



**RELIABILITY FIRST**

**RELIABILITYFIRST CORPORATION  
2022 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS  
JUNE 17, 2021**

**FINAL DRAFT**

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## Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2022.

	2022 Budget			
	(in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	88.6			
Non-statutory FTEs	-			
<b>Total FTEs</b>	88.6			
Statutory Expenses	\$ 26,099,927			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 26,099,927			
Statutory Inc(Dec) in Fixed Assets	\$ 120,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 120,000			
Statutory Working Capital Requirement	\$ 766,700			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ 766,700			
Total Statutory Funding Requirement	\$ 26,986,627			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 26,986,627			
<b>Statutory Funding Assessments</b>	\$ 23,447,945	\$ 23,447,945	\$ -	\$ -
<b>Non-Statutory Fees</b>	\$ -	\$ -	\$ -	\$ -
NEL (MWH)	-		-	-
NEL%	100%	100%	0%	0%

## ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a high reliable and secure North American bulk power system (BPS). Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

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

are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

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

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



## ERO Enterprise Strategic and Operational Planning

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

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

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

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

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

## ReliabilityFirst Organizational Overview

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

- Active participation in the development of North American Reliability Standards for the BES, and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, resiliency, security, and risks of the BES.

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

- Promoting effective training and education of personnel and entities.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO in 2022.

## **Membership and Governance**

### **Members**

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

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

### **Board of Directors**

ReliabilityFirst is governed by a hybrid, independent, and balanced stakeholder Board that consists of 15 Directors.

- Eight (8) Directors are elected by the Industry Sectors as follows:
  - Suppliers elect two (2) Directors;
  - Transmission Companies elect two (2) Directors;
  - RTOs elect one (1) Director;
  - Small LSEs elect one (1) Director;
  - Medium LSEs elect one (1) Director; and
  - Large LSEs elect one (1) Director.
- Three (3) Directors are at-large. At-Large Directors are elected by all of the Industry Sectors voting together as a single class.
- Four (4) Directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent Directors are elected by all of the Industry Sectors voting together as a single class. One of these Directors is appointed as a Lead

Independent Director who serves in the capacity to coordinate the activities of the other Independent Directors.

## 2022 Key Assumptions

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

## 2022 Key Deliverables

- Promote a culture within the organization that addresses reliability risks across the ReliabilityFirst Region and the ERO Enterprise.
  - Ensure that the industry understands the essential reliability purpose of Reliability Standards and the corresponding expectations for those Reliability Standards.
  - Work with the industry to maintain and continuously improve effective risk control programs for reliability, security, and resiliency.
  - Use efficient processes and proportional exercise of discretion to verify that the industry meets reliability objectives.
- Identify the risks to reliability, security and resiliency in the ReliabilityFirst Region.
  - Identify, understand, and prioritize risks based on reliability impacts, projected resources, and emerging issues.
  - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to define reliability, resiliency, and security related activities.
  - Ensure that the industry is well informed of emerging trends, risk analysis, lessons learned, and expected actions.
- Mitigate reliability risks.
  - Ensure that the industry understands identified risks and addresses them promptly and effectively.
  - Facilitate information sharing among the industry, Regions, ERO, and government.
  - Work with the ERO to track industry accountability for critical reliability recommendations.
- Communicate reliability risks.
  - Communicate identified and prioritized risks and mitigation strategies to the ERO Enterprise, across the ReliabilityFirst footprint, and/or to targeted entities, as appropriate.
  - Share staff expertise and leverage the expertise of ReliabilityFirst entities to advance industry practices surrounding risk identification, mitigation, and prevention.



- Promote a culture of reliability excellence, and facilitate and encourage continuous improvement through training and education.
- Ensure useful and reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among the entities in the ReliabilityFirst region.
- Serve as a leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair compliance monitoring and enforcement authority, without conflicts of interest.
  - Register entities commensurate to the risk they pose to the BES and ensure that all key entities are certified to have essential capabilities.
  - Ensure that all compliance monitoring and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the ReliabilityFirst delegation agreement and the Risk Based Compliance Monitoring and Enforcement Program (CMEP).
  - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
- Improve transparency, consistency, quality, and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
  - Identify, understand, and manage internal risks.
  - Ensure processes are effective, efficient, and continually improving.

