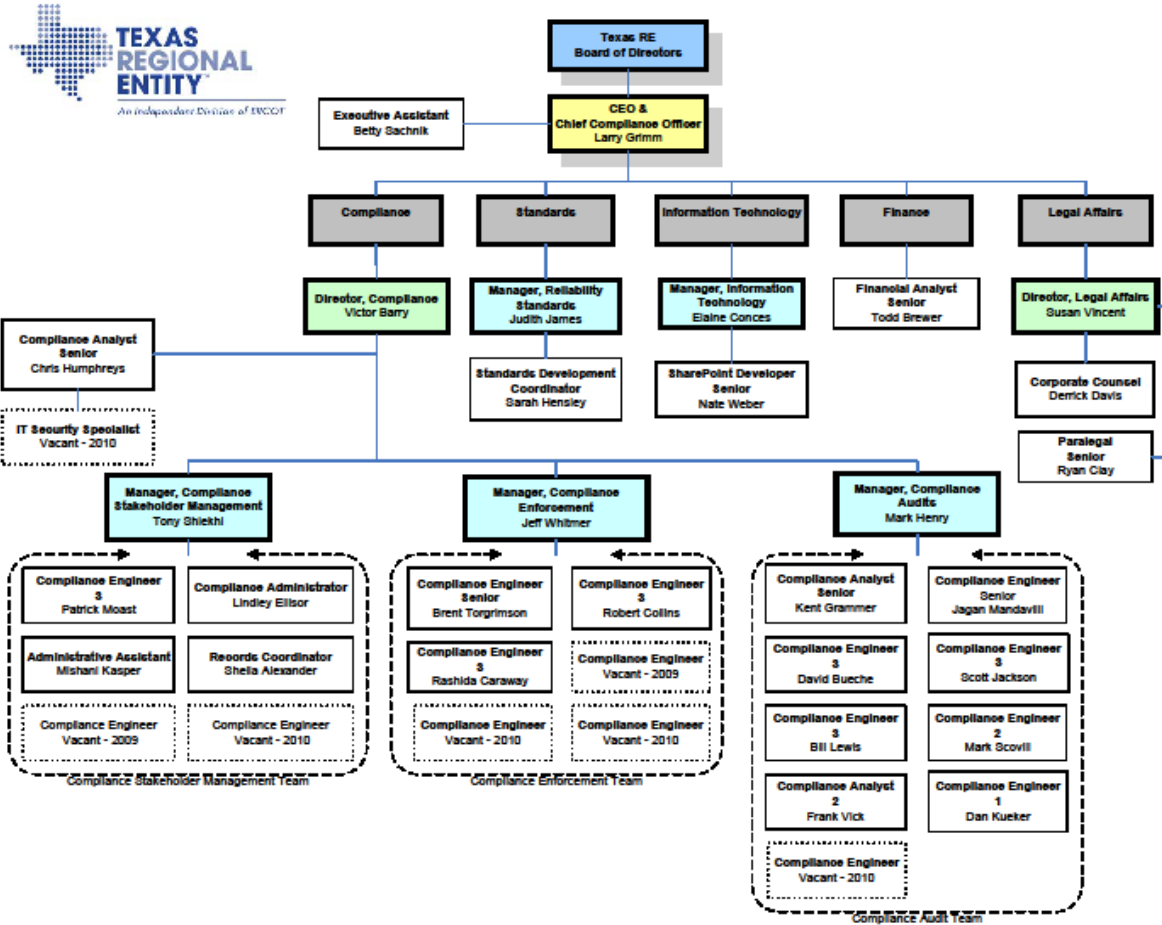
# Statutory FTEs by Function

Total FTE's by Program Area	Budget 2009	Projection 2009	Budget 2010	Change from 2009 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	1.70	1.84	2.06	0.36
Compliance and Organization Registration and Certification	14.15	15.01	18.69	4.54
Training and Education	0.60	0.84	0.97	0.37
Reliability Assessment and Performance Analysis	2.20	2.15	2.29	0.09
Situational Awareness and Infrastructure Security	1.50	1.43	3.24	1.74
<b>Total FTEs Operational Programs</b>	<b>20.15</b>	<b>21.27</b>	<b>27.25</b>	<b>7.10</b>
<b>Administrative Programs *</b>				
General & Administrative	1.70	1.85	1.05	-0.65
Information Technology	1.70	1.29	0.69	-1.01
Legal and Regulatory	2.55	1.67	1.17	-1.38
Finance & Accounting	0.85	0.85	0.85	0.00
<b>Total FTEs Administrative Programs</b>	<b>6.80</b>	<b>5.66</b>	<b>3.76</b>	<b>-3.04</b>
<b>Total FTEs</b>	<b>26.95</b>	<b>26.93</b>	<b>31.01</b>	<b>4.06</b>

# Non-Statutory FTEs by Function

Total FTE's by Program Area	Budget 2009	Projection 2009	Budget 2010	Change from 2009 Budget
<b>NON-STATUTORY</b>				
<b>Operational Programs</b>				
Protocol	3.85	4.05	5.03	1.18
<b>Total FTEs Operational Programs</b>	<b>3.85</b>	<b>4.05</b>	<b>5.03</b>	<b>1.18</b>
<b>Administrative Programs</b>				
General & Administrative	1.20	1.02	0.96	-0.24
<b>Total FTEs Administrative Programs</b>	<b>1.20</b>	<b>1.02</b>	<b>0.96</b>	<b>-0.24</b>
<b>Total FTEs</b>	<b>5.05</b>	<b>5.07</b>	<b>5.99</b>	<b>0.94</b>

# 2010 Proposed Base Budget Organization Chart



# Combined Statutory & Non-Statutory Budget

Statement of Activities 2009 Budget & Projection, and 2010 Budget							
STATUTORY & NON-STATUTORY COMBINED							
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	Percent Variance	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)	Percent Variance
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 3,430,700	\$ 3,430,700	\$ -	0.0%	\$ 6,179,602	\$ 2,748,902	80.1%
Penalty Sanctions <sup>(1)</sup>	-	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 3,430,700</b>	<b>\$ 3,430,700</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 6,179,602</b>	<b>\$ 2,748,902</b>	<b>80.1%</b>
Services & Software	871,997	790,989	(81,009)	-9.3%	1,140,184	268,187	30.8%
Workshops	70,000	174,029	104,029	148.6%	180,000	110,000	157.1%
Interest	-	4,125	4,125	100.0%	2,000	2,000	100.0%
Miscellaneous	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 4,372,697</b>	<b>\$ 4,399,843</b>	<b>\$ 27,145</b>	<b>0.6%</b>	<b>\$ 7,501,786</b>	<b>\$ 3,129,088</b>	<b>71.6%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 2,945,048	\$ 2,913,236	\$ (31,812)	-1.1%	\$ 3,669,365	\$ 724,317	24.6%
Payroll Taxes	235,604	225,184	(10,420)	-4.4%	290,609	55,005	23.3%
Benefits	305,571	231,502	(74,068)	-24.2%	395,715	90,144	29.5%
Retirement Costs	421,495	388,861	(32,634)	-7.7%	524,547	103,052	24.4%
<b>Total Personnel Expenses</b>	<b>\$ 3,907,718</b>	<b>\$ 3,758,783</b>	<b>\$ (148,934)</b>	<b>-3.8%</b>	<b>\$ 4,880,236</b>	<b>\$ 972,519</b>	<b>24.9%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 105,000	\$ 157,394	\$ 52,394	49.9%	\$ 233,600	\$ 128,600	122.5%
Travel	109,651	122,027	12,376	11.3%	187,443	77,792	70.9%
<b>Total Meeting Expenses</b>	<b>\$ 214,651</b>	<b>\$ 279,421</b>	<b>\$ 64,770</b>	<b>30.2%</b>	<b>\$ 421,043</b>	<b>\$ 206,392</b>	<b>96.2%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 527,382	\$ 636,774	\$ 109,391	20.7%	\$ 750,397	\$ 223,015	42.3%
Office Rent	635,750	340,364	(295,386)	-46.5%	390,000	(245,750)	-38.7%
Office Costs	18,760	27,175	8,415	44.9%	40,720	21,960	117.1%
Professional Services	515,900	634,631	118,731	23.0%	680,500	164,600	31.9%
Miscellaneous	11,160	14,193	3,033	27.2%	38,101	26,941	241.4%
Depreciation	76,540	106,246	29,706	38.8%	180,000	103,460	135.2%
<b>Total Operating Expenses</b>	<b>\$ 1,785,492</b>	<b>\$ 1,759,383</b>	<b>\$ (26,109)</b>	<b>-1.5%</b>	<b>\$ 2,079,718</b>	<b>\$ 294,226</b>	<b>16.5%</b>
<b>Total Direct Expenses</b>	<b>\$ 5,907,861</b>	<b>\$ 5,797,588</b>	<b>\$ (110,273)</b>	<b>-1.9%</b>	<b>\$ 7,380,997</b>	<b>\$ 1,473,136</b>	<b>24.9%</b>
<b>Indirect Expenses</b>	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
<b>Other Non-Operating Expenses</b>	<b>\$ 885,000</b>	<b>\$ -</b>	<b>\$ (885,000)</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ (885,000)</b>	<b>-100.0%</b>
<b>Total Expenses</b>	<b>\$ 6,792,861</b>	<b>\$ 5,797,588</b>	<b>\$ (995,273)</b>	<b>-14.7%</b>	<b>\$ 7,380,997</b>	<b>\$ 588,136</b>	<b>8.7%</b>
<b>Change in Assets</b>	<b>\$ (2,420,163)</b>	<b>\$ (1,397,745)</b>	<b>\$ 1,022,418</b>	<b>-42.2%</b>	<b>\$ 120,789</b>	<b>\$ 2,540,952</b>	<b>-105.0%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (76,540)	\$ (106,246)	\$ (29,706)	38.8%	\$ (180,000)	\$ (103,460)	135.2%
Computer & Software CapEx	322,702	354,202	31,500	9.8%	373,500	50,798	15.7%
<b>Change in Fixed Assets</b>	<b>\$ (246,162)</b>	<b>\$ (247,956)</b>	<b>\$ (1,794)</b>	<b>0.7%</b>	<b>\$ (193,500)</b>	<b>\$ 52,662</b>	<b>-21.4%</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (2,666,325)</b>	<b>\$ (1,645,701)</b>	<b>\$ 1,020,624</b>	<b>-38.3%</b>	<b>\$ (72,711)</b>	<b>\$ 2,593,614</b>	<b>-97.3%</b>

(1) Reflects penalty sanctions collected prior to June 30, 2009.



# Texas RE – Statutory Budget

Statement of Activities 2009 Budget & Projection, and 2010 Budget							
STATUTORY							
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	Percent Variance	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)	Percent Variance
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 3,430,700	\$ 3,430,700	\$ -	0.0%	\$ 6,179,602	\$ 2,748,902	80.1%
Penalty Sanctions <sup>(1)</sup>	-	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 3,430,700</b>	<b>\$ 3,430,700</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 6,179,602</b>	<b>\$ 2,748,902</b>	<b>80.1%</b>
Works hops	70,000	174,029	104,029	148.6%	180,000	110,000	157.1%
Interest	-	4,125	4,125	100.0%	2,000	2,000	100.0%
<b>Total Funding</b>	<b>\$ 3,500,700</b>	<b>\$ 3,608,854</b>	<b>\$ 108,154</b>	<b>3.1%</b>	<b>\$ 6,361,602</b>	<b>\$ 2,860,902</b>	<b>81.7%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 2,496,968	\$ 2,479,855	\$ (17,114)	-0.7%	\$ 3,071,829	\$ 574,860	23.0%
Payroll Taxes	199,757	191,572	(8,186)	-4.1%	243,276	43,519	21.8%
Benefits	259,628	194,305	(65,323)	-25.2%	330,632	71,004	27.3%
Retirement Costs	356,523	329,576	(26,947)	-7.6%	439,742	83,219	23.3%
<b>Total Personnel Expenses</b>	<b>\$ 3,312,878</b>	<b>\$ 3,195,308</b>	<b>\$ (117,570)</b>	<b>-3.5%</b>	<b>\$ 4,085,480</b>	<b>\$ 772,602</b>	<b>23.3%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 105,000	\$ 157,394	\$ 52,394	49.9%	\$ 228,000	\$ 123,000	117.1%
Travel	107,470	117,528	10,057	9.4%	186,819	79,348	73.8%
<b>Total Meeting Expenses</b>	<b>\$ 212,470</b>	<b>\$ 274,922</b>	<b>\$ 62,452</b>	<b>29.4%</b>	<b>\$ 414,819</b>	<b>\$ 202,348</b>	<b>95.2%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 490,986	\$ 539,074	\$ 48,088	9.8%	\$ 630,334	\$ 139,348	28.4%
Office Rent	517,550	287,392	(230,158)	-44.5%	327,600	(189,950)	-36.7%
Office Costs	18,280	26,581	8,301	45.4%	40,720	22,440	122.8%
Professional Services	426,000	563,134	137,134	32.2%	622,625	196,625	46.2%
Miscellaneous	11,160	13,943	2,783	24.9%	36,236	25,076	224.7%
Depreciation	76,540	76,540	-	0.0%	150,000	73,460	96.0%
<b>Total Operating Expenses</b>	<b>\$ 1,540,516</b>	<b>\$ 1,506,664</b>	<b>\$ (33,852)</b>	<b>-2.2%</b>	<b>\$ 1,807,515</b>	<b>\$ 266,999</b>	<b>17.3%</b>
<b>Total Direct Expenses</b>	<b>\$ 5,065,864</b>	<b>\$ 4,976,893</b>	<b>\$ (88,970)</b>	<b>-1.8%</b>	<b>\$ 6,307,813</b>	<b>\$ 1,241,949</b>	<b>24.5%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 855,000</b>	<b>\$ -</b>	<b>\$ (855,000)</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ (855,000)</b>	<b>-100.0%</b>
<b>Total Expenses</b>	<b>\$ 5,920,864</b>	<b>\$ 4,976,893</b>	<b>\$ (943,970)</b>	<b>-15.9%</b>	<b>\$ 6,307,813</b>	<b>\$ 386,949</b>	<b>6.5%</b>
<b>Change in Assets</b>	<b>\$ (2,420,163)</b>	<b>\$ (1,368,039)</b>	<b>\$ 1,052,124</b>	<b>-43.5%</b>	<b>\$ 53,789</b>	<b>\$ 2,473,952</b>	<b>-102.2%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (76,540)	\$ (76,540)	\$ -	0.0%	\$ (150,000)	\$ (73,460)	96.0%
Computer & Software CapEx	322,702	354,202	31,500	9.8%	306,500	(16,202)	-5.0%
<b>Change in Fixed Assets</b>	<b>\$ (246,162)</b>	<b>\$ (27,662)</b>	<b>\$ (31,500)</b>	<b>12.8%</b>	<b>\$ (156,500)</b>	<b>\$ 89,662</b>	<b>-36.4%</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (2,666,325)</b>	<b>\$ (1,645,701)</b>	<b>\$ 1,020,624</b>	<b>-38.3%</b>	<b>\$ (102,711)</b>	<b>\$ 2,563,614</b>	<b>-96.1%</b>

(1) Reflects penalty sanctions collected prior to June 30, 2009.

# Texas RE – Non-Statutory Budget

## Statement of Activities 2009 Budget & Projection, and 2010 Budget

### NON-STATUTORY

	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	Percent Variance	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)	Percent Variance
<b>Funding</b>							
Services & Software	871,997	790,989	(81,009)	-9.3%	1,140,184	268,187	30.8%
<b>Total Funding</b>	<b>\$ 871,997</b>	<b>\$ 790,989</b>	<b>\$ (81,009)</b>	<b>-9.3%</b>	<b>\$ 1,140,184</b>	<b>\$ 268,187</b>	<b>30.8%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 448,080	\$ 433,382	\$ (14,698)	-3.3%	\$ 597,536	\$ 149,457	33.4%
Payroll Taxes	35,846	33,612	(2,234)	-6.2%	47,333	11,486	32.0%
Benefits	45,942	37,197	(8,745)	-19.0%	65,083	19,140	41.7%
Retirement Costs	64,972	59,284	(5,687)	-8.8%	84,805	19,833	30.5%
<b>Total Personnel Expenses</b>	<b>\$ 594,840</b>	<b>\$ 563,476</b>	<b>\$ (31,364)</b>	<b>-5.3%</b>	<b>\$ 794,757</b>	<b>\$ 199,917</b>	<b>33.6%</b>
<b>Meeting Expenses</b>							
Meetings	\$ -	\$ -	\$ -		\$ 5,600	\$ 5,600	100.0%
Travel	2,181	4,500	2,319	106.3%	624	(1,557)	-71.4%
<b>Total Meeting Expenses</b>	<b>\$ 2,181</b>	<b>\$ 4,500</b>	<b>\$ 2,319</b>	<b>106.3%</b>	<b>\$ 6,224</b>	<b>\$ 4,043</b>	<b>185.4%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 36,396	\$ 97,700	\$ 61,303	168.4%	\$ 120,064	\$ 83,667	229.9%
Office Rent	118,200	52,972	(65,228)	-55.2%	62,400	(55,800)	-47.2%
Office Costs	480	594	114	23.8%	-	(480)	-100.0%
Professional Services	89,900	71,497	(18,403)	-20.5%	57,875	(32,025)	-35.6%
Miscellaneous	-	250	250	100.0%	1,865	1,865	100.0%
Depreciation	-	29,706	29,706	100.0%	30,000	30,000	100.0%
<b>Total Operating Expenses</b>	<b>\$ 244,976</b>	<b>\$ 252,720</b>	<b>\$ 7,743</b>	<b>3.2%</b>	<b>\$ 272,203</b>	<b>\$ 27,227</b>	<b>11.1%</b>
<b>Total Direct Expenses</b>	<b>\$ 841,997</b>	<b>\$ 820,695</b>	<b>\$ (21,302)</b>	<b>-2.5%</b>	<b>\$ 1,073,184</b>	<b>\$ 231,187</b>	<b>27.5%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ (30,000)</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ (30,000)</b>	<b>-100.0%</b>
<b>Total Expenses</b>	<b>\$ 871,997</b>	<b>\$ 820,695</b>	<b>\$ (51,302)</b>	<b>-5.9%</b>	<b>\$ 1,073,184</b>	<b>\$ 201,187</b>	<b>23.1%</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (29,706)</b>	<b>\$ (29,706)</b>	<b>100.0%</b>	<b>\$ 67,000</b>	<b>\$ 67,000</b>	<b>100.0%</b>
<b>Fixed Assets</b>							
Depreciation	\$ -	\$ (29,706)	\$ (29,706)	0.0%	\$ (30,000)	\$ (30,000)	100.0%
Computer & Software CapEx	-	-	-		67,000	67,000	100.0%
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ 29,706</b>	<b>\$ 29,706</b>	<b>100.0%</b>	<b>\$ (37,000)</b>	<b>\$ (37,000)</b>	<b>100.0%</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>0.0%</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>100.0%</b>

# Texas RE - Executive Summary

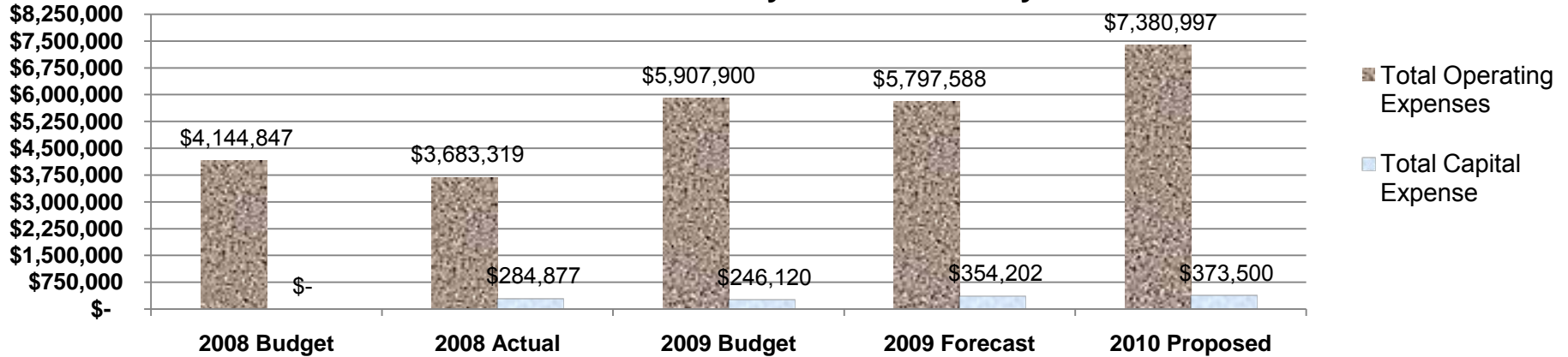
- **The estimated Statutory & Non-statutory funding requirement for the Texas RE budget is:**