## 2022 Overview of Budget

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2022. Overall, the ReliabilityFirst 2022 budget of \$26,219,927 increased 5.8% over the 2021 budget of \$24,785,492. The 2022 assessment of \$23,447,995 represents a 3% increase over the 2021 assessment of \$22,764,995.

Personnel costs increased by \$1,128,747, an increase of 5.3% over the 2021 budget. Incorporated into the personnel costs are 4.25 additional Full Time Equivalents (FTE's) and a 3% general wage increase, and these costs are the primary drivers for the 2022 budget increase. ReliabilityFirst does not include a personnel vacancy rate because the corporation has operated with a turnover rate well below 5% for the last several years, and because the budget does not include the cost of the corporation's recruitment activities and relocation to attract necessary employee candidates.

The Meetings, Operating and Fixed Asset costs of \$3,938,489 increased by 8.4% over the 2021 budget of \$3,632,801. The increase was primarily the result of the following: 1) a \$124,296 increase in Contractors and Consultants primarily driven by Administrative Services network maintenance projects, security simulation activities, enhancing data management systems, and network and Audio/Visual upgrades, 2) a \$153,612 increase in Office costs, primarily driven by Computer Supplies and Maintenance for the purchase of new corporate laptops, along with a new

threat intelligence tool, and 3) \$150,430 increase in Professional Services due to an increase in Independent Director Fees for the annual retainer and the addition of one Independent Director. These variances were partially offset by a \$97,500 decrease in total Fixed Asset costs due to changes in projects planned in 2021 compared to 2022 and a \$30,000 reduction in Office Rent primarily as a result of additional budgeted office space lease costs in 2021 that were eliminated in 2022.

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2022, which is the same level that existed in 2021. This level of operating reserve is believed to be sufficient for any unbudgeted and unexpected expenditures of the organization, and is consistent with Board Policy.

The ReliabilityFirst Board also approved an increase in the target working capital reserve to \$6.7M. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In concert with the ERO Enterprise wide effort to better manage and stabilize assessments, the working capital reserve is used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. The operating and working capital reserves have been differentiated to enable more granular identification and control in the utilization and monitoring of these funds in the appropriate manner. Refer to section B-1 for more information on the working capital reserve.

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

In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the operating and strategic objectives referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2022 yielded a requirement of 99 FTEs in order to fully address the expected workload.

Although ReliabilityFirst's manpower analysis justifies a need for 99 FTEs, its philosophy is to seek and achieve greater efficiencies in its tasks and workload each year. On this basis, ReliabilityFirst believes a staffing level of 88.6, which includes 4.25 additional FTE's, will be sufficient to perform its work. The need for these additional FTE's is described in the Compliance Monitoring, Enforcement, Human Resources and Finance and Accounting sections.