<b>2010 Budget (Total Expenses</b>	<b>\$7,754,497</b>
<b>Less: Unspent Prior Year Funds*</b>	<b>(102,711)</b>
<b>Plus: Non-Statutory Reserve</b>	<b>30,000</b>
<b>Less: Depreciation</b>	<b><u>(180,000)</u></b>
<b>Net Funding</b>	<b>\$7,501,786</b>
<b>Net Funding per MWH</b>	<b>\$.0231</b>

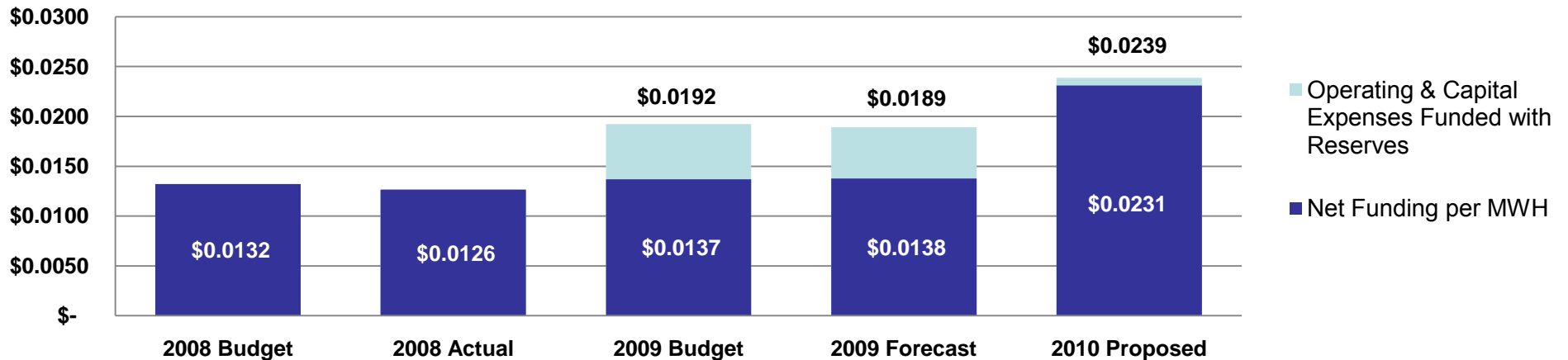
- \* Statutory unspent funds balance (regulatory liability) is projected to be \$594K at the end of 2009. \$491K of that balance is being used in 2010 to increase the statutory cash on hand to 75 days. The grand total of the 75 day cash reserve will be \$1,346K at the end of 2010 (\$855K from 2009 & \$491K from 2010).

# 2010 Budget–Combined Statutory & Non-Statutory & Cost per MWH

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

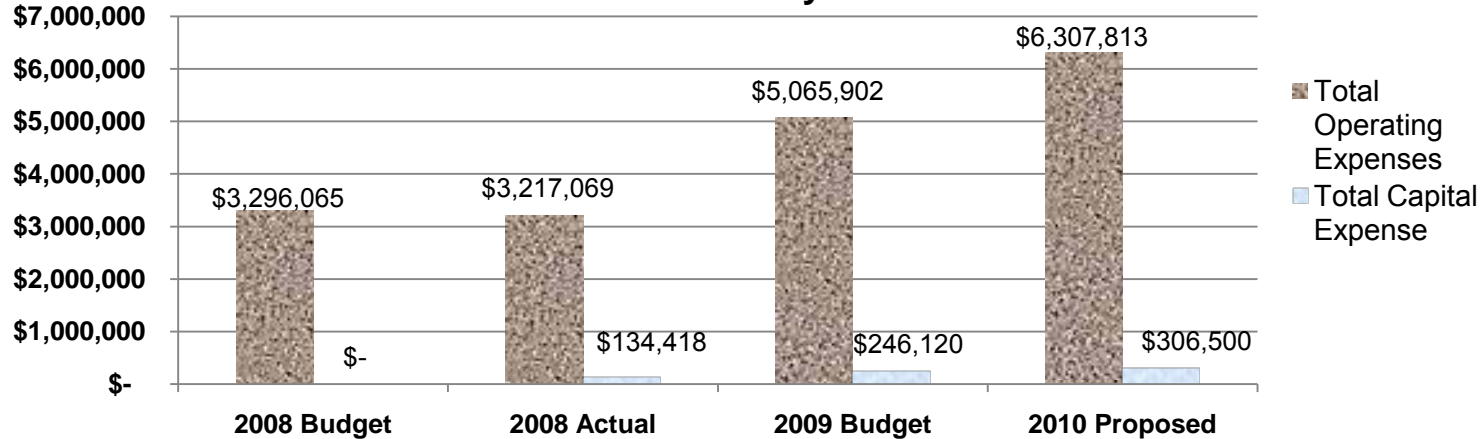


### Total Funding per MWH

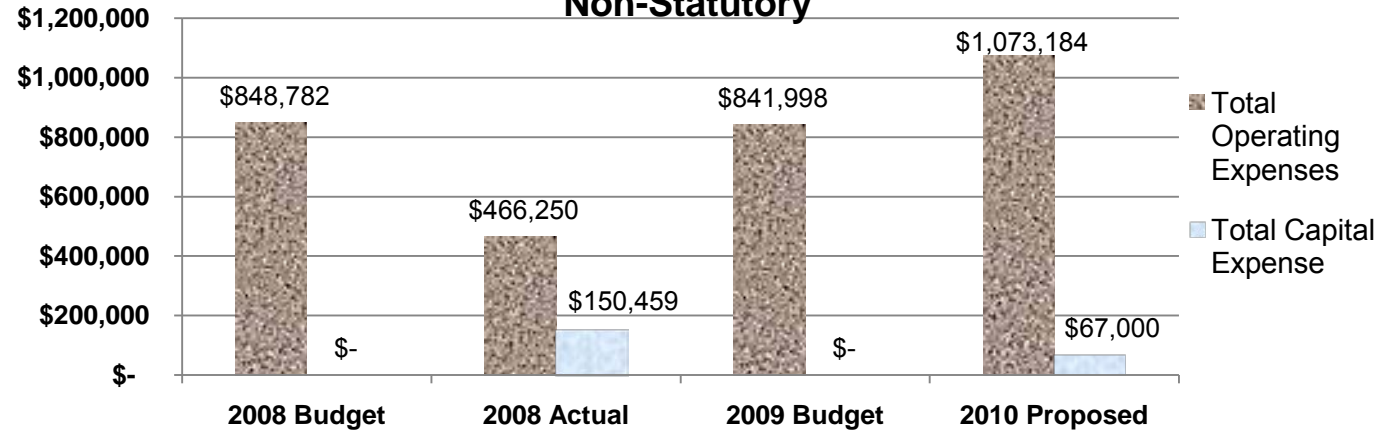


# 2010 Budget – Statutory & Non-Statutory Budget

### Texas RE Financial Trends Statutory

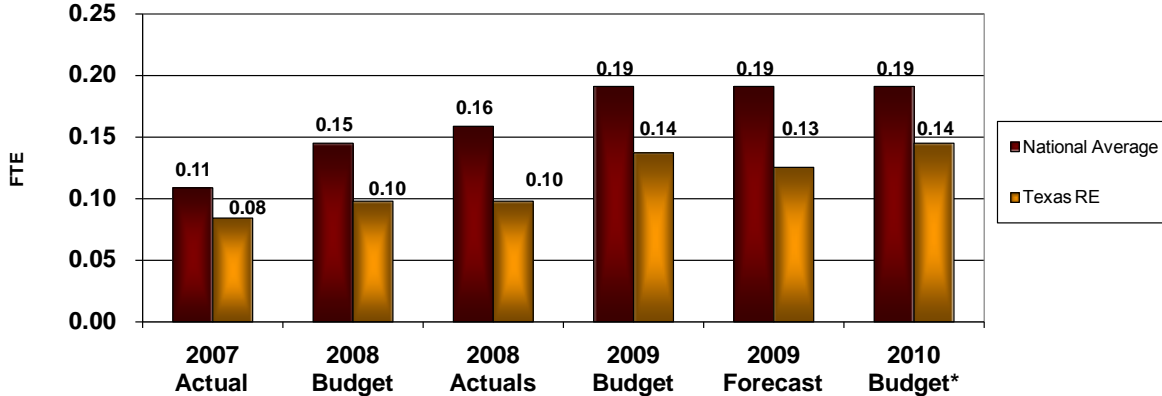


### Texas RE Financial Trends Non-Statutory

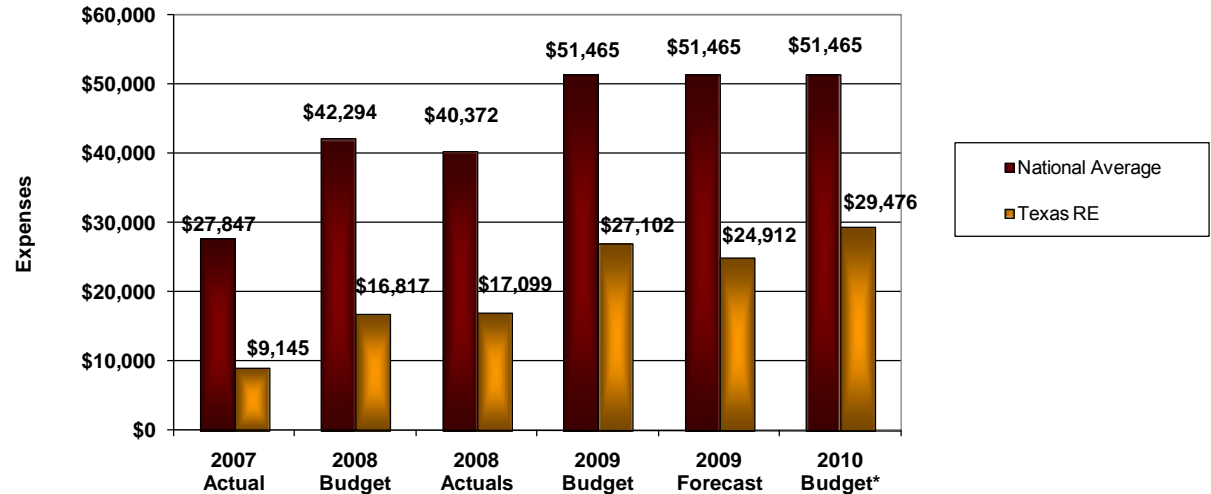


# Budget Comparisons – Texas RE vs. Nat'l RE Avg.

Statutory FTE's per Registered Entity



Statutory Operating Expenses per Registered Entity



\* Texas RE 2010 Budget, National Average 2009 Budget

# 2010 Texas RE Budget Overview

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## **2010 Supplemental Budget**

# 2010 Supplemental Budget

- **Personnel Expenses (Salary & Benefits) ~ \$657K ↑**
  - Increase associated with adding 6 staff for corporate services: 2 IT, 1 Members Forums, 1 Finance, 1 Legal, and 1 HR.
- **Consultants & Contracts ~ \$557K ↑**
  - Security \$24K, \$243K BOD Fees, \$266K IT Services, \$353K benefits administration, \$9K 401(k) Admin, \$70K Risk Management (Insurance Products), Board of Directors search fees \$250K, offset by elimination of MOU support, IT admin costs totaling \$750K in base budget.
- **Facilities & Related ~ \$72K ↓**
  - Expenses paid to ERCOT through the MOU for facilities, security, and facilities support would be eliminated once structurally separate from ERCOT ISO.
- **Office Costs ~ \$7K ↑**
  - Increased postage \$3K, forms printing for HR, Finance, etc. \$3K, and office supplies for 2 new FTEs \$1K
- **Professional Services ~ \$116K ↑**
  - Timekeeping system costs \$8K, Expense reporting system \$13K, Payroll and HR fees/systems \$30K, Internal audit and financial services \$50K, and Software maintenance for the accounting system \$3K.
- **Miscellaneous ~ \$14K ↑**
  - Bank fees for impacted payroll account.
- **Depreciation ~ \$172K ↑**
  - Increased depreciation expense for fixed asset purchases.
- **Fixed Assets ~ \$846K ↑**
  - IT equipment and software start-up \$527K
  - Accounting system purchase \$11K
  - Furniture and fixtures purchases \$308K



# 2010 Base & Supplemental Budget

<b>Statement of Activities</b>							
<b>2010 Budget - Supplemental</b>							
<b>STATUTORY &amp; NON-STATUTORY COMBINED</b>							
	2010 Base Budget	Start-Up Charges for 2010 Supplemental	Recurring Charges for 2010 Supplemental	Increases in Charges for 2010 Supplemental	Total 2010 Budget w/ Supplemental	Total Percent Increase	Recurring Percent Increase
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 6,179,602	\$ 1,316,784	\$ 868,896	\$ 2,185,680	\$ 8,365,282	35.4%	14.1%
Penalty Sanctions <sup>(1)</sup>	-	-	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 6,179,602</b>	<b>\$ 1,316,784</b>	<b>\$ 868,896</b>	<b>\$ 2,185,680</b>	<b>\$ 8,365,282</b>	35.4%	14.1%
Services & Software	1,140,184	-	153,335	153,335	1,293,519	13.4%	13.4%
Workshops	180,000	-	-	-	180,000	0.0%	0.0%
Interest	2,000	-	-	-	2,000	0.0%	0.0%
Miscellaneous	-	-	-	-	-		
<b>Total Funding</b>	<b>\$ 7,501,786</b>	<b>\$ 1,316,784</b>	<b>\$ 1,022,231</b>	<b>\$ 2,339,015</b>	<b>\$ 9,840,801</b>	31.2%	13.6%
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 3,669,365	\$ -	\$ 494,000	\$ 494,000	\$ 4,163,365	13.5%	13.5%
Payroll Taxes	290,609	-	39,125	39,125	329,734	13.5%	13.5%
Benefits	395,715	-	53,275	53,275	448,990	13.5%	13.5%
Retirement Costs	524,547	-	70,620	70,620	595,167	13.5%	13.5%
<b>Total Personnel Expenses</b>	<b>\$ 4,880,236</b>	<b>\$ -</b>	<b>\$ 657,020</b>	<b>\$ 657,020</b>	<b>\$ 5,537,256</b>	13.5%	13.5%
<b>Meeting Expenses</b>							
Meetings	\$ 233,600	\$ -	\$ -	\$ -	\$ 233,600	0.0%	0.0%
Travel	187,443	-	-	-	187,443	0.0%	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 421,043</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 421,043</b>	0.0%	0.0%
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 750,397	\$ 250,000	\$ 316,598	\$ 566,598	\$ 1,316,995	75.5%	42.2%
Office Rent	390,000	-	(72,000)	(72,000)	318,000	-18.5%	-18.5%
Office Costs	40,720	-	7,200	7,200	47,920	17.7%	17.7%
Professional Services	680,500	16,500	99,913	116,413	796,912	17.1%	14.7%
Miscellaneous	38,101	-	13,500	13,500	51,601	35.4%	35.4%
Depreciation	180,000	-	171,961	171,961	351,961	95.5%	95.5%
<b>Total Operating Expenses</b>	<b>\$ 2,079,718</b>	<b>\$ 266,500</b>	<b>\$ 537,172</b>	<b>\$ 803,671</b>	<b>\$ 2,883,389</b>	38.6%	25.8%
<b>Total Direct Expenses</b>	<b>\$ 7,380,997</b>	<b>\$ 266,500</b>	<b>\$ 1,194,192</b>	<b>\$ 1,460,691</b>	<b>\$ 8,841,688</b>	19.8%	16.2%
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	0.0%
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	0.0%
<b>Total Expenses</b>	<b>\$ 7,380,997</b>	<b>\$ 266,500</b>	<b>\$ 1,194,192</b>	<b>\$ 1,460,691</b>	<b>\$ 8,841,688</b>	19.8%	16.2%
<b>Change in Assets</b>	<b>\$ 120,789</b>	<b>\$ 1,050,284</b>	<b>\$ (171,961)</b>	<b>\$ 878,323</b>	<b>\$ 999,112</b>	727.2%	-142.4%
<b>Fixed Assets</b>							
Depreciation	\$ (180,000)	\$ -	\$ (171,961)	\$ (171,961)	\$ (351,961)	95.5%	95.5%
Computer & Software CapEx	373,500	846,000	-	846,000	1,219,500	226.5%	0.0%
<b>Change in Fixed Assets</b>	<b>\$ (193,500)</b>	<b>\$ (846,000)</b>	<b>\$ 171,961</b>	<b>\$ (674,039)</b>	<b>\$ (867,539)</b>	348.3%	-88.9%
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (72,711)</b>	<b>\$ 204,284</b>	<b>\$ -</b>	<b>\$ 204,284</b>	<b>\$ 131,573</b>	281.0%	0.0%

(1) Reflects penalty sanctions collected prior to June 30, 2009.

# Combined FTEs by Function-2010 Supplemental

Total FTE's by Program Area	2010 Base	2010	2010 Combined	Change from
	Budget	Supplemental Budget	Budget	Base Budget
<b>COMBINED STATUTORY &amp; NON-STATUTORY FTEs</b>				
<b>Operational Programs</b>				
Reliability Standards	2.06	0.00	2.06	0.00
Compliance and Organization Registration and Certification	18.69	0.00	18.69	0.00
Training and Education	0.97	0.00	0.97	0.00
Reliability Assessment and Performance Analysis	2.29	0.00	2.29	0.00
Situational Awareness and Infrastructure Security	3.24	0.00	3.24	0.00
Protocol Compliance	5.03	0.00	5.03	0.00
<b>Total FTEs Operational Programs</b>	<b>32.28</b>	<b>0.00</b>	<b>32.28</b>	<b>0.00</b>
<b>Administrative Programs</b>				
Members Forums & Technical Committees	0.00	1.00	1.00	1.00
General & Administrative	2.01	0.00	2.01	0.00
Information Technology	0.69	2.00	2.69	2.00
Legal and Regulatory	1.17	1.00	2.17	1.00
Human Resources	0.00	1.00	1.00	1.00
Finance & Accounting	0.85	1.00	1.85	1.00
<b>Total FTEs Administrative Programs</b>	<b>4.72</b>	<b>6.00</b>	<b>10.72</b>	<b>6.00</b>
<b>Total FTEs</b>	<b>37.00</b>	<b>6.00</b>	<b>43.00</b>	<b>6.00</b>

# Looking on the Horizon – Unknown Items

- **Structural or Functional Separation**
- **Appeals/Hearings**
- **Compliance Violations Investigations**
- **TOP Joint Registrations**
- **LSE Registrations**
- **Outcomes of Texas RE's FERC Audit & New FERC Directives**
- **Nodal Protocol Metrics and New PUC Directives**
- **Critical Infrastructure Protection**
- **Situational Awareness and Reliability Assessment**

# 2010 Texas RE Budget Overview

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## Appendix

## 2 Additional Headcount for Compliance Enforcement Function

- **(2) Compliance Engineer/Analyst III – 1 Situation Awareness & 1 Compliance Enforcement**
  - Event Review, Analysis and Investigations; Compliance Violation Investigation's; Violation Verification from all 8 Compliance Processes; Protocol and Operating Guide Violation Verification; Complaint Analysis; Mitigation Plan Review, Approval and Verification; Penalty and Settlement Development and Processing; Support of NERC in Case Development (Notice of Confirmed Violation and Notice of Penalty); Situational Awareness Development.
  - Current staff levels and workload don't allow for timely completion of the tasks associated with compliance processes. The volume and documentation requirements for each of these processes continues to increase, even as these processes are better defined.
  - Position will help maintain reasonable timelines in performing each of the process tasks; the durations to complete the processes listed will continue to increase.

# 1 Additional Headcount for Compliance Audit Function

- **Compliance Engineer/Analyst III**

- Increases available staff for auditing and audit support functions. In particular, it will enable the emerging cyber security standards spot check audits targeted for the second half of 2010, in preparation for huge expansion of this work at the start of 2011.
- Audit workload is increasing, most audits since late 2008 are requiring three full days. With additional and revised NERC standards, we see this as a sustained level of effort that may increase further. The CIP material will be a prominent part of this.
- Provides additional labor hours to the team for auditing and associated duties of the audit team, suggested by our review of audit workload and estimates of the time needed.
- Work in the past six months shows a clear trend to longer audits, and other staff has provided extensive support during this period. Much supporting work (e.g. process improvement, procedure refinement) and training have been deferred. Nonstandard labor hours (above 40 per week) are documented.

# 1 Additional Headcount for CIP Function

- **IT Security Specialist – Critical Infrastructure Protection**

- CIP Standards become enforceable in 2010.
  - ERCOT ISO registered as TOP, RC, & BA must comply.
  - On-site audit of the ERCOT ISO to be conducted (41 requirements).
- NERC/FERC expectations remain unclear and are evolving – but we know the emphasis will be on more activity and rigor vs. less.
  - Spot checks
  - Critical Assets
  - Self-certifications
  - Audit cycles
- CIP Standards become enforceable in 2011 for ~40 additional Registered Entities (still evolving due to definition of “Critical Assets”).
- Expect CIP compliance audits to be similar to current compliance audits with respect to length, resource needs, and rigor.

# 1 Additional Headcount for Stakeholder Management Function

- **Compliance Engineer/Analyst III**

- **Oversee and implement NERC Registration and Certification process**
  - Create, maintain and communicate Registration and Certification processes internally and with Registered Entities
  - Review and approve Registration and Certification submittals and activities
  - Review Joint Registration Organization (JRO) agreements
  - Point of contact for Registered Entities' questions and inquiries about NERC Registration and Certification
- **National Coordination**
  - Work with other Regional Entities and NERC to maintain consistency and coordination
  - Represent Texas RE in regional and national meetings
  - Point of contact for NERC for Registration and Certification questions and manages the creation of special reports
- **Will allow increased participation in reliability assessments program and ERCOT Regional Planning Process.**





**2010 Business Plan and Budget**  
**DRAFT Version 1.0**

**Texas Regional Entity**

**Approved by:**

**Submitted:**

**May 8, 2009**

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## Introduction

<b>Total Texas RE Resources</b> (in whole dollars)				
	2010 Budget	U.S.	Canada	Mexico
Statutory FTEs	31.01			
Non-statutory FTEs	5.99			
Total FTEs	37.00			
Statutory Expenses	\$6,307,813	\$6,307,813		
Non-statutory Expenses	\$1,073,184	\$1,073,184		
Total Expenses	\$7,380,997	\$7,380,997		
Statutory Funding	\$6,361,602	\$6,361,602		
Non-statutory(Member) Funding	\$1,140,184	\$1,140,184		
Total Funding	\$7,501,786	\$7,501,786		
NEL	324,830,913	324,830,913		
NEL %	100%	100%		

## Organizational Overview

Texas Regional Entity (Texas RE) is an independent and functionally separate division of Electric Reliability Council of Texas, Inc. (ERCOT ISO), a Texas non-profit corporation. The vision and purpose of Texas RE is to preserve and enhance reliability across the ERCOT region by encouraging a culture of compliance among all users, owners, and operators of the Bulk-Power System (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 200,000 square miles and 85% of Texas load.

In May 2007, Texas RE executed a Delegation Agreement with North American Electric Reliability Corporation (NERC), the Electric Reliability Organization (ERO) certified by the Federal Energy Regulatory Commission (FERC), pursuant to Section 215(c) of the Federal Power Act (FPA). In response to subsequent orders by the Commission, Texas RE and NERC signed Amended and Restated Delegation Agreements on March 28, 2008 and January 3, 2009.

In the May 2007 Delegation Agreement and the March 28, 2008 and January 3, 2009 Amended and Restated Delegation Agreements (collectively "the Delegation Agreement"), NERC delegates to Texas RE certain responsibilities and authorities of a regional entity as defined in the FPA, regulations adopted by the Commission (including but not limited to Order Nos. 672 and 672-A in Docket No. RM05-30-000), and other directives of the Commission, including the authority to propose, develop, monitor, assess, and enforce reliability standards and regional standards and variances within the ERCOT region, in accordance with the NERC Rules of Procedure (ROP). Texas RE's activities under the Delegation Agreement are referred to herein as Statutory activities.

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

## Membership and Governance

Because Texas RE is an independent division of ERCOT ISO, members of ERCOT ISO are also members of Texas RE. These members can be from any ERCOT ISO Segment (as listed below), and, except for the Consumer Segment, must have an actual financial interest in the retail or wholesale electric market in the ERCOT region and be able to do business in one of these markets. ERCOT ISO charges a nominal fee for membership, but the membership fee can be waived upon good cause shown. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

In order to maintain clear independence from and not be unduly influenced by the owners, operators, and users of the BPS being monitored, Texas RE operates as a functionally separate division of ERCOT ISO. Texas RE is led by a chief executive officer with the title Chief Executive Officer and Chief Compliance Officer (CEO) who manages the general affairs of Texas RE as its chief executive officer and reports to the Board of Directors or a subcommittee thereof for administrative purposes. Texas RE maintains office space that is separate from the ERCOT ISO office space. Texas RE and its employees function independently of the ERCOT ISO and its officers, and Texas RE creates, monitors, and operates under an independent budget and maintains separate books and records from ERCOT ISO. Texas RE contracts for certain administrative services by ERCOT ISO at a rate agreed to in a Memorandum of Understanding which was executed in 2008.

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

- Three (3) Consumers:
  - Texas Public Utility Counsel (representing residential consumers and small commercial consumers, as an ex officio voting member)
  - Large Commercial (peak demand >1000 kilowatts)
  - Industrial Consumer
- One Independent Retail Electric Provider (and one segment alternate)
- One Generator (and one segment alternate)
- One Independent Power Marketer (and one segment alternate)
- One Investor Owned Utility (and one segment alternate)
- One Municipal (and one segment alternate)
- One Cooperative (and one segment alternate)

The Texas RE directors maintain independence from their role as ERCOT ISO directors by holding board and committee meetings separately from ERCOT ISO meetings and by not

having any role regarding Texas RE's Statutory compliance and enforcement activities (as described below).

## Statutory Functional Scope

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

- Propose and participate in the development of reliability standards, or modifications thereof and propose and develop needed regional standards or variances through Texas RE's Standards Development Process.
- Monitor and enforce approved reliability standards, including the registration of responsible entities and, as needed, the certification of such entities within the ERCOT region, through the Compliance Monitoring and Enforcement Program (CMEP).
- Perform other delegation-related services on behalf of NERC, in furtherance of NERC's responsibilities as the ERO under the FPA, including:
  - Assessment and performance analysis of the present and future reliability, adequacy, and security of the BPS.
  - Promote effective training and education of reliability personnel and assist in the certification of operating personnel.
  - Promote situational awareness and the security and protection of critical infrastructure.

## 2010 Key Assumptions

The key assumptions for Texas RE's 2010 Budget include the following:

- Texas RE will remain functionally separate from ERCOT ISO and will continue to receive administrative services and support from ERCOT ISO through a memorandum of understanding
- Texas RE will enhance its 60-day cash reserve established in 2009 with a 75-day cash reserve in 2010. Texas RE still possesses unspent funds that will offset this amount.
- The Delegation Agreement requirements and NERC expectations will be constant. (No material changes will be required by either the NERC three-year assessment or the Texas RE FERC audit.
- Texas RE will use any surplus funds from the prior year and any penalty funds received prior to July 1, 2009, to offset 2010 funding requirements.
- The number of registered entities is expected to remain fairly constant, except as specifically described herein (e.g. the Load-Serving Entity function) and the current audit frequency will remain constant.
- The number of contested enforcement and registration cases will remain low – one large or two small-to-mid-sized disputes per year.
- ERCOT ISO will continue to take primary responsibility for the research and preparation of the seasonal and long-term reliability assessments, with Texas RE responsible only for coordination and review of such assessments.

- NERC, Texas RE, and the other regional entities will continue to invest in technology improvements and process automation to improve efficiency and increase national consistency.

## 2010 Goals and Key Deliverables

Texas RE's Goals and Key Deliverables for 2010 are as follows:

1. Improve reliability through rigorous monitoring and enforcement of compliance with mandatory standards, in accordance with the Delegation Agreement and the CMEP
  - a. Maintain registrations for responsible entities.
  - b. Monitor compliance of registered entities in the ERCOT region with mandatory standards, while adopting risk-based methodologies to optimize reliability benefits and improving quality and timeliness.
  - c. Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
  - d. Enforce registered entities' compliance with the mandatory standards, while improving timeliness.
  - e. Promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among registered entities in the ERCOT region.
2. Effectively communicate with NERC, other regional entities, regulators, and industry stakeholders as follows:
  - a. Continue to build and improve cooperative relationships with other registered entities, industry stakeholders, and regulators through regular, consistent messaging regarding all of Texas RE's program areas.
  - b. Deliver a consistent message through the new Texas RE website and a variety of electronic media (including the bi-monthly newsletter) as a timely and efficient means of providing important information to the industry and the public.
3. Maintain effective financial controls and conduct Texas RE operations within the approved budget.
4. Effectively manage the Texas RE Standards Development Process
  - a. Participate in and encourage stakeholder participation in the development of national standards, in support of the NERC three-year plan
  - b. Propose and facilitate development of regional standards or variances that are needed to comply with NERC's three-year plan, FERC directives, and any ERCOT region-wide physical differences.
5. Continue to increase situational awareness and event analysis capabilities, to improve timeliness of root cause analyses and lessons learned and strengthen overall reliability.
6. Work with NERC and the other regional entities to develop appropriate procedures for auditing and monitoring cyber and physical security of critical infrastructure.
7. Efficiently adopt appropriate technology to increase efficiency and productivity.
8. Establish Key Performance Indicators and Benchmarks for Texas RE operations.

## Overview of Cost Impacts

In 2010, total direct Statutory expenses, plus Statutory capital expenses are increasing by 22.7% or \$1,226K from the 2009 budget. This increase is primarily being driven by the following items:

1. Increased personnel expenses resulting from adding five (5) additional staff (4.06 FTEs Statutory, .94 FTEs are Non-statutory) and salary increases for existing staff total approximately \$773K.
2. Increased technology and capital expenditures, including the Texas Regional Entity Compliance Portal projects, document management system project, and other management and reporting tools to improve quality, efficiency and consistency of reporting total \$158K
3. Increased cash reserves total \$491K which in 2010, does not impact expenses. This cash reserve is being funded through unspent funds from prior years (Texas RE's regulatory liability) appearing on Texas RE's balance sheet and does not appear on the statement of activities. We are listing it for disclosure purposes.
4. Increased travel costs associated with NERC and regional entity meetings and compliance audits total \$79K.
5. Increased cost of administrative services received from ERCOT ISO through the MOU total \$139K, offset by reductions in rent expense and facilities services year-over-year of \$190K.
6. The Operations Training Seminar is budgeted in 2010 to accommodate a venue change that occurred in 2009. This resulted in increased costs; however those costs were funded by seminar attendees through the registration fee. For 2010, the expected increase year-over-year is approximately \$110K. This amount is also expected to be similarly funded through the seminar registration fees attendees pay.

## **Detailed Business Plans and Budgets by Program**

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

### **Section A — 2010 Business Plan**



## Reliability Standards Program

<b>Reliability Standards Program Resources</b> (in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	1.70	2.06	0.36
Total Direct Expenses	\$176,491	\$264,734	\$88,243
Total Indirect Expenses <sup>1</sup>	\$287,778	\$146,013	(\$141,765)
Total Expenses	\$464,269	\$410,747	(\$53,522)

Texas RE Standards staff facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process, which was approved as Exhibit C to the Delegation Agreement. Texas RE standards staff coordinates and publicly posts information regarding the activities of the Reliability Standards Committee (RSC) and all standards drafting teams (SDTs).

The Texas RE Standards Development Process is open to all organizations that are materially affected by the ERCOT region BPS, with no undue financial barriers. Any such entity has the right to participate by expressing an opinion, having its opinion considered, and having the right to appeal. Notice of all meetings of the Texas RE RSC and all drafting teams are provided on the Texas RE website and are open to the public.

The Texas RE Standards Development Process provides for a balance of interests, containing seven market segments and a requirement of a vote of at least two-thirds of the segments for approval of any regional standard. The first Texas RE Standard Authorization Request (SAR), SAR-001, proposed to add an additional market segment, with a ¼ vote, for ERCOT ISO and has been approved by NERC for filing with FERC. No two segments can dominate, and no single segment can defeat any matter. In addition, each of the current seven segments has at least two representatives on the RSC. Currently, 47 entities have joined the RBB, representing about 25% of all Texas RE members.

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. In addition, all proposed standards are posted on the Texas RE Reliability Standards Tracking site for public comments. The site allows all interested parties to submit comments during the commenting period. This process also provides an appeals process.

The RSC meets once a month. The SDTs meet as necessary and include WebEx participation. In addition to facilitating all meetings, Texas RE Standards employees are directly involved in the non-technical aspects of the drafting of the standards. Texas RE Compliance employees also provide technical support, as requested. To promote wider awareness of and participation in the reliability standards process throughout the ERCOT region, Texas RE launched the

<sup>1</sup> Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

Reliability Standards Tracking site in 2008. The tool allows all registered parties to efficiently submit comments on SARs and draft standards during commenting periods and allows members of the Registered Ballot Body (RBB) to vote online.

Texas RE staff supports and participates in the NERC Standards Committee and Regional Reliability Standards Working Group and has contributed to the 2009-2011 NERC Work Plan. The Texas RE Manager of Standards was nominated and accepted into the NERC Communications and Planning Subcommittee of the NERC Standards Committee. In addition, the Texas RE staff review draft reliability standards from other regions, and staff from other regional entities review draft Texas RE regional standards.

Texas RE informs stakeholders of the impact and requirements of emerging NERC standards through training at the Texas RE workshops. In general, Texas RE works to ensure that stakeholders have the most current and accurate information on reliability standards. procedures, forms, meetings, minutes, notes, agendas, drafts, etc., for all regional activities associated with standards are posted in a timely fashion on the Texas RE website. Market notices on major topics and upcoming meetings are sent regularly to Texas RE email lists. Articles on reliability standards topics are included in the bi-monthly Texas RE newsletter.

### **2010 Key Assumptions**

- Standards workflow remains constant, with no more than four (4) new SARs being developed during 2010.
- Standards program staffing is complete with two full time equivalent employees (FTEs) to maintain the continuation of existing SARs and development of potential new ones.
- Travel will increase in 2010 to meet goals of increasing participation in NERC and other regional committees and subcommittees.

### **2010 Goals and Key Deliverables**

The goals of the Reliability Standards Program for 2010 are as follows:

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

To implement these goals Texas RE Standards staff is leading the RSC in developing a scope of work for the RSC to include more comprehensive review and comment to the existing and proposed NERC standards under development for tracking of possible regional variances that may be necessary with the associated continent-wide efforts. Texas RE Standards staff presented the RSC with the 39 standards development projects in the current NERC workplan and asked the RSC to rank them in importance. Ten projects emerged as most important to the ERCOT region. The RSC plans to have subject matter experts (SMEs) make one presentation each month on the 10 projects for evaluation as to any potential regional standard that may be necessary. A presentation on NERC Project 2006-03 System Restoration and Blackstart (EOP-005, 006, 007 and 009) was made at the March RSC meeting.

Certain stakeholders submitted comments requesting improvements to the Texas RE website. The new Texas RE website (which is expected to launch by the end of the second Quarter 2009) will have a Standards section that is intended to have improved clarity and navigation.

Texas RE Standards staff is considering having a regional standards workshop (a longer and more detailed presentation than the normal standards presentation made during the Compliance workshop), to allow ERCOT region stakeholders to learn about standards in general and the process for developing new regional and national standards. If this workshop is warranted, it would occur in the latter half of 2009. Otherwise, Texas RE Standards staff will continue to include a standards section in the Compliance Workshop.

Stakeholders also submitted comments indicating that the NERC Fill-in-the-Blank standards have caused confusion. Texas RE supports the concept of revising the standards to remove the Fill-in-the-Blank components. Texas RE will develop (as necessary) any regional standards that are subsequently required.

A regional-wide announcement was sent out in December 2008 to update and solicit more RBB registrations, to ensure wider participation by all segments. This announcement was part of the ballot pool solicitation and formation efforts for SAR-001. This resulted in the 47 RBB members as of February 28, 2009,

Texas RE Standards staff will increase its participation in NERC Standards Committee meetings to stay current on all NERC Standards under development for presentation to the ERCOT stakeholders, and Texas RE will continue participating in the NERC Communication and Planning Subcommittee.

### **Funding Requirements — Explanation of Increase (Decrease)**

The Reliability Standards funding requirements reflects an increase of \$236K year-over-year for two (2) reasons:

1. 2009 was lowered because Texas RE used unspent prior-year funds to reduce the 2009 assessment; and
2. In 2010, indirect program expenses are fully allocated to the direct program areas.

## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Reliability Standards</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 176,491	\$ 176,491	\$ -	\$ 412,278	\$ 235,787
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 176,491</b>	<b>\$ 176,491</b>	<b>\$ -</b>	<b>\$ 412,278</b>	<b>\$ 235,787</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 176,491</b>	<b>\$ 176,491</b>	<b>\$ -</b>	<b>\$ 412,278</b>	<b>\$ 235,787</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 127,238	\$ 159,073	\$ 31,835	\$ 177,830	\$ 50,592
Payroll Taxes	10,179	11,949	1,770	14,343	4,164
Benefits	14,320	10,126	(4,194)	19,721	5,401
Retirement Costs	18,450	21,800	3,350	25,697	7,248
<b>Total Personnel Expenses</b>	<b>\$ 170,187</b>	<b>\$ 202,948</b>	<b>\$ 32,762</b>	<b>\$ 237,591</b>	<b>\$ 67,404</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 304	\$ 304	\$ 400	\$ 400
Travel	4,344	3,389	(955)	6,824	2,480
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 4,344</b>	<b>\$ 3,693</b>	<b>\$ (651)</b>	<b>\$ 7,224</b>	<b>\$ 2,880</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,960	456	(1,504)	480	(1,480)
Professional Services	-	10,938	10,938	18,824	18,824
Miscellaneous	-	470	470	615	615
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,960</b>	<b>\$ 11,864</b>	<b>\$ 9,904</b>	<b>\$ 19,919</b>	<b>\$ 17,959</b>
<b>Total Direct Expenses</b>	<b>\$ 176,491</b>	<b>\$ 218,506</b>	<b>\$ 42,015</b>	<b>\$ 264,734</b>	<b>\$ 88,243</b>
<b>Indirect Expenses</b>	<b>\$ 287,778</b>	<b>\$ 211,170</b>	<b>\$ (76,609)</b>	<b>\$ 146,013</b>	<b>\$ (141,765)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 464,269</b>	<b>\$ 429,676</b>	<b>\$ (34,593)</b>	<b>\$ 410,747</b>	<b>\$ (53,522)</b>
<b>Change in Assets</b>	<b>\$ (287,778)</b>	<b>\$ (253,185)</b>	<b>\$ 34,593</b>	<b>\$ 1,531</b>	<b>\$ 289,309</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (20,746)	\$ (20,746)	\$ -	\$ (1,531)	\$ -
<b>Change in Fixed Assets</b>	<b>\$ (20,746)</b>	<b>\$ (20,746)</b>	<b>\$ -</b>	<b>\$ (1,531)</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (308,524)</b>	<b>\$ (273,931)</b>	<b>\$ 34,593</b>	<b>\$ 0</b>	<b>\$ 289,309</b>

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

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

### **Personnel Expenses**

- 2010 personnel expenses are increasing to accommodate additional FTEs of work in the Reliability Standards area. The primary increase is resulting from increased management, IT, Compliance, and other personnel working on Reliability Standards activities \$68K.