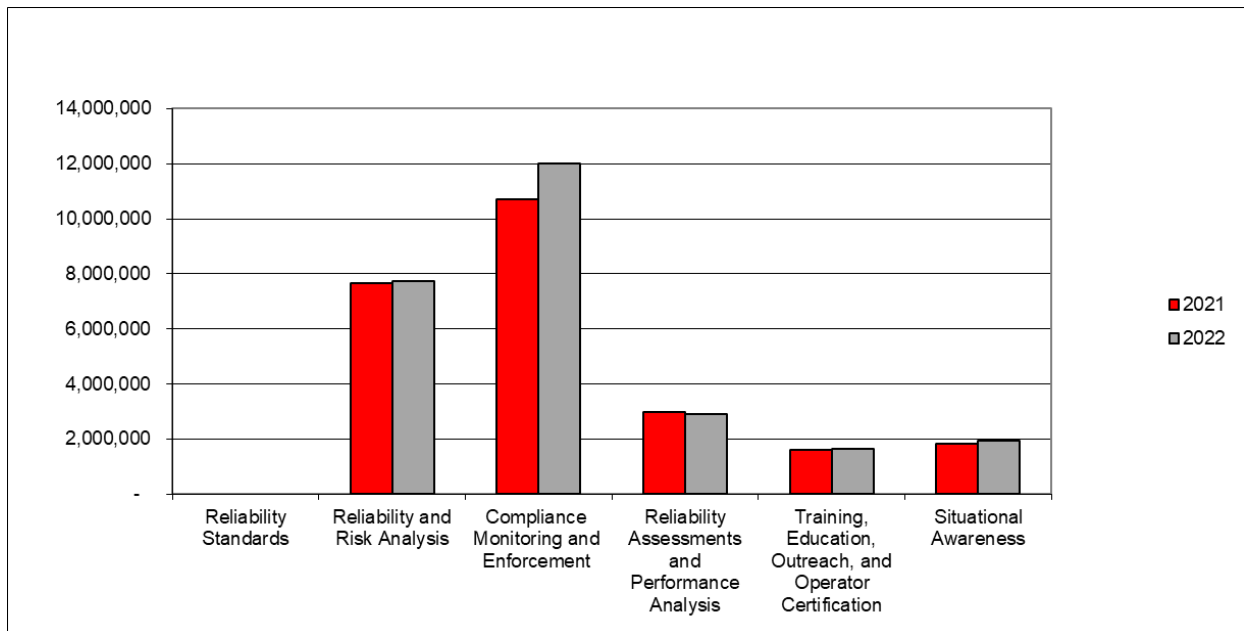
ReliabilityFirst will continue to ensure enhancements are being made in many process areas and that the maturation of the organization will continue to result in expected efficiency improvements.

## Summary of Budget by Program Area

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

Program	Budget 2021	Projection 2021	Budget 2022	Variance	
				2021 Budget v 2022 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability and Risk Analysis	7,657,553	7,471,493	7,751,602	94,050	1.2%
Compliance Monitoring and Enforcement	10,720,328	10,477,843	12,003,963	1,283,635	12.0%
Reliability Assessments and Performance Analysis	2,967,853	2,909,537	2,892,808	(75,045)	-2.5%
Training, Education, Outreach, and Operator Certification	1,597,369	1,421,190	1,631,907	34,538	2.2%
Situational Awareness	1,842,389	1,778,027	1,939,647	97,258	5.3%
<b>Total</b>	<b>24,785,492</b>	<b>24,058,091</b>	<b>26,219,927</b>	<b>1,434,435</b>	<b>5.8%</b>

## 2021 Versus 2022 Cost Allocation by Program Summary of Expenses



## FTEs by Program Area

Total FTEs by Program Area	2021 Budget	2021 Projection	2022 Budget	Change from 2021 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability and Risk Analysis	20.00	20.00	20.00	0.00
Compliance Monitoring and Enforcement	30.00	30.00	33.00	3.00
Reliability Assessment and Performance Analysis	6.60	6.60	6.60	0.00
Training and Education	3.00	3.00	3.00	0.00
Situational Awareness	5.00	5.00	5.00	0.00
<b>Total FTEs Operational Programs</b>	<b>64.60</b>	<b>64.60</b>	<b>67.60</b>	<b>3.00</b>
<b>Administrative Programs</b>				
General and Administrative	4.00	4.00	4.00	0.00
Legal and Regulatory Affairs	3.00	3.00	3.00	0.00
Information Technology	7.00	7.00	7.00	0.00
Human Resources	3.00	3.00	4.00	1.00
Finance and Accounting	2.75	2.75	3.00	0.25
<b>Total FTEs Administrative Programs</b>	<b>19.75</b>	<b>19.75</b>	<b>21.00</b>	<b>1.25</b>
<b>Total FTEs</b>	<b>84.35</b>	<b>84.35</b>	<b>88.60</b>	<b>4.25</b>

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

## 2021 Budget and Projection and 2022 Budget Comparisons

The following table lists the 2021 budget and projection compared to the 2022 budget.