### **Meeting Expenses**

- The increase in meeting expenses is primarily driven by increases in travel \$3K. Reliability Standards expects to attend at least 3 additional standards workgroup meetings in the coming year.

### **Operating Expenses**

- The increase in operating expenses is attributed to expenses associated with the Texas Regional Entity Portal, the Reliability Standards Tracking site that relate to Reliability Standards and the Texas RE Website \$19K. These types of expenses were budgeted in administrative services last year; however, these are more appropriately direct costs to this program.

### **Indirect Expenses**

- Indirect expenses are decreasing by \$54K year-over-year, through cost control as well as due to the identification of direct expenses that were previously budgeted in administrative services.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- There are no new direct fixed asset additions for this program; however, there is a slight allocation of administrative services' fixed assets.

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

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources</b>			
<i>(in whole dollars)</i>			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	14.15	18.69	4.54
Total Direct Expenses	\$1,628,802	\$3,087,340	\$1,458,538
Total Indirect Expenses	\$2,404,881	\$1,325,459	(\$1,079,422)
Total Expenses	\$4,033,683	\$4,412,799	\$379,116

The purpose of Texas RE's Compliance Monitoring and Enforcement Program (CMEP) is to protect the reliability of the ERCOT region's Bulk-Power System (BPS) through our interactions with and oversight of the registered entities in the region. Texas RE is responsible for monitoring, assessing, and enforcing compliance with NERC Reliability Standards and regional standards for all registered entities in the ERCOT region. The CMEP activities make up the majority of the work currently done by Texas RE although Non-statutory work continues to be an important aspect of overall compliance in the ERCOT region.

The CMEP focuses on four primary areas: properly registering organizations responsible for complying with reliability standards (Organization Registration and Certification), monitoring the registered entities for compliance with reliability standards (Compliance Monitoring), determining and reporting to NERC violations of reliability standards by registered entities (Enforcement), and ensuring correction of non-compliance and violations (Mitigation of Violations). Texas RE maintains processes and procedures for data gathering, reporting, investigating, auditing, assessing, penalizing and sanctioning violators, and mitigating non-compliance.

Because the CMEP is still a relatively new program, Texas RE continues to develop policies and procedures to support the evolving requirements that are developed at the national level. Texas RE will continue to review its organizational structure, processes, procedures and document management with the intent to continuously improve the quality and timeliness of its work while also addressing the cost of compliance whenever possible. The reliability of the BPS always remains the unquestionable number one priority of the organization.

### Organization Registration and Certification Program Description and Functions

Texas RE is responsible for identifying and registering the owners, operators, and users of the BPS as registered entities in the ERCOT region per Section 500 of the NERC ROP. These registered entities are responsible for complying with all applicable reliability standards. Texas RE must maintain an accurate registration list of all entities, their contact personnel and the business relationships, as well as managing the Joint Registered Organization agreement process.

Texas RE has 212 registered entities representing 329 functions as of March 31, 2009. The list of registered entities in the ERCOT region continues to evolve and currently includes:

- 109 Generator Owners
- 76 Generator Operators
- 24 Transmission Planners
- 29 Transmission Owners
- 43 Distribution Providers
- 41 Purchasing Selling Entities
- 1 Transmission Operator, Reliability Coordinator, Balancing Authority, Planning Authority, Resource Planner, Transmission Service Provider, and Interchange Authority (ERCOT ISO)

Texas RE created the Stakeholder Management Department in 2008 as the primary organization in Texas RE with responsibility for registration, certification, training, communications, reporting, document management and reliability assessments (discussed later). The plan was to provide organizational focus for Stakeholder management and services. In practice in 2009, staffing levels have not been adequate to properly manage registration and certification in a timely fashion and some dissatisfaction was expressed by registered entities with in the 2009 NERC survey.

Registration activity should remain effectively constant from 2009 to 2010 due to continual changes in business names, mergers, acquisitions, asset sales, reorganizations, and joint registration organization (JRO) agreements. Any changes to the registration criteria, such as the LSE activities in 2009, may also have an adverse impact on workload, should they occur.

Registration disputes also have the potential to adversely impact work load in the registration area. Texas RE should finalize its second significant registration dispute in 2009. The time expended on each registration appeal has been significant. Texas RE anticipates that registration disputes should reduce over time once the NERC functions and registration criteria stabilize. This budget anticipates no significant changes in registration criteria in 2010.

In December 2008, Texas RE launched its portal. The portal allows registered entities to update or modify contact information and to submit self-certification response electronically. However, extracting data from the portal for submission to NERC continues to require manual intervention and quality control to validate entity changes. Texas RE has planned improvements for the portal to address issues such as reporting, and NERC is working toward completing its portal to allow a more efficient submission of this information. The updated Texas RE and NERC portals should reduce some of the administrative burdens on this program.

The management of Joint Registration Organizations (JRO) agreements adversely impacted work load in 2009 as this work has taken significant attention from staff to coordinate and approve. In addition, the implementation of the modified LSE registration criteria resulted in significant challenges in the ERCOT region due to the unique market design of the ERCOT region (including competitive markets and a single Balancing Authority). To avoid gaps, overlaps and registration appeals, Texas RE spent approximately six (6) months working with stakeholders to obtain stakeholder feedback and facilitate a JRO design for LSE registration that eliminates all gaps, minimizes overlap, and reduces potential registration appeals. This process has been extremely beneficial with respect to improved communications and coordination with registered entities and is planned to be used again should a similar problem arise. Texas RE anticipates that the LSE JRO will result in a small increase in newly registered entities and a more significant increase in registered functions for existing entities.

Registration work is predicted to remain at the current level (which is higher than anticipated for 2009) through 2010 due to on-going registered entity changes, a possible JRO for the Transmission Operator (TOP) function (which could require TOP certification audits), and anticipated participation in national discussions regarding modifications or additions to the Statement of Registry Criteria and registered entity functions or responsibilities, to ensure that the issues unique to the ERCOT region are properly considered.

Stakeholder Management has remained relatively constant in 2009 and is adequately staffed. Stakeholder Management has a records coordinator who is helping to organize and maintain the records and procedures that are important to Texas RE's internal compliance and enforcement case management. Texas RE plans to install document management software in late 2009, which will require transitioning of existing files and revisions to internal procedures but is expected to enable Texas RE to more efficiently manage documents and evidence, even as the volume of evidence maintained increases.

The extensive reporting requirements for NERC, FERC, and the Texas RE board continue to remain higher and more challenging than expected. Texas RE anticipates that this could reduce somewhat, but, as a fairly new enterprise that is trying to achieve consistency among eight regional entities and NERC, Texas RE anticipates that it will need to continue to expect extensive reporting obligations through 2010.

To improve the organization's ability to address the dissatisfaction with timely registration responses, the ongoing support of the registration and certification process, including JROs, appeals and coordination with NERC and the other regions, Texas RE is planning to add 1.0 staff (.85 FTEs Statutory, .15 FTEs Non-statutory) to Stakeholder Management in 2010.

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

Through a rigorous program of monitoring, audits, assessments, investigations, mitigation activities, and the imposition of penalties and sanctions for non-compliance with reliability standards, Texas RE strives to maintain a high level of reliable operation of the ERCOT region BPS. Ensuring the reliable operation of the BPS benefits all owners, operators, and users of the BPS in the ERCOT region.

In 2008, Texas RE divided its compliance staff into a Compliance Audit group and a Compliance Enforcement group in order to provide separation between the audit the other compliance and enforcement processes.

Texas RE uses a total of eight (8) monitoring and investigation processes to collect information to confirm compliance or a violation with NERC Reliability Standards:

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



## **Compliance Audit**

Texas RE audits the reliability standards on a recurring basis using an approved audit plan coordinated with NERC and the other regions. Texas RE also augments the audit schedule based on regional needs. The Compliance Audit schedule follows a three or six-year cycle, depending on the entity's registration, and an audit report is issued for each audit.

In any year that a registered entity does not receive a Compliance Audit, Texas RE requires the entity to complete a compliance Self-Certification using electronic forms developed in coordination with NERC and distributed by Texas RE. The entity must certify its compliance or non-compliance with each designated measure and submit the Self-Certification form to the Texas RE by the date specified in Texas RE's request. Texas RE may require registered entities to also self-certify their compliance with reliability standards at other times as well.

Texas RE's Compliance Audit group performs Spot Checks of registered entities to (1) confirm compliance certified on Self-Certifications, (2) follow up on Self Reports and Periodic Data Submittals, and (3) follow up on complaints, events, or other indications of non-compliance. Texas RE may perform Spot Checks by telephone, site visit, or a data or document request. Deficiencies found in Self-Certifications and Spot Checks are treated as if they were audit findings of violations.

Prior to 2009, most on-site audits took two days at the registered entity's site. In 2009 these audits have been extended to three days due to the increase in work brought about by the need to verify completion of past mitigation plans and to investigate potential issues of reliability concern, including recent violations or events. This growth in the audit duration directly impacts audit staffing and travel costs.

The current plan for Texas RE is to support the 2010 Critical Infrastructure Protection (CIP) audit with the Compliance Audit staff. CIP experts will be staffed in the CIP budget; however, Texas RE intends to augment the CIP audit team with experienced auditors from the Compliance audit team in 2010. Texas RE has only one registered entity that is required to be auditably compliant with CIP-002 – 009 prior to January 1, 2011, but Texas RE plans to perform 2010 validation and testing of CIP methodologies for CIP-002 via a minimum six (6) CIP Spot Checks of the 41 requirements contained in the reliability standards CIP 002-009. (The CIP FTEs are discussed in the Critical Infrastructure Information section.)

Texas RE plans to add 1.0 staff (.85 FTEs Statutory, .15 FTEs Non-statutory) auditor to the Compliance Auditing department to address the increase in audit work load from the organic growth in regular audits and to support CIP audits and spot checks in 2010. This is in addition to the additional CIP expert discussed in a later section.

## **Compliance Enforcement**

Texas RE has implemented a separate Compliance Enforcement group that processes alleged violations originating from audits, spot-checks, self-certifications, complaints, self reports, CIQs and CVIs. The Compliance Enforcement program activities include reviewing all potential alleged violations from any of the eight (8) defined processes, preparing and submitting notices of alleged violations, preparing Notices of Confirmed Violations, assisting NERC with Notices of Penalties, and managing settlement negotiations and hearings associated with contested

violations. This group also reviews all mitigation plans and must confirm completion of all mitigation plans not verified during audit, using Spot Checks, when necessary.

Once a potential alleged violation is identified from any compliance monitoring process, the Compliance Enforcement group may begin a Compliance Inquiry (CIQ), Compliance Violation Investigation (CVI), or perform a Spot Check to gather additional information to assist with the final determination of a potential violation. A CIQ is initiated as an informal, non-public review of facts, circumstances, and information that is conducted to determine if a more formal CMEP activity (such as a Spot Check or CVI) should be initiated. The CVI process is a detailed and lengthy process used for the more serious or complicated potential violations. The Spot Check is a very efficient process to gather information to reach a final determination of a potential violation.

Documentation requirements for all Compliance Enforcement program activities and processes increased during 2009 to support due process and to address all NERC and FERC-required improvements. Texas RE expects the Compliance Enforcement program activities to continue to increase in 2010 due to the level of complexity to reach violation determination and penalty calculation.

Texas RE also anticipates additional work to support enforcement appeals. Since no significant penalties have yet been approved, there have not been any significant appeals in the ERCOT region. Texas RE is staffing to ensure that it will be prepared for 1 large or 2 smaller enforcement appeals.

Texas RE added plans to add an additional 1.0 staff (.85 FTEs Statutory, .15 FTEs Non-statutory) in 2010 to accommodate the added work load in Compliance Enforcement.

## **2010 Key Assumptions**

### Organization Registration and Certification

- Additional JRO workload due to LSE and possible TOP registrations.
- Certification audit for a maximum of 4 TOPs (registered by JRO) might be performed.
- No additional NERC functions will be added or substantially modified by or during 2010.
- The Texas RE and NERC Portals will be fully functional and supporting electronic reporting of registration information to NERC by late 2010.
- Document management software will be installed in 2009 and fully operational in 2010.

### Compliance Audit

- Audits will require 3 full days for the team to conduct the audit, with additional time required for preparation of audit notification, review of submitted responses prior to the audit and completion of the audit reports, similarly to 2009.
- Spot checks of requirements will be incorporated in the audit team schedule based on system events, self-certification results and complaints. A maximum of 20 entities will have a spot check, (including the 6 Spot checks of CIP- 002 – 009 standards listed below) conducted in the second half of the year.

## Compliance Enforcement

- The number of alleged violations will remain fairly constant in 2010.
- Have 1 large or 2 small-to-medium contested enforcement cases.
- Conduct 2 Compliance Violation Investigations.
- Conduct 20 detailed analyses of incidents, system disturbances, and events.
- Analyze and investigate 10 Complaints.
- Continue to work with NERC and other regional entities to improve consistency in processing violations and applying penalties for Registered Entities with operations in multiple regions.

## **2010 Goals and Key Deliverables**

### Organization Registration and Certification

- Maintain an accurate registration list of all owners, operators, and users of the BPS by establishing a schedule to verify entity registration and contact information.
- Provide updated registered entity information to NERC and appropriate government authorities.
- Participate in development of registration criteria, procedures, policies and databases with NERC and FERC, and implement and communicate changes as necessary.
- Provide support for all registration appeals.
- Implement organization certification in accordance with NERC processes, some of which are still under development – conduct required certification audits, if necessary.
- Maintain processes and procedures for registration and certification activities that are required by the certification standards.
- Review and improve procedures to improve communications with registered entities
- Achieve significant improvement in responsiveness and add more focus on regional consistency.
- Respond to requests and special reports from NERC/FERC and the board.
- Continue to improve the Portal to facilitate automated communications with registered entities.
- Maintain the document management system to preserve work papers and evidence.

### Compliance Enforcement

- Review and process or dismiss all alleged violations in a more timely fashion.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate with and provide assistance to the Legal Department on settlements, appeals and contested cases.
- Conduct required Compliance Violation Investigations.
- Conduct compliance analysis of all significant events and other system disturbances.
- Analyze and investigate all Complaints.
- Achieve reasonable timelines in performing each of the compliance monitoring and enforcement processes.
- Achieve reasonable timelines in processing violations, penalties and settlement agreements (less than 100 days).

## Audits

- Conduct approximately 52 audits, 18 at the entity's site and the remaining 34 at TRE's offices, per the 2010 schedule, Texas RE procedures and the provisions of the NERC CMEP.
- Perform Spot Checks, including a sample of entities for spot checks of the CIP standards.
- Continue to work with other Regional Entities to improve auditing consistency and reduce the cost of audits for Registered Entities with operations in multiple regions.
- Complete a review of policies and procedures with the goal of improving the clarity of communications with Registered Entities, to determine how to mitigate the cost of compliance without impacting reliability, and meeting compliance with NERC ROP modifications and NERC guidance.
- Prepare an overall CMEP implementation plan for the 2011 program by November 1, 2010, including recommendations from the FERC and upcoming NERC audit of Texas RE.

## **Funding Requirements — Explanation of Increase (Decrease)**

The Compliance funding requirements reflects an increase of \$2,993K year-over-year due to 2009 being lower because Texas RE used unspent prior-year funds to reduce the 2009 assessment; and in 2010, indirect program expenses are fully allocated to the direct program areas. Additionally, there are personnel increases proposed for 2010 as detailed below.

### Organization Registration and Certification

Staffing levels are inadequate to provide reasonable response times on registration and certification issues including JRO activity. The department only has one professional staff (currently vacant) member to address all work in this area, which has proven to be inadequate. Adding one professional level staff member will help correct uneven response times in this area. More focus on regional consistency will be made possible by shifting registration duties away from the manager. Special requests for data and reports from NERC/FERC will be less disruptive to staff. Based on supporting Registration and Certification business plan, Texas RE will require an additional 1.0 staff (.85 FTEs Statutory, .15 Non-statutory) for 2010 to be hired at the beginning of the 2<sup>nd</sup> quarter.

### Compliance Enforcement

Current staff levels and workload don't allow for timely completion of the tasks associated with the required CMEP processes. Documentation requirements for each of these processes continue to increase. Adding two additional staff will allow the organization to reduce enforcement processing delays to more reasonable durations. Based on supporting the Compliance Enforcement business plan, Texas RE will require an additional 1.0 staff (.85 FTEs Statutory, and .15 Non-statutory) for 2010 to be hired in the middle of the first quarter.

## Audits

The audit team is requesting the addition of a ninth staff member in 2010 due to the required increases in audit time. Typical on-site audits are requiring a third day, and the overall time for an audit is increasing commensurately. The audit team will also be supporting spot checks of the CIP002-009 standards during the second half of 2010. These CIP spot checks are also anticipated to require significant additional effort. Based on supporting the Audit business plan, Texas RE will require an additional 1.0 staff (.85 FTEs Statutory, and .15 Non-statutory) for 2010 to be hired in the middle of the first quarter.

Additionally, in addition to the headcount additions, direct legal expenses are increasing \$257K. The Texas RE Compliance Portal hosting expenses are increasing \$160K. Both of these expenses were recognized under administrative services in prior years, but are more appropriate reflected in 2010 as direct costs.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,628,935	\$ 1,628,935	\$ -	\$ 4,562,932	\$ 2,933,998
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 1,628,935</b>	<b>\$ 1,628,935</b>	<b>\$ -</b>	<b>\$ 4,562,932</b>	<b>\$ 2,933,998</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,628,935</b>	<b>\$ 1,628,935</b>	<b>\$ -</b>	<b>\$ 4,562,932</b>	<b>\$ 2,933,998</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,164,106	\$ 1,221,917	\$ 57,811	\$ 1,772,383	\$ 608,277
Payroll Taxes	93,128	97,661	4,532	140,373	47,244
Benefits	134,510	100,088	(34,422)	193,012	58,502
Retirement Costs	163,258	161,664	(1,594)	251,501	88,243
<b>Total Personnel Expenses</b>	<b>\$ 1,555,003</b>	<b>\$ 1,581,331</b>	<b>\$ 26,327</b>	<b>\$ 2,357,269</b>	<b>\$ 802,266</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 634	\$ 634	\$ 4,000	\$ 4,000
Travel	73,199	85,850	12,651	147,091	73,892
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 73,199</b>	<b>\$ 86,484</b>	<b>\$ 13,285</b>	<b>\$ 151,091</b>	<b>\$ 77,892</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	600	2,630	2,030	8,760	8,160
Professional Services	-	22,108	22,108	416,660	416,660
Miscellaneous	-	171	171	15,561	15,561
Depreciation	-	-	-	138,000	138,000
<b>Total Operating Expenses</b>	<b>\$ 600</b>	<b>\$ 24,909</b>	<b>\$ 24,309</b>	<b>\$ 578,980</b>	<b>\$ 578,380</b>
<b>Total Direct Expenses</b>	<b>\$ 1,628,802</b>	<b>\$ 1,692,723</b>	<b>\$ 63,921</b>	<b>\$ 3,087,340</b>	<b>\$ 1,458,538</b>
<b>Indirect Expenses</b>	<b>\$ 2,404,881</b>	<b>\$ 1,722,640</b>	<b>\$ (682,241)</b>	<b>\$ 1,325,459</b>	<b>\$ (1,079,422)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 4,033,683</b>	<b>\$ 3,415,364</b>	<b>\$ (618,320)</b>	<b>\$ 4,412,799</b>	<b>\$ 379,115</b>
<b>Change in Assets</b>	<b>\$ (2,404,749)</b>	<b>\$ (1,786,429)</b>	<b>\$ 618,320</b>	<b>\$ 150,133</b>	<b>\$ 2,554,882</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ (138,000)	\$ (138,000)
Computer & Software CapEx	-	-	-	274,237	274,237
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (136,237)</b>	<b>\$ (136,237)</b>
Allocation of Fixed Assets	\$ (173,365)	\$ (173,365)	\$ -	\$ (13,897)	\$ -
<b>Change in Fixed Assets</b>	<b>\$ (173,365)</b>	<b>\$ (173,365)</b>	<b>\$ -</b>	<b>\$ (150,133)</b>	<b>\$ (136,237)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (2,578,113)</b>	<b>\$ (1,959,793)</b>	<b>\$ 618,320</b>	<b>\$ -</b>	<b>\$ 2,418,645</b>

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

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

### **Personnel Expenses**

- The Compliance, Organization Registration & Certification program is proposing to add 3.0 staff (2.55 FTEs Statutory, .45 FTEs Non-statutory) to this area to enhance functional performance \$300K. There is additional management, legal and project personnel that are directly working in these functions that are also reflected in the total FTEs for these programs.