2021 Budget and Projection, and 2022 Budget					
STATUTORY					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ReliabilityFirst Assessments	\$ 22,764,995	\$ 22,764,995	\$ -	\$ 23,447,945	\$ 682,950
Penalties Released*	4,540,000	4,540,000	-	3,488,681	(1,051,319)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 27,304,995</b>	<b>\$ 27,304,995</b>	<b>\$ -</b>	<b>\$ 26,936,627</b>	<b>\$ (368,369)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	50,000	50,000	-	50,000	-
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>27,354,995</b>	<b>27,354,995</b>	<b>-</b>	<b>26,986,627</b>	<b>(368,369)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 15,372,329	\$ 15,422,812	\$ 50,483	\$ 16,274,245	\$ 901,916
Payroll Taxes	934,645	945,687	11,042	992,282	57,637
Benefits	2,351,930	2,174,762	(177,168)	2,412,806	60,876
Retirement Costs	2,493,787	2,584,046	90,259	2,602,105	108,318
<b>Total Personnel Expenses</b>	<b>\$ 21,152,691</b>	<b>\$ 21,127,307</b>	<b>\$ (25,384)</b>	<b>\$ 22,281,438</b>	<b>\$ 1,128,747</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 379,635	\$ 136,641	\$ (242,994)	\$ 379,635	\$ -
Travel	601,000	150,304	(450,696)	601,000	-
<b>Total Meeting Expenses</b>	<b>\$ 980,635</b>	<b>\$ 286,945</b>	<b>\$ (693,690)</b>	<b>\$ 980,635</b>	<b>\$ -</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 324,578	\$ 324,578	\$ -	\$ 448,874	\$ 124,296
Office Rent	628,092	564,856	(63,236)	598,092	(30,000)
Office Costs	956,776	956,776	-	1,110,388	153,612
Professional Services	481,335	536,244	54,909	631,765	150,430
Miscellaneous	43,885	43,885	-	48,735	4,850
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 2,434,666</b>	<b>\$ 2,426,339</b>	<b>\$ (8,327)</b>	<b>\$ 2,837,854</b>	<b>\$ 403,188</b>
<b>Total Direct Expenses</b>	<b>\$ 24,567,992</b>	<b>\$ 23,840,591</b>	<b>\$ (727,401)</b>	<b>\$ 26,099,927</b>	<b>\$ 1,531,935</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 24,567,992</b>	<b>\$ 23,840,591</b>	<b>\$ (727,401)</b>	<b>\$ 26,099,927</b>	<b>\$ 1,531,935</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 2,787,002</b>	<b>\$ 3,514,404</b>	<b>\$ 727,401</b>	<b>\$ 886,700</b>	<b>\$ (1,900,304)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>					
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 217,500</b>	<b>\$ 217,500</b>	<b>\$ -</b>	<b>\$ 120,000</b>	<b>\$ (97,500)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 24,785,492</b>	<b>\$ 24,058,091</b>	<b>\$ (727,401)</b>	<b>\$ 26,219,927</b>	<b>\$ 1,434,435</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ 2,569,502</b>	<b>\$ 3,296,904</b>	<b>\$ 727,401</b>	<b>\$ 766,700</b>	<b>\$ (1,802,804)</b>
FTEs	84.35	84.35	-	88.60	4.25

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

## **Section A: Statutory Programs**

## Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.0	0.0	0.0
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

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

To date, ReliabilityFirst has developed only one Regional Standard (Planning Resource Adequacy Analysis, Assessment and Documentation standard BAL-502-RF-03, approved by FERC on October 16, 2017) and has no current plans to develop any Regional Standards in 2022.

ReliabilityFirst may also develop regional criteria, which are good utility practices used to enhance the reliability of the BES and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. Regional criteria are developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure. ReliabilityFirst has no current plans to develop regional criteria in 2022.

### 2022 Key Assumptions

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

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

**2022 Key Deliverables**

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

**Resource Requirements**

- **Personnel**

There are no planned changes in FTEs for 2022.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in 2022.