### **Meeting Expenses**

- Meeting expenses are increasing year-over-year primarily related to travel expenses. The length of audits has been extended resulting in a 16% increase in travel \$15K. Additionally, there are a significant number of NERC workgroup meetings that are planned based on the 2009 workgroup schedule, expected increase \$59K. The additional working groups are expected to result in a more consistent compliance implementation across the regions.

### **Operating Expenses**

- Professional services expenses are increasing in 2010 due to the direct costing of external legal (for enforcement hearings and registration appeals - \$257K) and other professional service expenses attributed to hosting Texas RE's portal \$160K for the benefit of the programmatic workflow.
- Additionally, there is approximately \$138K in depreciation expense attributed to the Texas RE Portal for 2010, please see Fixed Asset Additions for more detail.

### **Indirect Expenses**

- Indirect expenses are decreasing \$1,079K year-over-year, through cost control as well as due to the identification of direct expenses that were previously budgeted in administrative services.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- The majority of this capital expense is attributed to Texas RE Portal projects and enhancements in 2010, \$274K. The projects such as, Portal Project - Regional Standards, System Management User Interfaces: Forms, Security, Notifications/Emails, Portal Switch Lookup, Master Account Summary Report (TRE Registration), CIP Forms 2010 (CIP annual update), Portal Communications GUI (allows non-developers to administer portal home page announcements), and an Audit Tracking Module (TRE Compliance Audits) will enhance Texas RE's ability to perform its delegated responsibilities by utilizing technology to enhance performance.

## Training, Education, and Operator Certification Program

<b>Training, Education, and Operator Certification Program Resources</b> (in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	0.60	0.97	0.37
Total Direct Expenses	\$176,415	\$327,669	\$151,254
Total Indirect Expenses	\$99,243	\$69,046	(\$30,197)
Total Expenses	\$275,658	\$396,715	\$121,057

The Texas RE Training, Education, and Operator Certification program provides the education and training necessary to understand and operate the BPS, in accordance with NERC ROP Section 900. In 2010, the Texas RE Training program will develop materials for and hold at least:

- Two full-day Standards and Compliance workshops;
- One additional workshop focusing on standards;
- Two additional workshops focusing on CIP compliance.

In addition to the above workshops, Texas RE also intends to continue to coordinate and facilitate six sessions of the four-day ERCOT Operations Training seminar. The purpose of this Seminar is to refresh the understanding of operational fundamentals; introduce changes occurring to operational interfaces, equipment, systems, and processes; address the impact of market processes to system performance and operation; and address emerging issues in performance and system reliability. Texas RE also facilitates the ERCOT Operator Certification Program, including maintaining and updating the ERCOT Fundamentals Training Manual and administering the System Operator testing process.

The Texas RE Training staff also publishes a bi-monthly newsletter, which includes useful compliance and standards-related information, updates about Texas RE and NERC activities, training, procedures, templates, and forms, and current reliability-related topics.

Texas RE staff participates on selected industry sponsored seminars and panels to provide as much information to the industry as possible as well as to receive feedback.

Texas RE's training program continues to improve and consistently receives favorable reviews from participants. With few exceptions the Texas RE workshops and seminars are fully subscribed and support remote attendance using call-in numbers and WebEx presentations.

### 2010 Key Assumptions:

- Texas RE will develop and deliver 2 Standards and Compliance workshops, 2 CIP Compliance workshop and six Operations Training seminars in 2010
- The Training, Education, and Operator Certification program will remain a Statutory function with the Operations Training seminar revenues partially offsetting the seminar's expenses



**2010 Goals and Key Deliverables:**

- Develop 2 high quality 2010 Standards and Compliance workshops (approximately 125 stakeholders each)
- Develop and deliver one or two quality CIP workshops
- Coordinate and host 6 sessions of the four-day ERCOT region Operator Training seminar
- Maintain a database tracking seminar and workshop participants and feedback and use this feedback to continue to improve on future seminars and workshops

**Funding Requirements — Explanation of Increase (Decrease)**

The Training, Education and Operator Certification funding requirements reflects an increase of \$111K year-over-year due to 2009 being lower because Texas RE used unspent prior-year funds to reduce the 2009 assessment; and in 2010, indirect program expenses are fully allocated to the direct program areas. Additionally, expenses associated with the Operations Training Seminar are increasing due to increases in the cost of the venue for the six week seminar facilitated by Texas RE. The increase in costs from 2009 to 2010 for the OTS is expected to be \$110K year-over-year. This additional expense is expected to be offset by registration fees collected from OTS attendees.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Training and Education</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 106,415	\$ 106,415	\$ -	\$ 217,439	\$ 111,024
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 106,415</b>	<b>\$ 106,415</b>	<b>\$ -</b>	<b>\$ 217,439</b>	<b>\$ 111,024</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	70,000	174,029	104,029	180,000	110,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 176,415</b>	<b>\$ 280,444</b>	<b>\$ 104,029</b>	<b>\$ 397,439</b>	<b>\$ 221,024</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 52,608	\$ 76,339	\$ 23,731	\$ 80,322	\$ 27,714
Payroll Taxes	4,209	5,594	1,385	6,361	2,153
Benefits	5,524	7,747	2,222	8,747	3,223
Retirement Costs	7,628	9,673	2,044	11,398	3,769
<b>Total Personnel Expenses</b>	<b>\$ 69,969</b>	<b>\$ 99,352</b>	<b>\$ 29,383</b>	<b>\$ 106,828</b>	<b>\$ 36,859</b>
<b>Meeting Expenses</b>					
Meetings	\$ 105,000	\$ 154,928	\$ 49,928	\$ 220,000	\$ 115,000
Travel	1,446	1,700	254	-	(1,446)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 106,446</b>	<b>\$ 156,628</b>	<b>\$ 50,182</b>	<b>\$ 220,000</b>	<b>\$ 113,554</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	270	270	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	646	646	842	842
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ 916</b>	<b>\$ 916</b>	<b>\$ 842</b>	<b>\$ 842</b>
<b>Total Direct Expenses</b>	<b>\$ 176,415</b>	<b>\$ 256,896</b>	<b>\$ 80,481</b>	<b>\$ 327,669</b>	<b>\$ 151,254</b>
<b>Indirect Expenses</b>	<b>\$ 99,243</b>	<b>\$ 96,404</b>	<b>\$ (2,839)</b>	<b>\$ 69,046</b>	<b>\$ (30,197)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 275,658</b>	<b>\$ 353,300</b>	<b>\$ 77,642</b>	<b>\$ 396,715</b>	<b>\$ 121,057</b>
<b>Change in Assets</b>	<b>\$ (99,243)</b>	<b>\$ (72,856)</b>	<b>\$ 26,387</b>	<b>\$ 724</b>	<b>\$ 99,967</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (7,154)	\$ (7,154)	\$ -	\$ (724)	\$ -
<b>Change in Fixed Assets</b>	<b>\$ (7,154)</b>	<b>\$ (7,154)</b>	<b>\$ -</b>	<b>\$ (724)</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (106,397)</b>	<b>\$ (80,010)</b>	<b>\$ 26,387</b>	<b>\$ -</b>	<b>\$ 99,967</b>

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

- Training, Education and Operator Certification is planned to be nearly 45% self-funded in 2010 through registration fees from attendees of the OTS. The remaining 55% of this program is funded through assessments.

### **Personnel Expenses**

- 2010 personnel expenses are increasing to accommodate additional FTEs of work in the Training area. The primary increase is resulting from increased management, support and other staff to conduct Texas RE's training workshops and the Operation Training Seminar.

### **Meeting Expenses**

- Meeting expenses are increasing primarily for the Operations Training Seminar. Due to a venue change to an offsite location, the costs of conducting the seminar are \$110K higher \$110K.
- Additionally, Texas RE is increasing its budget for workshops from \$35K to \$40K to allow for venue changes as needed for larger attendance.

### **Operating Expenses**

- The primary expense budgeted in this area related to training seminars, dues, and training in direct support for the training staff.

### **Indirect Expenses**

- Indirect expenses are reflecting a slight decline year-over-year due to reductions in the administrative costs.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- There are no new direct fixed asset additions for this program; however, there is a slight allocation of administrative services' fixed assets.

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program Resources</b> (in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	2.20	2.29	0.09
Total Direct Expenses	\$365,180	\$264,448	(\$100,732)
Total Indirect Expenses	\$372,419	\$162,405	(\$210,014)
Total Expenses	\$737,599	\$426,853	(\$310,746)

### Program Scope and Functional Description:

#### Reliability Assessment Reports

ERCOT ISO has traditionally assembled the data for an prepared all seasonal, annual long-term, and other required planning and reliability assessments for the ERCOT region, using ERCOT ISO planning staff and input from stakeholder technical experts. As the regional entity, Texas RE coordinates with ERCOT ISO regarding the timing of these assessments, and Texas RE reviews the assessments for completeness. Because Texas RE plans to continue to rely upon ERCOT ISO Planning staff for the research and preparation of these assessments, Texas RE's coordination and review of these assessments is a small portion of its 2010 budget.

#### Event Analysis

As Reliability Coordinator, ERCOT ISO monitors the system in real time and reports a variety of incidents and disturbances to Texas RE for its review and compliance analysis. These incidents and disturbances include Department of Energy and NERC reportable events, Emergency Electric Curtailment Plan (EECP) and Emergency Electric Alert (EEA) implementation, special protection system activation, equipment outages and failures, underfrequency and undervoltage relay operation, any failure to meet NERC requirements related to frequency control or transmission security.

Texas RE reviews all reported incidents and disturbances to determine if a compliance analysis is needed. If the initial review indicates that a standard might potentially have been violated, Texas RE performs a compliance analysis and obtains more information from the registered entity, as needed. If the compliance analysis indicates that further review, including a CIQ, Spot Check, or CVI is justified, further analysis is performed as described under the CMEP description. If the initial review indicates that any Protocol might have been violated, Texas RE performs a Non-statutory compliance analysis as part of its Non-statutory activities.

Texas RE staff also attend ERCOT reliability-based stakeholder committees, such as the Reliability & Operating Subcommittee (ROS), Performance Disturbance Compliance Working Group (PDCWG), Operations Working Group (OWG) and the Wind Operations Task Force (WOTF) to better understand the reliability issues and challenges for the ERCOT region and to provide comments from the Texas RE perspective when needed. Texas RE also regularly communicates with NERC staff regarding any reliability challenges of special interest in the ERCOT region (e.g. wind generation) to keep NERC apprised of risks, improvements, and on-going strategy.

On a monthly basis, Texas RE also calculates and reports on a variety of reliability performance metrics (e.g. Regional (ERCOT Protocol) measures and NERC Reliability Standards measures) to its Board of Directors. Texas RE also uses this information, when appropriate, to identify potential standards violations or declining reliability trends that need to be investigated

**2010 Key Assumptions:**

- ERCOT ISO will continue to research, assemble data for, and prepare the seasonal, long-term, and other requested assessments, and Texas RE will coordinate the timing of and review such assessments (and make comments, if required) before submitting the assessments to NERC
- Review approximately 80 incidents, complaints, and disturbances

**2010 Goals and Key Deliverables:**

- Texas RE will increase its participation in the Regional Planning Group activities
- Timely review and submit all required assessments to NERC
- Timely review all required incidents and disturbances
- Communicate and coordinate issues of reliability concern with NERC

**Funding Requirements — Explanation of Increase (Decrease)**

The Reliability Assessment and Performance Analysis program funding requirements reflects an increase of \$63K year-over-year for two (2) reasons:

1. 2009 was lowered because Texas RE used unspent prior-year funds to reduce the 2009 assessment; and
2. In 2010, indirect program expenses are fully allocated to the direct program areas.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 365,180	\$ 365,180	\$ -	\$ 428,556	\$ 63,376
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 365,180</b>	<b>\$ 365,180</b>	<b>\$ -</b>	<b>\$ 428,556</b>	<b>\$ 63,376</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 365,180</b>	<b>\$ 365,180</b>	<b>\$ -</b>	<b>\$ 428,556</b>	<b>\$ 63,376</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 270,100	\$ 157,007	\$ (113,093)	\$ 198,073	\$ (72,027)
Payroll Taxes	21,608	11,922	(9,686)	15,575	(6,033)
Benefits	31,191	13,181	(18,010)	21,415	(9,775)
Retirement Costs	39,165	21,247	(17,918)	27,905	(11,260)
<b>Total Personnel Expenses</b>	<b>\$ 362,063</b>	<b>\$ 203,356</b>	<b>\$ (158,707)</b>	<b>\$ 262,968</b>	<b>\$ (99,095)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,117	850	(2,267)	806	(2,311)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,117</b>	<b>\$ 850</b>	<b>\$ (2,267)</b>	<b>\$ 806</b>	<b>\$ (2,311)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	1	1	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	136	136	673	673
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ 137</b>	<b>\$ 137</b>	<b>\$ 673</b>	<b>\$ 673</b>
<b>Total Direct Expenses</b>	<b>\$ 365,180</b>	<b>\$ 204,343</b>	<b>\$ (160,837)</b>	<b>\$ 264,448</b>	<b>\$ (100,732)</b>
<b>Indirect Expenses</b>	<b>\$ 372,419</b>	<b>\$ 246,747</b>	<b>\$ (125,672)</b>	<b>\$ 162,405</b>	<b>\$ (210,014)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 737,599</b>	<b>\$ 451,091</b>	<b>\$ (286,508)</b>	<b>\$ 426,853</b>	<b>\$ (310,746)</b>
<b>Change in Assets</b>	<b>\$ (372,419)</b>	<b>\$ (85,911)</b>	<b>\$ 286,508</b>	<b>\$ 1,703</b>	<b>\$ 374,122</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (26,847)	\$ (26,847)	\$ -	\$ (1,703)	\$ -
<b>Change in Fixed Assets</b>	<b>\$ (26,847)</b>	<b>\$ (26,847)</b>	<b>\$ -</b>	<b>\$ (1,703)</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (399,266)</b>	<b>\$ (112,758)</b>	<b>\$ 286,508</b>	<b>\$ 0</b>	<b>\$ 374,122</b>

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

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

### **Personnel Expenses**

- FTEs are relatively flat year-over-year with a .09 FTE increase budgeted in 2010.
- The personnel expenses reflected in the 2009 budget reflected high level positions than what is currently planned for 2010. The result in this category of expense yields a reduction of \$99K year-over-year.

### **Meeting Expenses**

- Meeting expenses are decreasing \$2K due to all expected travel within this program to be within driving distance of Texas RE's offices.

### **Operating Expenses**

- Material changes to operating expenses are not planned for 2010.

### **Indirect Expenses**

- Indirect expenses are declining \$210K year-over-year, due to a reduction in administrative services costs.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- There are no new direct fixed asset additions for this program; however, there is a slight allocation of administrative services' fixed assets.

## Situational Awareness and Infrastructure Security Program

<b>Situational Analysis and Infrastructure Security Program Resources</b>			
<small>(in whole dollars)</small>			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	1.50	3.24	1.74
Total Direct Expenses	\$159,129	\$430,921	\$271,792
Total Indirect Expenses	\$250,393	\$229,778	(\$20,615)
Total Expenses	\$409,522	\$660,699	\$251,178

### Program Scope and Functional Description

This program supports two distinct functions. Situational awareness is focused on near real-time analysis of the BPS for ERCOT ISO. Infrastructure Security focuses on protecting tangible assets from a variety of threats. The majority of activity for this program in 2010 relates to Infrastructure Security, however, some resources are also planned for Situational Awareness.

#### Situational Awareness

Currently, Texas RE relies significantly on the ERCOT ISO to provide details on situational issues. Texas RE Staff have direct access to historical data via the data warehouse. There are two aspects of situational awareness which require Texas RE involvement in 2010:

1. Texas RE will continue to participate in the Situational Awareness for FERC, NERC, and regional entities (SAFNR) Project. SAFNR Project goal is to enable 100% of reliability coordinators in the United States to display interconnection system conditions to FERC, NERC, and the respective regional entities. This will be accomplished through internet-based systems that provide visual displays for FERC, NERC, and the Regional Entities (REs) while all the data resides at the reliability coordinators.

The SAFNR Project team is comprised of FERC Office of Electric Reliability staff, NERC Situational Awareness staff, designated RE staff, the Reliability Coordinators (RCs) located in the United States, and the regional entity managers.

2. Texas RE situational awareness and events analysis staff communicate with NERC, FERC and other regions on the observed event, disturbance, or BPS condition. NERC led conference calls are held at a minimum bi-weekly. In the case of more severe events (for example: major blackout or hurricane), daily as needed.

### 2010 Key Assumptions

#### Situational Awareness

Phase 1 of the SAFNR Project will be completed by the 2009 summer. Phase 1 includes the RCs making information available for FERC, NERC, and the Regional Entities by summer 2009 via data servers at the RC location.



## **2010 Goals and Key Deliverables**

### Situational Awareness

SAFNR's subsequent goal is to provide each NERC, FERC and each RE with a common view of the interconnections. In 2010 this includes:

- Modify existing displays or create new ones to make the visualization more consistent.
- Assess what aspects are working well, identify areas for improvement and review cost implications.
- Clarify what is driving the related business case and possibly build in performance metrics from previous phases to help quantify the value.

### **Funding Requirements — Explanation of Increase (Decrease)**

The Situational Awareness and Critical Infrastructure Protection funding requirements reflects an increase of \$504K year-over-year, in part due to 2009 being lower because Texas RE used unspent prior-year funds to reduce the 2009 assessment; and in 2010, indirect program expenses are fully allocated to the direct program areas. Additionally, expenses associated with the program are increasing as detailed in the variances section.

### Situational Awareness

Based on supporting the SAFNR Project and the regular communication of event details of event to NERC and FERC as outlined in this business plan, Texas RE will require an additional 1.0 staff (.74 FTEs Statutory, .26 FTEs Non-statutory) for 2010.

<b>Critical Infrastructure Protection Resources</b>			
<b>(Included in Total Situational Awareness and Infrastructure Security)</b>			
(in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs			
Total Direct Expenses			
Total Indirect Expenses			
Total Expenses			

*Exhibit not completed due to personnel salary confidentiality as would be compared to 2009.*

### **Program Scope and Functional Description**

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

All new registered entities must also become compliant with all CIP Standards requirements in accordance with the CIP implementation plan.

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

This program will support activities associated with cyber security, including monitoring and enforcement of compliance with the CIP (CIP-001 thru 009) Standards. The intent of the NERC CIP Standards is to ensure that all entities responsible for the reliability of the BPS identify and protect critical cyber assets that control or could impact the reliability of the BPS. The CIP Standards requirements are being communicated to all responsible entities to ensure compliance in accordance with the Cyber Security Standards Implementation Plan. This requires a significant amount of communication with the ERCOT ISO Security Department and entities responsible for complying with the CIP Standards. Compliance Audits, self-certifications, and spot checks will be required to verify compliance.

### **2010 Key Assumptions**

- Develop and Implement CIP audit program during 2010.
- Texas RE will only have one major CIP audit in 2010.
- Conduct all CIP Spot Checks at the Texas RE offices (no CIP audit travel will be required in 2010).

- Semi-annual CIP Self-Certifications will be required of registered entities in 2010.
- NERC will conduct CIP audits of nuclear facilities, as contemplated by NERC's draft Business Plan and Budget.
- 6 CIP spot checks will be done in 2010.

### **2010 Goals and Key Deliverables**

- Finalize Texas RE CIP audit procedures
- Complete the CIP audit of the ERCOT ISO
- Complete a minimum of 6 CIP spot checks
- Identify CIP Audit Team for 2011
  - Any additional skill sets that may be needed for 2011
- Semi-Annual CIP Self-Certifications for 2010
- Develop education plan and deliver 2 CIP workshops for registered entities (see Training section)
  - Last CIP Workshops before entities enter audibly compliant phase and CIP audits begin
- Enhance Texas RE website with CIP information and links.

### **Funding Requirements — Explanation of Increase (Decrease)**

#### Critical Infrastructure Protection

The addition of one IT Security subject matter expert (SME) will provide a skill set that Texas RE currently does not possess. Specific knowledge of how to assess the security of EMS and SCADA systems, networks, and electronic security perimeters (ESP) is needed. Incorporating this knowledge into the Texas RE CIP process will be a primary deliverable for the IT Security SME in 2010, as well as participating in the 2010 CIP audit of the ERCOT ISO. The IT Security SME will be participating (and eventually leading) CIP audits and spot-checks in 2011. In preparation for participating in CIP audits, the IT Security SME will have to attend NERC Auditor Training and NERC CIP Auditor Training. These two training sessions will be the only required travel for this position in 2010. Based on supporting CIP business plan, Texas RE will require 1.0 additional FTE for 2010 starting in the second quarter.

## Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situational awareness and infrastructure security section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Situational Awareness and Infrastructure Security</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 159,129	\$ 159,129	\$ -	\$ 663,108	\$ 503,979
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 159,129</b>	<b>\$ 159,129</b>	<b>\$ -</b>	<b>\$ 663,108</b>	<b>\$ 503,979</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 159,129</b>	<b>\$ 159,129</b>	<b>\$ -</b>	<b>\$ 663,108</b>	<b>\$ 503,979</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 118,842	\$ 127,966	\$ 9,124	\$ 320,497	\$ 201,655
Payroll Taxes	9,507	9,142	(365)	25,383	15,876
Benefits	12,479	5,533	(6,945)	34,902	22,424
Retirement Costs	17,232	16,713	(519)	45,479	28,246
<b>Total Personnel Expenses</b>	<b>\$ 158,060</b>	<b>\$ 159,354</b>	<b>\$ 1,294</b>	<b>\$ 426,261</b>	<b>\$ 268,201</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,069	3,597	2,528	4,260	3,191
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 1,069</b>	<b>\$ 3,597</b>	<b>\$ 2,528</b>	<b>\$ 4,260</b>	<b>\$ 3,191</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	397	397	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	400	400
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ 397</b>	<b>\$ 397</b>	<b>\$ 400</b>	<b>\$ 400</b>
<b>Total Direct Expenses</b>	<b>\$ 159,129</b>	<b>\$ 163,348</b>	<b>\$ 4,219</b>	<b>\$ 430,921</b>	<b>\$ 271,792</b>
<b>Indirect Expenses</b>	<b>\$ 250,393</b>	<b>\$ 164,116</b>	<b>\$ (86,277)</b>	<b>\$ 229,778</b>	<b>\$ (20,615)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 409,522</b>	<b>\$ 327,464</b>	<b>\$ (82,058)</b>	<b>\$ 660,699</b>	<b>\$ 251,178</b>
<b>Change in Assets</b>	<b>\$ (250,393)</b>	<b>\$ (168,335)</b>	<b>\$ 82,058</b>	<b>\$ 2,409</b>	<b>\$ 252,802</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (18,050)	\$ (18,050)	\$ -	\$ (2,409)	\$ -
<b>Change in Fixed Assets</b>	<b>\$ (18,050)</b>	<b>\$ (18,050)</b>	<b>\$ -</b>	<b>\$ (2,409)</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (268,443)</b>	<b>\$ (186,385)</b>	<b>\$ 82,058</b>	<b>\$ (0)</b>	<b>\$ 252,802</b>

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

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

### **Personnel Expenses**

- Texas RE is adding approximately 2.0 staff (1.74 FTEs Statutory, .26 Non-statutory) to this program resulting in increased personnel expenses of \$268K year-over-year.

### **Meeting Expenses**

- Meeting expenses are primarily driven by travel costs associated with CIP. The costs are increasing \$3K year-over-year for CIP related training and NERC workgroup meetings.

### **Operating Expenses**

- Operating expenses are flat year-over-year.

### **Indirect Expenses**

- Indirect expenses are declining \$21K year-over-year, due to a reduction in administrative services costs.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- There are no new direct fixed asset additions for this program; however, there is a slight allocation of administrative services' fixed assets.

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	6.80	3.76	(3.04)
Total Direct Expenses	\$2,559,847	\$1,932,701	(\$627,146)

### Program Scope and Functional Description

#### General and Administrative

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

- Overseeing and managing the activities of Texas RE.
- Making final decisions with respect to enforcement related to compliance actions for violations of reliability standards.
- Making employment-related decisions for all employees of Texas RE.
- Making an annual report and periodic reports to Texas RE's Board concerning the activities and expenditures of Texas RE.
- Ensuring that Texas RE files all required reports with NERC.
- Monitoring the expenditures of the monies received by Texas RE to ensure that such are deployed in accordance with the approved Texas RE Budget (in cooperation with the Finance Staff).
- Retaining or terminating outside counsel or other advisors as deemed appropriate.
- Performing such other duties as may be determined from time to time by Texas RE's Board, for the benefit of the Texas RE.

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

#### 2010 Key Assumptions

- Texas RE staff will increase to 37 staff (31.01 FTEs Statutory, 5.99 FTEs Non-statutory).
- Texas RE will continue to operate as an independent division of ERCOT.
- Where possible, all appropriate direct program expenses will be a direct cost to their respective program and function. Only corporate services expenses and personnel will remain in administrative services.
- Texas RE will establish a cash reserve of 75 days cash on hand (totaling \$1,346K, with \$855K on hand from 2009, for a difference of \$491K), or a 20% reserve for contingency planning purposes. This will not result in an increased assessment for 2010. Texas RE projects a balance of \$594K in its regulatory liability (unspent prior year funds) that it will release in 2010. Additionally, Texas RE will reduce assessments by the difference (\$103K).

**2010 Goals and Key Deliverables**

1. Communicate and maintain effective relationships with the board, industry, regulators, and other stakeholders.
2. Conduct base operations with the approved budget.
3. Effectively manage the NERC Compliance Monitoring and Enforcement Program.
4. Manage Texas RE's Standards Development Process.
5. Establish Key Performance Indicators and Benchmarks for Texas RE operations.

**Funding Requirements — Explanation of Increase (Decrease)**

- In the 2010 budget, the funding requirement is decreasing (\$361K) due to no ERO assessment in 2010 (\$258K), as well as a release from unspent prior year funds of \$103K. Indirect programs allocate their costs to the direct programs and do not have an ERO assessment for funding purposes.

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>General and Administrative</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 257,531	\$ 257,531	\$ -	\$ (104,711)	\$ (362,242)
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 257,531</b>	<b>\$ 257,531</b>	<b>\$ -</b>	<b>\$ (104,711)</b>	<b>\$ (362,242)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	4,125	4,125	2,000	2,000
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 257,531</b>	<b>\$ 261,656</b>	<b>\$ 4,125</b>	<b>\$ (102,711)</b>	<b>\$ (360,242)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 764,074	\$ 737,552	\$ (26,522)	\$ 522,724	\$ (241,350)
Payroll Taxes	61,126	55,304	(5,822)	41,241	(19,885)
Benefits	61,605	57,630	(3,974)	52,834	(8,770)
Retirement Costs	110,791	98,479	(12,311)	77,763	(33,028)
<b>Total Personnel Expenses</b>	<b>\$ 997,596</b>	<b>\$ 948,966</b>	<b>\$ (48,629)</b>	<b>\$ 694,563</b>	<b>\$ (303,033)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 870	\$ 870	\$ 3,600	\$ 3,600
Travel	12,820	13,404	584	17,158	4,338
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 12,820</b>	<b>\$ 14,274</b>	<b>\$ 1,454</b>	<b>\$ 20,758</b>	<b>\$ 7,938</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 487,054	\$ 539,074	\$ 52,020	\$ 630,334	\$ 143,280
Office Rent	517,550	287,392	(230,158)	327,600	(189,950)
Office Costs	13,320	15,506	2,186	24,240	10,920
Professional Services	30,000	82,462	52,462	60,000	30,000
Miscellaneous	10,515	8,410	(2,105)	1,350	(9,165)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,058,439</b>	<b>\$ 932,844</b>	<b>\$ (125,595)</b>	<b>\$ 1,043,524</b>	<b>\$ (14,915)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,068,855</b>	<b>\$ 1,896,084</b>	<b>\$ (172,770)</b>	<b>\$ 1,758,845</b>	<b>\$ (310,010)</b>
<b>Indirect Expenses</b>	<b>\$ (2,923,855)</b>	<b>\$ (1,896,084)</b>	<b>\$ 1,027,770</b>	<b>\$ (1,758,845)</b>	<b>\$ 1,165,010</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 855,000</b>	<b>\$ -</b>	<b>\$ (855,000)</b>	<b>\$ -</b>	<b>\$ (855,000)</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Change in Assets</b>	<b>\$ 257,531</b>	<b>\$ 261,656</b>	<b>\$ 4,125</b>	<b>\$ (102,711)</b>	<b>\$ (360,242)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 257,531</b>	<b>\$ 261,656</b>	<b>\$ 4,125</b>	<b>\$ (102,711)</b>	<b>\$ (360,242)</b>

NOTE: The salaries of the indirect employees in G&A, Legal, Information Technology, and Finance have been consolidated for personnel confidentiality and budgeted under G&A.



## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

- In 2010, Texas RE's General and Administrative function expenses are allocated entirely to the direct programs and as such do not have an ERO assessment. However, there is a net return of unspent prior year funds reflected in the 2010 budget.

### **Personnel Expenses**

- The primary reason for the decrease of \$303K is resulting from increased management, legal and other direct work in reliability standards, Compliance, Reliability Assessment, Training, Situational Awareness, and Critical Infrastructure Protection areas. Texas RE uses time tracking to better enable the recording of direct labor expenses to the program level. Those tasks that are considered administrative services are allocated as an indirect expense to the program areas.

### **Meeting Expenses**

- Meeting expenses are increasing primarily related to additional travel demands of the CEO and his staff. There are additional NERC, FERC and Regional meetings that are being required and an increase was necessary to facilitate this. The result is an increase of \$8K year-over-year.

### **Operating Expenses**

- Consulting and contract expenses are increasing in direct response to employee increases as well as trended actual expenses. This expense increase is related to the MOU between Texas RE and ERCOT. The resulting increase is expected to be \$143K. Office costs are increasing \$10K primarily related to trends in consumption as well as expected increases. There is an additional \$30K being provisioned for professional outside services as may be required by program use. Offsetting the increases are a reduction in training expenses (\$10K), these expenses are now budgeted in their respective programs, as well as a reduction in the rent expense in 2010 (\$190K). The reduction is rent reflected a lower rentable square foot rate obtained by Texas RE for its office space as well as a reduction in the facilities services expenses paid through the MOU.

### **Indirect Expenses**

- Indirect expense is decreasing significantly \$1,165K, year-over-year primarily attributed to identifying the direct cost components that were budgeted in G&A in the 2009 budget. These costs are more appropriately reflected as direct program costs in the functional areas due to the nature of the work being performed.

### **Other Non-Operating Expenses**

- Non-Operating expenses are decreasing from 2009 to 2010. Due to the change from cash-based to GAAP based budgeting; the cash reserve is no longer funded as a non-operating expense, this resulted in a decrease year-over-year of \$855K.

### **Fixed Asset Additions**

- N/A

## Legal and Regulatory

### Program Scope and Functional Description

Texas RE Legal and Regulatory provides legal advice and counsel to Texas RE management, board, and staff on all legal and regulatory matters affecting Texas RE, including corporate governance, transactions, personnel, governmental relations, communications, NERC registration, standards development, compliance, enforcement, and other regulatory matters. Legal staff also retains and oversees the work of outside legal counsel as needed. Legal and Regulatory employees anticipate that the primary regulatory emphasis during 2010 will include NERC registration appeals, investigation oversight, settlement coordination, and enforcement proceedings under the CMEP. Legal and Regulatory employees will also continue to review and provide feedback to NERC regarding new and modified standards, procedures, and templates used in the CMEP process. Texas RE attorneys, or outside counsel overseen by Texas RE attorneys, will represent the Texas RE in its quasi-prosecutorial role in CMEP enforcement hearings, and in NERC, FERC, and PUCT rulemakings and other proceedings.

### 2010 Key Assumptions

Texas RE Legal and Regulatory has the following key assumptions:

- A. Texas RE will remain functionally separate from ERCOT ISO and will not undergo any significant board or governance changes (caused by board or membership decisions, the NERC three-year Assessment, the FERC audit of Texas RE, or otherwise).
- B. The Delegation Agreement requirements and NERC expectations will remain constant.
- C. The majority of possible violations will be handled through the settlement process.
- D. The number of contested registration and enforcement cases will remain low – one large or two small-to-mid-sized disputes per year.

### 2010 Goals and Key Deliverables

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

### Funding Requirements — Explanation of Increase (Decrease)

- In the 2010 budget, the funding requirement is decreasing (\$314K) due to no ERO assessment in 2010. Indirect programs allocate their costs to the direct programs and do not have an ERO assessment for funding purposes.

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Legal and Regulatory</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 314,394	\$ 314,394	\$ -	\$ -	\$ (314,394)
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 314,394</b>	<b>\$ 314,394</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (314,394)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 314,394</b>	<b>\$ 314,394</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (314,394)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,994	6,821	(2,173)	4,478	(4,516)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 8,994</b>	<b>\$ 6,821</b>	<b>\$ (2,173)</b>	<b>\$ 4,478</b>	<b>\$ (4,516)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,400	6,597	4,197	5,400	3,000
Professional Services	300,000	253,538	(46,462)	48,000	(252,000)
Miscellaneous	-	2,195	2,195	6,200	6,200
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 302,400</b>	<b>\$ 262,330</b>	<b>\$ (40,070)</b>	<b>\$ 59,600</b>	<b>\$ (242,800)</b>
<b>Total Direct Expenses</b>	<b>\$ 311,394</b>	<b>\$ 269,151</b>	<b>\$ (42,243)</b>	<b>\$ 64,078</b>	<b>\$ (247,316)</b>
<b>Indirect Expenses</b>	<b>\$ (314,394)</b>	<b>\$ (269,151)</b>	<b>\$ 45,243</b>	<b>\$ (64,078)</b>	<b>\$ 250,316</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ (3,000)</b>	<b>\$ -</b>	<b>\$ 3,000</b>	<b>\$ -</b>	<b>\$ 3,000</b>
<b>Change in Assets</b>	<b>\$ 317,394</b>	<b>\$ 314,394</b>	<b>\$ (3,000)</b>	<b>\$ -</b>	<b>\$ (317,394)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 317,394</b>	<b>\$ 314,394</b>	<b>\$ (3,000)</b>	<b>\$ -</b>	<b>\$ (317,394)</b>

NOTE: The salaries of the indirect employees in G&A, Legal, Information Technology, and Finance have been consolidated for personnel confidentiality and budgeted under G&A.

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

- In 2010, Texas RE's Legal and Regulatory function expenses are allocated entirely to the direct programs and as such do not have an ERO assessment.

### **Personnel Expenses**

- Reflected under G&A for personnel confidentiality purposes. The FTE's are segregated on Table 2 within Section B.

### **Meeting Expenses**

- Travel costs are decreasing approximately \$5K. This is primarily related to training expenses budgeted under travel. For 2010, all training, seminars, continuing education and professional dues are being budgeted under miscellaneous.

### **Operating Expenses**

- Professional services (external legal) expenses are now budgeted where they are likely to be incurred \$252K, which is in support of the direct program functions. However, the expenses remaining within this indirect program are of a more administrative services nature and are allocated as an indirect expense.

### **Indirect Expenses**

- Indirect expense is decreasing significantly \$250K, year-over-year primarily attributed to identifying the direct cost components that were budget in legal and regulatory in the 2009 budget. These costs are more appropriately reflected as direct program costs in the functional areas due to the nature of the work being performed.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- N/A

## **Information Technology**

### **Program Scope and Functional Description**

IT staff will provide a broad range of information technology support to Texas RE, including the following: strategy; research; vendor management; planning, development, and deployment of enterprise systems and computer applications/systems in support of business needs; and support, training, and maintenance for these systems and applications.

IT staff will work with Texas RE management to develop a technological strategy to reach Texas RE's long-term goals and meet immediate system and hardware needs. In addition, IT Staff will research and implement technologies for the purpose of increasing Texas RE efficiency and/or reducing workload.

In addition to its internal development efforts, IT staff will use a mix of services from external vendors and ERCOT ISO's IT department. To ensure that applications and hardware are well maintained, service levels remain high, and costs are controlled, IT staff will provide vendor management and coordinate with ERCOT ISO IT staff on day-to-day support, administration, and future requirements. For project and outsourcing agreements, IT staff will also work closely with Finance, Legal, and ERCOT Procurement to provide specialized knowledge and the contractual details for the technical service to be provided.

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

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

IT staff will also manage the design, implement, support, and maintain Texas RE data and records-management tools to support the Standards, Registration, and CMEP programs, as well as improving registered entities' ability to participate in the processes. Specifically, such tools include the Texas Regional Entity Portal and associated tools for management and tracking, the Reliability Standards tracking tool, and the electronic document management system. IT staff will also assist with the transition of Texas RE Staff's ability to receive or view necessary data in ERCOT ISO nodal systems. IT staff will also participate in the design and development of database models, web-enabled applications, data extraction and delivery methods, and data presentation.

### **2010 Key Assumptions**

The 2010 budget assumes that Texas RE remains a division of ERCOT ISO, with the ability to purchase some key IT services (such as computers and support, email and support, phone service and support, enterprise servers, and WebEx) from ERCOT ISO.

The 2010 budget assumes that Texas RE continues to work as a member of the Consortium User Group to collaborate on and share the costs of development for the portal software with other regional entities.

## **2010 Goals and Key Deliverables**

IT objectives for 2010 include the following:

1. Develop long-term strategy in response to business needs.
2. Research and develop and/or purchase software and hardware to respond to immediate business needs.
3. Manage vendors to ensure quality of services and applications, responsiveness to Texas RE needs, and cost controls.
4. Liaise with ERCOT ISO IT staff regarding IT systems and tools.
5. Work effectively with other regional entities and NERC to ensure that Texas RE remains consistent.
6. Assist in ensuring information systems are functional and secure, and that applications running on those systems meet business requirements for performance, availability, and security.

## **Funding Requirements — Explanation of Increase (Decrease)**

- In the 2010 budget, the funding requirement is decreasing (\$384K) due to no ERO assessment in 2010. Indirect programs allocate their costs to the direct programs and do not have an ERO assessment for funding purposes.