## Compliance Monitoring and Enforcement, and Organization Registration Program

<b>Compliance Monitoring, and Enforcement, and Organization Registration Program</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	50.0	53.0	3.0
Direct Expenses	\$ 12,889,826	\$ 13,669,858	\$ 780,032
Indirect Expenses	\$ 5,319,711	\$ 5,991,624	\$ 671,914
Inc(Dec) in Fixed Assets	\$ 168,344	\$ 94,083	\$ (74,261)
Total Funding Requirement	\$ 18,377,880	\$ 19,755,565	\$ 1,377,685

### Program Scope and Functional Description

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

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

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

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

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

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

## Reliability and Risk Analysis

<b>Reliability and Risk Analysis</b>			
<b>(in whole dollars)</b>			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase</b>
Total FTEs	20.0	20.0	0.0
Direct Expenses	\$ 5,462,331	\$ 5,455,109	\$ (7,222)
Indirect Expenses	\$ 2,127,884	\$ 2,260,990	\$ 133,106
Inc(Dec) in Fixed Assets	\$ 67,337	\$ 35,503	\$ (31,835)
Total Funding Requirement	\$ 7,657,553	\$ 7,751,602	\$ 94,050

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

### Program Scope and Functional Description

Due to the ReliabilityFirst reorganization in Q2 2020 the Reliability Analysis group was formed to include Analytic Services and Risk Analysis and Mitigation. The activities performed by the Reliability Analysis group include: Continued and focused development of the ReliabilityFirst Data Warehouse for information storage and retrieval (the Data Warehouse is intended to centralize ReliabilityFirst's data sets and provide business intelligence capabilities for better integration of disparate data and add visualization functions to better identify areas of concern or areas needing additional analysis); lead the development and integration of advanced analytic & business intelligence capabilities for identifying and determining reliability risks; applying analytics framework by which grid reliability and risk can be measured and tracked; using statistical tools and techniques for analysis; performing quantitative assessments of data models; and partnering with other departments in conducting various risk assessments (e.g., Regional Risk Assessments and explorative Probabilistic, Predictive, Emerging Risk Assessments, etc.).

From a Risk Analysis and Mitigation perspective the activities performed include Inherent Risk Assessments (identifying risks impacting an entity); Compliance Oversight Plans (creating a plan to monitor the entity's compliance with selected NERC Reliability Standards) and Registration (processing registration requests). The group's activities also include mitigation plan acceptance, approval, and verification; processing and assessment of periodic data submittals; winter preparedness evaluations; risk-harm analysis of noncompliances and participation in the review of self-logged minimal risk issues; participate in outreach activities; BES Definition Exception Process activities; NERC-Led Registration Review Panel participation, reviewing and voting on NERC Standards Under Development and serving as a technical resource for the Corporation.

Reliability and Risk Analysis also includes Entity Engagement, which functions to assist stakeholders in improving their compliance programs and organizational reliability, risk identification and mitigation, security, and resilience; as well as, assisting stakeholders in achieving operational excellence, and improvements in organizational culture and overall program maturity.

## 2022 Key Assumptions

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

1. Inherent Risk Assessment/Compliance Oversight Plans activities are expected to become steady-state activities with the ongoing implementation of the Risk-Based CMEP. These activities include completing Inherent Risk Assessments and Compliance Oversight Plans for all Registered Entities which address emerging risks to reliability and are tailored to the inherent risks and performance posed by specific entities.
2. In accordance with FERC's Order approving NERC's Risk-Based Registration Initiative, registration staff continues to participate in the NERC-Led Registration Review Panels described in the NERC Rules of Procedure, Appendix 5A, Section III.D.
3. There will be an intentional focus on advanced analytics to support the described activities. This will include being instrumental in identifying emerging risks as well as development of metric driven root cause analysis.
4. There will be continued ERO Enterprise-wide collaboration and implementation of consistent risk-based compliance monitoring and enforcement practices and tools. In particular, ReliabilityFirst staff resources will be allocated to continue the development, design, testing, training, and implementation of the new ERO Enterprise ALIGN Tool. The full impact of the new ERO Enterprise ALIGN Tool is unknown at this time, however the anticipated increase in administrative and processing tasks related to the new tool will increase the cycle time for performing routine tasks.