## Information Technology

Funding sources and related expenses for the information technology section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Information Technology</b>					
	<b>2009 Budget</b>	<b>2009 Projection</b>	<b>Variance 2009 Projection v 2009 Budget Over(Under)</b>	<b>2010 Budget</b>	<b>Variance 2010 Budget v 2009 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 383,500	\$ 383,500	\$ -	\$ -	\$ (383,500)
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 383,500</b>	<b>\$ 383,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (383,500)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 383,500</b>	<b>\$ 383,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (383,500)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 659	\$ 659	\$ -	\$ -
Travel	-	-	-	4,057	4,057
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ 659</b>	<b>\$ 659</b>	<b>\$ 4,057</b>	<b>\$ 4,057</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 3,932	\$ -	\$ (3,932)	\$ -	\$ (3,932)
Office Rent	-	-	-	-	-
Office Costs	-	543	543	960	960
Professional Services	60,000	152,112	92,112	33,860	(26,140)
Miscellaneous	-	-	-	6,500	6,500
Depreciation	76,540	76,540	-	12,000	(64,540)
<b>Total Operating Expenses</b>	<b>\$ 140,472</b>	<b>\$ 229,195</b>	<b>\$ 88,723</b>	<b>\$ 53,320</b>	<b>\$ (87,152)</b>
<b>Total Direct Expenses</b>	<b>\$ 140,472</b>	<b>\$ 229,854</b>	<b>\$ 89,382</b>	<b>\$ 57,377</b>	<b>\$ (83,095)</b>
<b>Indirect Expenses</b>	<b>\$ (137,338)</b>	<b>\$ (229,854)</b>	<b>\$ (92,516)</b>	<b>\$ (57,377)</b>	<b>\$ 79,961</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 3,134</b>	<b>\$ -</b>	<b>\$ (3,134)</b>	<b>\$ -</b>	<b>\$ (3,134)</b>
<b>Change in Assets</b>	<b>\$ 380,366</b>	<b>\$ 383,500</b>	<b>\$ 3,134</b>	<b>\$ -</b>	<b>\$ (380,366)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (76,540)	\$ (76,540)	\$ -	\$ (12,000)	\$ 64,540
Computer & Software CapEx	322,702	354,202	31,500	32,263	(290,439)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (246,162)</b>	<b>\$ (277,662)</b>	<b>\$ (31,500)</b>	<b>\$ (20,263)</b>	<b>\$ 225,899</b>
Allocation of Fixed Assets	\$ 246,162	\$ 246,162	\$ -	\$ 20,263	\$ (225,899)
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ (31,500)</b>	<b>\$ (31,500)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 380,366</b>	<b>\$ 352,000</b>	<b>\$ (28,366)</b>	<b>\$ -</b>	<b>\$ (380,366)</b>

NOTE: The salaries of the indirect employees in G&A, Legal, Information Technology, and Finance have been consolidated for personnel confidentiality and budgeted under G&A.

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

- In 2010, Texas RE's IT function expenses are allocated entirely to the direct programs and as such do not have an ERO assessment.

### **Personnel Expenses**

- Reflected under G&A for personnel confidentiality purposes. The FTE's are segregated on Table 2 within Section B.

### **Meeting Expenses**

- Travel costs are increasing approximately \$4K. This is primarily related to the need to meet with the consortium user group and other NERC workgroups.

### **Operating Expenses**

- Professional services (hosting and professional services) expenses are now budgeted where they are likely to be incurred, which is in support of the functions and direct programs \$26K less, year-over-year. However, the expenses remaining within this indirect program are of a more administrative services nature and are allocated as an indirect expense.

### **Indirect Expenses**

- Indirect expense is decreasing \$80K, year-over-year primarily attributed to identifying the direct cost components that were budgeted in legal and regulatory in the 2009 budget. These costs are more appropriately reflected as direct program costs in the functional areas due to the nature of the work being performed.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- Fixed assets are now budgeted where they are likely to be incurred, which is in support of the functions and direct programs. The result is a net reduction in indirect allocations of \$290K. However, the expenses remaining within this indirect program are of a more administrative services nature and are allocated as an indirect expense.
- The allocation of fixed assets is also decreasing for the reason specified above. The amount of the decrease is expected to be, \$226K year-over-year.



## Finance and Accounting

### Program Scope and Functional Description

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

Texas RE's monthly general ledger close activities will be managed by Texas RE financial personnel. The Finance staff is required to ensure Texas RE appropriately accounts for all Statutory and Non-statutory expenses and revenue appropriately. This will involve generating monthly financial reports that will be communicated to the CEO, the department managers and the board.

The Finance staff is required to generate quarterly and annual financial reports to be filed with NERC as well as other ad hoc reporting that may be required.

### 2010 Key Assumptions

- Texas RE will remain functionally separate from ERCOT ISO and will not undergo any significant governance or Delegation Agreement changes.
- The Delegation Agreement requirements will remain consistent with the current requirements.

### 2010 Goals and Key Deliverables

1. Ensure that the accounting and finance functions are appropriately managed at Texas RE.
2. Keep the CEO informed of budget, expenditures, and total operational financial performance.
3. Continue to facilitate the Financial Reporting for the Board.
4. Ensure that Texas RE receives an unqualified opinion on the audit of the financial statements.
5. Continue to support NERC finance staff in coordination of quarterly and annual reporting requirements.
6. Review workflow and adjust as required to better enable Texas RE staff operational success.

### Funding Requirements — Explanation of Increase (Decrease)

- In the 2010 budget, the funding requirement is decreasing (\$39K) due to no ERO assessment in 2010. Indirect programs allocate their costs to the direct programs and do not have an ERO assessment for funding purposes.

## Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>Finance and Accounting</b>					
	<b>2009 Budget</b>	<b>2009 Projection</b>	<b>Variance 2009 Projection v 2009 Budget Over(Under)</b>	<b>2010 Budget</b>	<b>Variance 2010 Budget v 2009 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 39,126	\$ 39,126	\$ -	\$ -	\$ (39,126)
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 39,126</b>	<b>\$ 39,126</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (39,126)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 39,126</b>	<b>\$ 39,126</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (39,126)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,481	1,916	(565)	2,145	(336)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 2,481</b>	<b>\$ 1,916</b>	<b>\$ (565)</b>	<b>\$ 2,145</b>	<b>\$ (336)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	180	180	880	880
Professional Services	36,000	41,976	5,976	45,281	9,281
Miscellaneous	645	1,915	1,270	4,095	3,450
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 36,645</b>	<b>\$ 44,071</b>	<b>\$ 7,426</b>	<b>\$ 50,256</b>	<b>\$ 13,611</b>
<b>Total Direct Expenses</b>	<b>\$ 39,126</b>	<b>\$ 45,987</b>	<b>\$ 6,861</b>	<b>\$ 52,401</b>	<b>\$ 13,275</b>
<b>Indirect Expenses</b>	<b>\$ (39,126)</b>	<b>\$ (45,987)</b>	<b>\$ (6,861)</b>	<b>\$ (52,401)</b>	<b>\$ (13,275)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ 39,126</b>	<b>\$ 39,126</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (39,126)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 39,126</b>	<b>\$ 39,126</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (39,126)</b>

NOTE: The salaries of the indirect employees in G&A, Legal, Information Technology, and Finance have been consolidated for personnel confidentiality and budgeted under G&A.

## **Explanations of Variances – 2010 Budget versus 2009 Budget**

### **Funding Sources**

- In 2010, Texas RE's Finance and Accounting function expenses are allocated entirely to the direct programs and as such do not have an ERO assessment.

### **Personnel Expenses**

- Reflected under G&A for personnel confidentiality purposes. The FTE's are segregated on Table 2 within Section B.

### **Meeting Expenses**

- Travel costs are decreasing approximately \$.4K year-over-year. The REBG has agreed to have at least one meeting via conference call or web-ex.

### **Operating Expenses**

- Operating expenses are increasing by \$.9K for check stock used for Texas RE's operating account.
- The expected audit fees for Texas RE are increasing almost \$9K related to actual trended results of the 2008 financial statement audit.
- Texas RE expects bank fees in 2010 to be approximately \$3K higher year-over-year. Additionally, there are professional dues included under miscellaneous expense, \$.5K.

### **Indirect Expenses**

- Increasing \$13K year-over-year due to increases in operating expenses.

### **Other Non-Operating Expenses**

- N/A

### **Fixed Asset Additions**

- N/A

## Section B — 2010 Budget

## 2009 Budget and Projection and 2010 Budget Comparisons

Table 1

<b>Statement of Activities</b>					
<b>2009 Budget &amp; Projection, and 2010 Budget</b>					
<b>STATUTORY</b>					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 3,430,700	\$ 3,430,700	\$ -	\$ 6,179,602	\$ 2,748,902
Penalty Sanctions <sup>(1)</sup>	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 3,430,700</b>	<b>\$ 3,430,700</b>	<b>\$ -</b>	<b>\$ 6,179,602</b>	<b>\$ 2,748,902</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	70,000	174,029	104,029	180,000	110,000
Interest	-	4,125	4,125	2,000	2,000
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 3,500,700</b>	<b>\$ 3,608,854</b>	<b>\$ 108,154</b>	<b>\$ 6,361,602</b>	<b>\$ 2,860,902</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,496,968	\$ 2,479,855	\$ (17,114)	\$ 3,071,829	\$ 574,860
Payroll Taxes	199,757	191,572	(8,186)	243,276	43,519
Benefits	259,628	194,305	(65,323)	330,632	71,004
Retirement Costs	356,523	329,576	(26,947)	439,742	83,219
<b>Total Personnel Expenses</b>	<b>\$ 3,312,878</b>	<b>\$ 3,195,308</b>	<b>\$ (117,570)</b>	<b>\$ 4,085,480</b>	<b>\$ 772,602</b>
<b>Meeting Expenses</b>					
Meetings	\$ 105,000	\$ 157,394	\$ 52,394	\$ 228,000	\$ 123,000
Travel	107,470	117,528	10,057	186,819	79,348
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 212,470</b>	<b>\$ 274,922</b>	<b>\$ 62,452</b>	<b>\$ 414,819</b>	<b>\$ 202,348</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 490,986	\$ 539,074	\$ 48,088	\$ 630,334	\$ 139,348
Office Rent	517,550	287,392	(230,158)	327,600	(189,950)
Office Costs	18,280	26,581	8,301	40,720	22,440
Professional Services	426,000	563,134	137,134	622,625	196,625
Miscellaneous	11,160	13,943	2,783	36,236	25,076
Depreciation	76,540	76,540	-	150,000	73,460
<b>Total Operating Expenses</b>	<b>\$ 1,540,516</b>	<b>\$ 1,506,664</b>	<b>\$ (33,852)</b>	<b>\$ 1,807,515</b>	<b>\$ 266,999</b>
<b>Total Direct Expenses</b>	<b>\$ 5,065,864</b>	<b>\$ 4,976,893</b>	<b>\$ (88,970)</b>	<b>\$ 6,307,813</b>	<b>\$ 1,241,949</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 855,000</b>	<b>\$ -</b>	<b>\$ (855,000)</b>	<b>\$ -</b>	<b>\$ (855,000)</b>
<b>Total Expenses</b>	<b>\$ 5,920,864</b>	<b>\$ 4,976,893</b>	<b>\$ (943,970)</b>	<b>\$ 6,307,813</b>	<b>\$ 386,949</b>
<b>Change in Assets</b>	<b>\$ (2,420,163)</b>	<b>\$ (1,368,039)</b>	<b>\$ 1,052,124</b>	<b>\$ 53,789</b>	<b>\$ 2,473,952</b>
<b>Fixed Assets</b>					
Depreciation	\$ (76,540)	\$ (76,540)	\$ -	\$ (150,000)	\$ (73,460)
Computer & Software CapEx	322,702	354,202	31,500	306,500	(16,202)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ (246,162)</b>	<b>\$ (277,662)</b>	<b>\$ (31,500)</b>	<b>\$ (156,500)</b>	<b>\$ 89,662</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>\$ (246,162)</b>	<b>\$ (277,662)</b>	<b>\$ (31,500)</b>	<b>\$ (156,500)</b>	<b>\$ 89,662</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (2,666,325)</b>	<b>\$ (1,645,701)</b>	<b>\$ 1,020,624</b>	<b>\$ (102,711)</b>	<b>\$ 2,563,614</b>

(1) Reflects penalty sanctions collected prior to June 30, 2009.

## Personnel Analysis

FTEs are defined as full-time equivalent units. Fractional FTEs reflect time tracking and expected results of time-tracking.

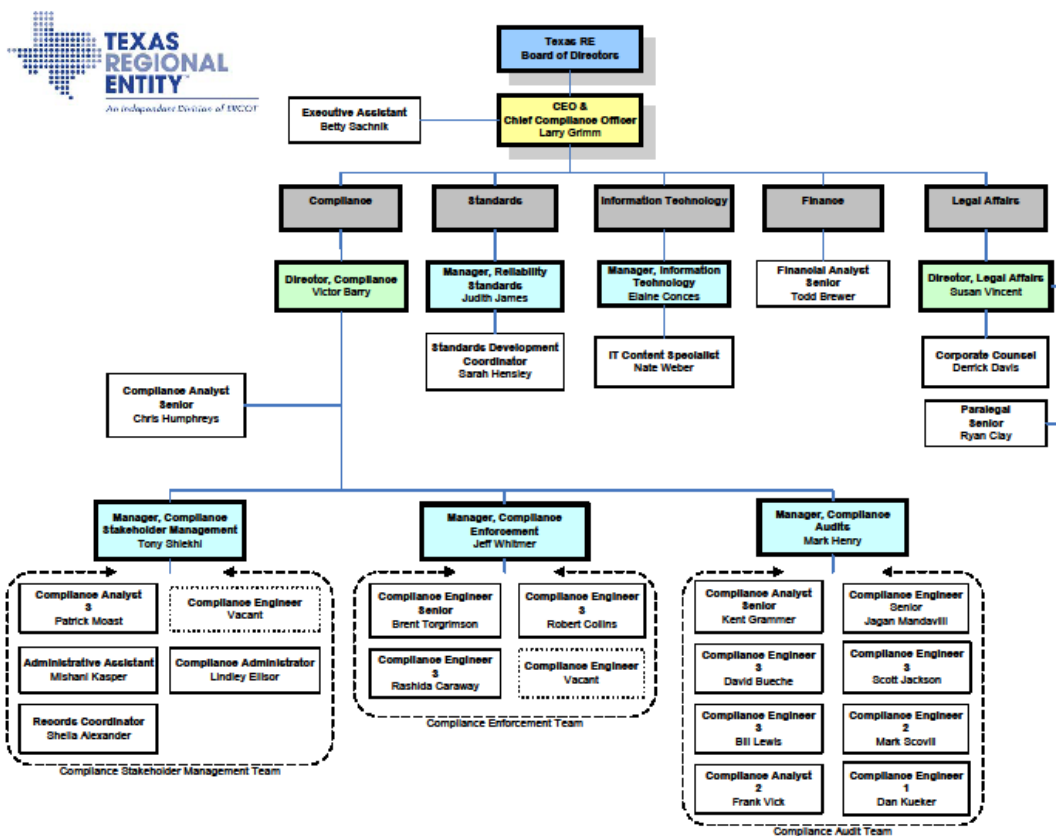
**Table 2**

Total FTE's by Program Area	Budget 2009	Projection 2009	Budget 2010	Change from 2009 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	1.70	1.84	2.06	0.36
Compliance and Organization Registration and Certification	14.15	15.01	18.69	4.54
Training and Education	0.60	0.84	0.97	0.37
Reliability Assessment and Performance Analysis	2.20	2.15	2.29	0.09
Situational Awareness and Infrastructure Security	1.50	1.43	3.24	1.74
<b>Total FTEs Operational Programs</b>	<b>20.15</b>	<b>21.27</b>	<b>27.25</b>	<b>7.10</b>
<b>Administrative Programs *</b>				
General & Administrative	1.70	1.85	1.05	-0.65
Information Technology	1.70	1.29	0.69	-1.01
Legal and Regulatory	2.55	1.67	1.17	-1.38
Finance & Accounting	0.85	0.85	0.85	0.00
<b>Total FTEs Administrative Programs</b>	<b>6.80</b>	<b>5.66</b>	<b>3.76</b>	<b>-3.04</b>
<b>Total FTEs</b>	<b>26.95</b>	<b>26.93</b>	<b>31.01</b>	<b>4.06</b>

\* NOTE: The FTEs for Administration Departments are reflected as staffed in this exhibit. The salary and related expenses in the statement of activities has been consolidated to ensure salary confidentiality.

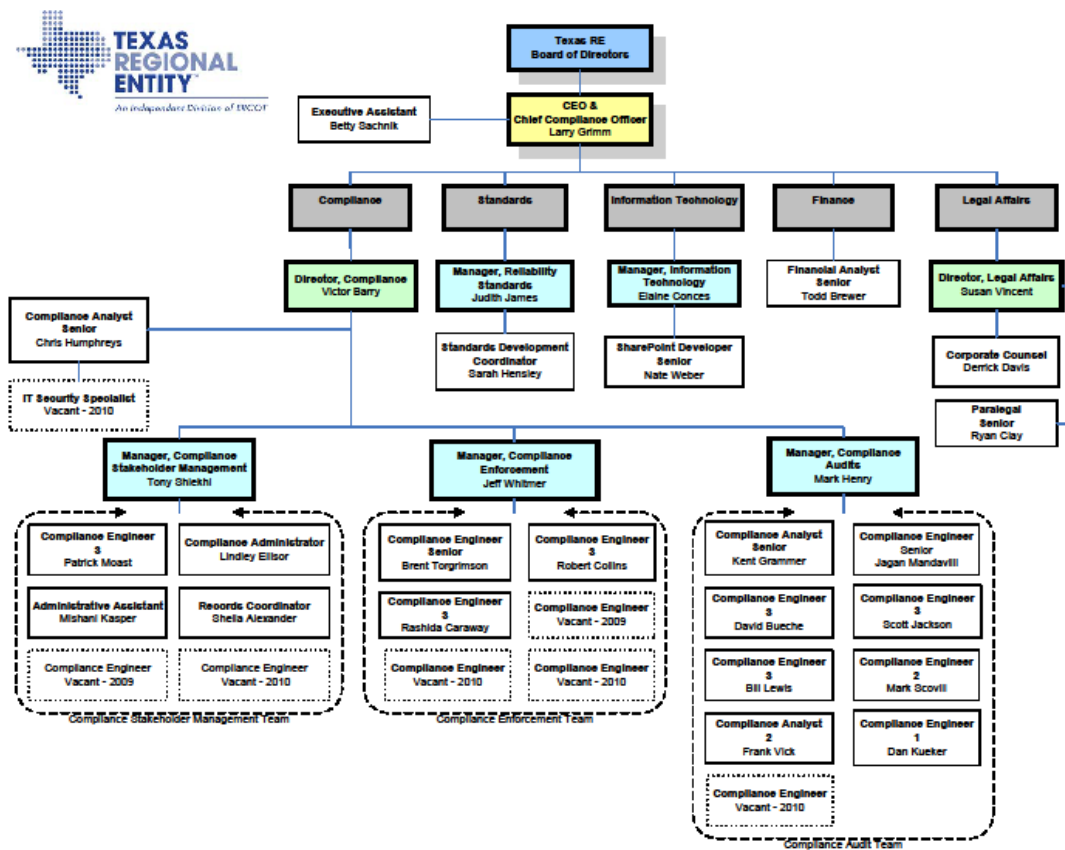
# 2009 Organizational Chart (Statutory & Non-Statutory)

Table 3



2010 Organizational Chart (Statutory & Non-Statutory)

Table 4



## Reserve Balance

Table 5

<b>Working Capital Reserve Analysis 2009-2010</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2008</b>	2,666,325
Penalty sanctions to be used as offset to 2010 assessments <sup>1</sup>	0
Plus: 2009 ERO Funding (from LSEs or designees)	3,430,700
Plus: 2009 Other funding sources	178,154
Less: 2009 Regulatory Liability Projected	(165,624)
Less: 2009 Projected expenses & capital expenditures	(5,254,555)
<b>Projected Working Capital Reserve (Deficit), December 31, 2009</b>	<b>855,000</b>
<b>Desired Working Capital Reserve, December 31, 2010</b>	1,346,631
Less: Projected Working Capital Reserve, December 31, 2009	(855,000)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>491,631</b>
2010 Assessment for Expenses and Capital Expenditures	6,464,313
Less: Penalty Sanctions <sup>1</sup>	0
Less: Other Funding Sources	(182,000)
Less: LT Regulatory Liability Release	(594,342)
Adjustment to achieve desired Working Capital Reserve	491,631
<b>2010 Assessment</b>	<b>6,179,602</b>

<sup>1</sup> Represents collections prior to June 30, 2009.



# Regional Entity Assessment Analysis

## Assessments by Country

**Table 6**

Data Year	Regional Entity	Total NEL	U.S. NEL	Canada NEL	Mexico NEL	% of RE Total	US Total	Canada Total	Mexico Total
Summary by Regional Entity									
2008	FRCC	-							
2008	MRO	-							
2008	NPCC	-							
2008	RFC	-							
2008	SERC	-							
2008	SPP	-							
2008	TRE	-							
2008	WECC	-							
	<b>TOTAL</b>	-	-	-	-	0%	0.000%	0.000%	0.000%

## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page \_\_, of the 2010 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

### Penalty Sanctions—

Penalty monies received prior to July 1, 2009 will be used to offset assessments in the 2010 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, 2009 through June 30, 2010 will be used to offset assessments in the 2011 Budget.

Full disclosure of all penalties received prior to July 1, 2009 are detailed below, including the Company, the amount, and the date received.

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; Training, Education and Operator Certification; and Situational Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-1**

Penalty Sanctions Received Prior to June 30, 2009	Date Receive	Amount Received
Name of Entity	NOT APPLICABLE	
<b>Total Penalties Received</b>		\$ -

## Supplemental Funding

### Table B-2

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
<b>Training and Education</b>					
Operations Training Seminar	\$ 70,000	\$ 174,029	\$ 180,000	\$ 110,000	157.14%
<b>Total</b>	<b>\$ 70,000</b>	<b>\$ 174,029</b>	<b>\$ 180,000</b>	<b>\$ 110,000</b>	<b>157.14%</b>
<b>General and Administrative</b>					
Interest Income	\$ -	\$ 4,125	\$ 2,000	\$ 2,000	0.00%
<b>Total</b>	<b>\$ -</b>	<b>\$ 4,125</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>0.00%</b>
<b>Total Outside Funding</b>	<b>\$ 70,000</b>	<b>\$ 178,154</b>	<b>\$ 182,000</b>	<b>\$ 112,000</b>	<b>160.00%</b>

### Explanation of Significant Variances – 2010 Budget versus 2009 Budget

- The most significant increase is resulting from the change in venue for the Operations Training Seminar to an offsite location. The 2009 budget assumed that Texas RE could use ERCOT facilities for the OTS; however due to space constraints, Texas RE secured an alternate venue in 2009. Texas RE collected increased registration fees to fund the increased Operations Training Seminar expenses. In 2010, the year-over-year budget increase reflects that continuing assumption and the resulting expense increase will be funded by registration fees from attendees. The expected increase is expected to be \$110K.
- There is approximately \$2K of interest income budgeted in 2010. The assumption used to budget the interest income was based on Texas RE's current interest income rate applied to the budgeted cash balance for 2010.

## Personnel Expenses

Table B-3

Personnel Expenses	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
<b>Salaries</b>					
Salary	\$ 2,496,968	\$ 2,479,855	\$ 3,071,829	\$ 574,860	23.0%
<b>Total Salaries</b>	<b>\$ 2,496,968</b>	<b>\$ 2,479,855</b>	<b>\$ 3,071,829</b>	<b>\$ 574,860</b>	<b>23.0%</b>
<b>Total Payroll Taxes</b>	<b>\$ 199,757</b>	<b>\$ 191,572</b>	<b>\$ 243,276</b>	<b>\$ 43,519</b>	<b>21.8%</b>
<b>Benefits</b>					
Life, Health, Vision, etc.	\$ 259,628	\$ 194,305	\$ 330,632	\$ 71,004	27.3%
<b>Total Benefits</b>	<b>\$ 259,628</b>	<b>\$ 194,305</b>	<b>\$ 330,632</b>	<b>\$ 71,004</b>	<b>27.3%</b>
<b>Retirement</b>					
401(k) Contr. & Employee Matching	\$ 356,523	\$ 329,576	\$ 439,742	\$ 83,219	23.3%
<b>Total Retirement</b>	<b>\$ 356,523</b>	<b>\$ 329,576</b>	<b>\$ 439,742</b>	<b>\$ 83,219</b>	<b>23.3%</b>
<b>Total Personnel Costs</b>	<b>\$ 3,312,878</b>	<b>\$ 3,195,308</b>	<b>\$ 4,085,480</b>	<b>\$ 772,602</b>	<b>23.3%</b>
<b>FTEs</b>	26.95	26.93	31.01	4.08	15.1%
<b>Cost per FTE</b>					
Salaries	\$ 92,652	\$ 92,085	\$ 99,048	6,396	6.9%
Payroll Taxes	7,412	7,114	7,844	432	5.8%
Benefits	9,634	7,215	10,661	1,027	10.7%
Retirement	13,229	12,238	14,179	950	7.2%
<b>Total Cost per FTE</b>	<b>\$ 122,927</b>	<b>\$ 118,652</b>	<b>\$ 131,733</b>	<b>\$ 8,806</b>	<b>7.2%</b>

### Explanation of Significant Variances – 2010 Budget versus 2009 Budget

- The most significant increase is related to the hiring of 5 additional staff (4.29 FTEs Statutory, .71 FTEs Non-statutory) in the compliance, situation awareness and CIP areas. The increase totals \$484K for personnel costs.
- Additionally, there are merits, promotion and market adjustments budgeted in 2010 for existing Texas RE personnel. The budget assumed 3% merit, 1% promotion and 3% for market adjustments. The results of which reflect an increase in salary expense of \$212K. The increase in benefits is \$77K.

## Consultants and Contracts

**Table B-4**

Consultants	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
<b>Consultants</b>					
Recruitment	\$ 6,000	\$ -	\$ -	\$ (6,000)	-100.00%
<b>Consultants Total</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,000)</b>	
Contracts	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
<b>Contracts</b>					
Corporate Support Allocation	\$ 280,654	\$ 330,946	\$ 361,803	\$ 81,149	28.91%
IT Services & Other (under professional services in 2009 Forecast & 2010 Budget)	3,932	-	-	(3,932)	-100.00%
IT Administration	200,400	208,128	268,531	68,131	34.00%
<b>Contracts Total</b>	<b>\$ 484,986</b>	<b>\$ 539,075</b>	<b>\$ 630,334</b>	<b>\$ 145,348</b>	<b>29.97%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 490,986</b>	<b>\$ 539,075</b>	<b>\$ 630,334</b>	<b>\$ 139,348</b>	<b>28.38%</b>

### Explanation of Significant Variances – 2010 Budget versus 2009 Budget

- The most significant increase is related to the corporate support (Memorandum of Understanding) allocation and IT administration per the MOU between Texas RE and ERCOT. There is a cost adjustment year-over-year to reflect increasing prices; however the largest component of the increase is directly attributed to increasing FTEs.

**Table B-5**

Office Rent	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Office Rent & Facilities	\$ 517,550	\$ 287,392	\$ 327,600	\$ (189,950)	-36.70%
<b>Total Office Rent</b>	<b>\$ 517,550</b>	<b>\$ 287,392</b>	<b>\$ 327,600</b>	<b>\$ (189,950)</b>	<b>-36.70%</b>

### Explanation of Significant Variances – 2010 Budget versus 2009 Budget

- Office rent is decreasing year-over-year. This is the result of negotiations on the lease for the premises occupied by Texas RE to obtain a lower cost per rentable square foot rate than planned. Additionally, as a result of the lower rate, the common area maintenance is lower than expected.
- Additionally, Texas RE is reflecting a reduction of approximately \$40K for services no longer provided by ERCOT's facilities department. These services have been absorbed internally.

Table B-6

Office Costs	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Office Supplies	\$ 8,400	\$ 13,333	\$ 12,700	\$ 4,300	51.19%
Cellular Phones	5,080	6,137	14,040	8,960	176.38%
Postage	1,200	1,500	1,800	600	50.00%
Express Shipping	1,200	4,811	7,980	6,780	565.00%
Stationary Forms	1,200	400	3,000	1,800	150.00%
Reports - Graphics	1,200	400	1,200	-	0.00%
<b>Total Office Costs</b>	<b>\$ 18,280</b>	<b>\$ 26,581</b>	<b>\$ 40,720</b>	<b>\$ 22,440</b>	<b>122.76%</b>

#### Explanation of Significant Variances – 2010 Budget versus 2009 Budget

- Texas RE is also projecting a significant increase in office supplies to accommodate new employees and additional materials for Texas RE's deliverables \$4K.
- Express shipping is expected to be significantly higher in 2010 due to the need to send additional materials via FedEx \$7K.
- Texas RE is also projecting a significant increase in report printing that will require additional report printing services \$2K.
- Adding cell phones for all audit lead, senior level, managers and above, resulting in a \$9K increase year-over-year. Is expected to be significantly higher in 2010 due to the need to send additional materials via FedEx \$7K.

Table B-7

Professional Services	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Outside Legal	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	0.00%
Accounting & Auditing Fees	36,000	41,976	45,281	9,281	25.78%
IT Professional Services	50,000	152,112	207,344	157,344	314.69%
RSVP Hosting	10,000	10,000	10,000	-	0.00%
Professional Engineering Services	-	23,046	-	-	0.00%
Other Professional Services	30,000	36,000	60,000	30,000	100.00%
<b>Total Services</b>	<b>\$ 426,000</b>	<b>\$ 563,134</b>	<b>\$ 622,625</b>	<b>\$ 196,625</b>	<b>10.56%</b>

#### Explanation of Significant Variances – 2010 Budget versus 2009 Budget

- Audit fees are increasing in 2010 by \$9K for the financial statement audit.
- IT professional services are increasing \$157K year-over-year related to web-hosting redundancy that will ensure Texas RE's web presence and portal tools remain safe, secure and operational with a full backup hosting solution.
- Texas RE will be provisioning \$30K for professional services under the G&A department. This will be used for any technical advice and counsel required by any program within Texas RE on an as needed basis.

**Table B-8**

Other Non-Operating Expenses	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Interest Expense	\$ 855,000	\$ -	\$ -	\$ (855,000)	-100.00%
<b>Total Non-Operating Expenses</b>	<b>\$ 855,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (855,000)</b>	<b>-100.00%</b>

### Explanation of Significant Variances – 2010 Budget versus 2009 Budget

- Due to change in budgeting from a cash-based budget to a GAAP based budget, Texas RE no longer needs to budget for a cash reserve through non-operating expenses. Texas RE will adjust cash reserves through normal profit & loss activities.

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

(in whole dollars)			
	2009 Budget	2010 Budget	Increase (Decrease)
Total FTEs	5.05	5.99	.94
Total Direct Expenses	\$871,997	\$1,073,184	\$201,187
Total Indirect Expenses			
Total Expenses	\$871,997	\$1,140,184	\$268,187

### Non-statutory Functional Scope

In addition to the Statutory functions, Texas RE also provides compliance support to the Public Utility Commission of Texas (PUCT). These services include auditing, event analysis, complaint investigations and monthly metric monitoring to identify violations of protocols. In addition, Texas RE is also monitors the stakeholder process and comments on proposed changes to the protocols that affect reliability. Texas RE also works closely with the PUCT to identify new risks to the BPS and craft strategies to address these risks from the regulatory perspective.

Texas RE does not perform any enforcement activities for the PUCT. Once a potential violation is identified by Texas RE it is reported to the PUCT and they follow up with all enforcement activities. Texas RE may be required to assist the PUCT with analysis of our findings and will support the PUCT in their enforcement processes, if need, however, all enforcement is at the sole discretion of the PUCT.

In 2009 there has been a significant increase in workload related to the monitoring of ERCOT committees and changes in market rules due to the upcoming transition to the Nodal market. The change in markets has required Texas RE to work closely with the PUCT to oversee the stakeholder process being used to create the new market rules. The PUCT and Texas RE have put in place a project management plan to ensure adequate regulatory oversight is in place prior to the market transition in late 2010. Significant work is expected to be needed in 2010 to create and test reports, assist with the Nodal trials, analyze the nodal protocols as they are put into use, and communicate with the stakeholders to help them understand the expectations. The workload is anticipated to increase in 2010 to prepare for the Nodal market going live.

Texas RE added one FTE to support the Non-statutory work in 2009. It is anticipated that the work related to the transition to the Nodal market will be higher in 2010 by approximately 1 FTE.

Texas RE estimates approximately (15%) percent of Texas RE staff time will be dedicated to monitoring, auditing, assessing, investigating, and reporting on compliance with the ERCOT Protocols and commenting on ERCOT Protocol revision requests. Funding for these Non-statutory activities is provided through the ERCOT System Administration Fee, which is based upon the fee factor approved by the ERCOT Board and the PUCT to support ERCOT activities and Texas RE Non-statutory activities which are subject to PUCT oversight.

### Major 2010 Assumptions and Cost Impacts

#### Funding Sources

- Funding is received only through ERCOT ISO to pay for these expenses.
- Texas RE will prepare for the Nodal market conversion.



### **Personnel Expenses**

- Personnel expenses are increasing primarily due to adding .94 FTEs of labor to the Non-statutory function. Additionally, the budget assumes 3% merit, 1% promotion and 3% for market adjustments.

### **Meeting Expenses**

- Expenses are lower reflecting a reduction attributed to lower utilization in the prior year.

### **Operating Expenses**

- Texas RE is estimating an increase in the MOU related expenses incurred for support services and IT administration of \$84K for 2010. This is based on the increased FTEs, as well as on a rate increase and additional expense associated with the time shift from Statutory to Non-statutory labor in a year-over-year comparison of 2009 budget versus 2010 budget.
- Rent and facilities services expenses are expected to decrease \$55K for 2010, due to a lower rentable square foot rate we obtained in 2009 for rent and facilities.
- Professional services are being budgeted to decrease \$32K.
- Finally, depreciation is being budgeted in 2010 to reflect the depreciable assets that are held by Texas RE (software).

## **2010 Primary Goals and Objectives —**

- A. Implement the 2010 protocol audit plan per the posted schedule and with a high level of quality and consistency.
- B. Maintain high quality and good organization of all audit and investigation work papers, audit reports and potential violation findings.
- C. Review and assess system disturbances for potential violations of the ERCOT Protocols and report all findings to the PUCT.
- D. Meet with the PUCT monthly to provide a complete report on work in progress as well as all audit reports and potential violation files.
- E. Support the PUCT efforts to ensure adequate regulatory oversight in place for the Nodal Market.
- F. Create and provide Nodal training for Texas RE staff and the PUCT.
- G. Provide a nodal regulatory workshop. To educate the stakeholders on Nodal regulation changes. Continue to monitor the ERCOT committee process.

## 2009 Budget and Projection and 2010 Budget Comparisons

Table 1

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
NON-STATUTORY					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions <sup>(1)</sup>	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	871,997	790,989	(81,009)	1,140,184	268,187
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 871,997</b>	<b>\$ 790,989</b>	<b>\$ (81,009)</b>	<b>\$ 1,140,184</b>	<b>\$ 268,187</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 448,080	\$ 433,382	\$ (14,698)	\$ 597,536	\$ 149,457
Payroll Taxes	35,846	33,612	(2,234)	47,333	11,486
Benefits	45,942	37,197	(8,745)	65,083	19,140
Retirement Costs	64,972	59,284	(5,687)	84,805	19,833
<b>Total Personnel Expenses</b>	<b>\$ 594,840</b>	<b>\$ 563,476</b>	<b>\$ (31,364)</b>	<b>\$ 794,757</b>	<b>\$ 199,917</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 5,600	\$ 5,600
Travel	2,181	4,500	2,319	624	(1,557)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 2,181</b>	<b>\$ 4,500</b>	<b>\$ 2,319</b>	<b>\$ 6,224</b>	<b>\$ 4,043</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 36,396	\$ 97,700	\$ 61,303	\$ 120,064	\$ 83,667
Office Rent	118,200	52,972	(65,228)	62,400	(55,800)
Office Costs	480	594	114	-	(480)
Professional Services	89,900	71,497	(18,403)	57,875	(32,025)
Miscellaneous	-	250	250	1,865	1,865
Depreciation	-	29,706	29,706	30,000	30,000
<b>Total Operating Expenses</b>	<b>\$ 244,976</b>	<b>\$ 252,720</b>	<b>\$ 7,743</b>	<b>\$ 272,203</b>	<b>\$ 27,227</b>
<b>Total Direct Expenses</b>	<b>\$ 841,997</b>	<b>\$ 820,695</b>	<b>\$ (21,302)</b>	<b>\$ 1,073,184</b>	<b>\$ 231,187</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ (30,000)</b>	<b>\$ -</b>	<b>\$ (30,000)</b>
<b>Total Expenses</b>	<b>\$ 871,997</b>	<b>\$ 820,695</b>	<b>\$ (51,302)</b>	<b>\$ 1,073,184</b>	<b>\$ 201,187</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (29,706)</b>	<b>\$ (29,706)</b>	<b>\$ 67,000</b>	<b>\$ 67,000</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ (29,706)	\$ (29,706)	\$ (30,000)	\$ (30,000)
Computer & Software CapEx	-	-	-	67,000	67,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ 29,706</b>	<b>\$ 29,706</b>	<b>\$ (37,000)</b>	<b>\$ (37,000)</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ 29,706</b>	<b>\$ 29,706</b>	<b>\$ (37,000)</b>	<b>\$ (37,000)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>

## Personnel Analysis

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

**Table 2**

Total FTE's by Program Area	Budget 2009	Projection 2009	Budget 2010	Change from 2009 Budget
<b>NON-STATUTORY</b>				
<b>Operational Programs</b>				
Protocol	3.85	4.05	5.03	1.18
<b>Total FTEs Operational Programs</b>	<b>3.85</b>	<b>4.05</b>	<b>5.03</b>	<b>1.18</b>
<b>Administrative Programs</b>				
General & Administrative	1.20	1.02	0.96	-0.24
<b>Total FTEs Administrative Programs</b>	<b>1.20</b>	<b>1.02</b>	<b>0.96</b>	<b>-0.24</b>
<b>Total FTEs</b>	<b>5.05</b>	<b>5.07</b>	<b>5.99</b>	<b>0.94</b>

## **Section D**

### **2010 Consolidated Statement of Activities by Program, Statutory and Non-statutory**

#### **Statement of Financial Position**

**As of December 31, 2008, unaudited**

**As of December 31, 2009, projected**

**As of December 31, 2010, as budgeted**

## Discussion

**Texas Regional Entity  
Advisory Committee  
Future Agenda Items - April 2009**

<b>Item</b>		<b>Meeting</b>
1.	Recommend approval of 2010 Business Plan & Budget	June 2009
2.	Review and consider revisions to Bylaws	June 2009
3.	Review Headcount and Staffing Levels	3 <sup>rd</sup> Quarter 2009
4.	Review Texas RE Employee Ethics Agreements	3 <sup>rd</sup> Quarter 2009
5.	Discuss Texas RE Succession Planning	3 <sup>rd</sup> Quarter 2009
6.	Review Texas RE Strategic Plan & Long Term Goals	3 <sup>rd</sup> Quarter 2009
7.	Review and Consider Modifications to the Advisory Committee Charter	3 <sup>rd</sup> Quarter 2009
8.	Consider Board Training Needs	4 <sup>th</sup> Quarter 2009
9.	Recommend an Independent Auditor for the TRE Annual Financial Audit	4 <sup>th</sup> Quarter 2009
10.	Distribute Committee Self-Evaluation Survey	4 <sup>th</sup> Quarter 2009