## 2022 Key Deliverables

- Process all registration requests.
- Process BES Exception Requests submittals and NERC-Led Review Panels.
- Provide technical subject matter expertise and support for compliance monitoring and enforcement activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Support the development and integration of advanced analytical capabilities for identifying and determining reliability risks, and conducting various risk assessments (i.e. Regional Risk Assessments, Inherent Risk Assessments/Compliance Oversight Plans, Risk-Harm Assessments, and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection (e.g. periodic Data Submittals) and analysis efforts.
- Participate in the annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold weather.

- Support the ongoing implementation of the Risk-Based CMEP, with a focus on the ongoing assessment of ReliabilityFirst Regional Risk Elements, and continued maturation of the Inherent Risk Assessment/Compliance Oversight Plans.
- Perform Inherent Risk Assessments/Compliance Oversight Plans of entities in alignment with the ERO Guide for Compliance Monitoring, to identify inherent risks of an entity and develop a plan to monitor the entity's compliance with selected NERC Reliability Standards based off their inherent risk and performance.
- Conduct risk-harm assessments and develop associated risk statements for all possible non-compliances to assess the potential risk posed by each noncompliance and inform the proper enforcement action(s).
- Perform mitigation plan activities in an effort to return entities to compliance and prevent reoccurrence by:
  - Reviewing proposed mitigation plans and accepting those that contain appropriate corrective and preventative actions.
  - Communicating with Enforcement and the entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the noncompliance.
  - Verifying mitigation plan completion through the evaluation of evidence provided by the entity to demonstrate that agreed-to actions have been implemented according to established milestones.
  - Participating in outreach activities to help entities move beyond baseline compliance.
- Perform reviews of self-logged non-compliances, submitted quarterly by entities granted logging privileges, to assess the non-compliances and their associated risk determinations and mitigating activities.
- Support regional workshops, Technical Talks and other engagements with entities.
- Using inherent risk assessment and Regional Risk Assessment results, analyze and recommend outreach for identified risks related to specific entities or groups of entities.
- Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
- Participate in the ERO Enterprise Collaboration Groups promoting collaboration and consistency amongst the Regions and functional area programs. Assume leadership roles as appropriate.
- Monitor initiatives related to grid resilience and security from the Cyber Resilient Energy Delivery Consortium, National Laboratories, Public Utility Commissions and the Department of Energy. Participate in these efforts as requested and appropriate,

incorporating lessons learned from these projects into ReliabilityFirst's tools and processes, and share lessons learned with stakeholders.

- Conduct Certifications and Certification Evaluations of Balancing Authority, Transmission Operator and Reliability Coordinator registered entities. Also perform Readiness Reviews with registered entities undergoing similar changes.
- Perform Assist Visits and Extended Assist Visits, including:
  - Provide guidance through entity Assist Visits on the CIP Reliability Standards, including a focus on new and revised Reliability Standards with technology related concerns including Cloud Computing, and Virtualization.
  - Continue targeted Extended Assist Visits with stakeholders that have been identified through Compliance, Enforcement, and/or Assessment engagements as needing long-term consultation by the ReliabilityFirst outreach staff.
- Implement and continue to mature programs and tools developed for entity self-assessment and self-evaluation of internal controls, organizational maturity, insider threat and cyber resilience.

### **Resource Requirements**

- **Personnel**

As noted above in the 2022 Key Assumptions, time to complete routine CMEP related activities (mitigation plan acceptances/reviews and IRA/COP development) may initially increase significantly due to the roll out and Implementation of the new ERO Enterprise ALIGN Tool and primarily the Secure Evidence Lockers to address the need for greater data security.

- There are no planned changes in FTEs for 2022, however, ReliabilityFirst will continue to evaluate the need for additional future resources.

- **Contractors and Consultants**

No contractor or consultant support is budgeted to support efforts and initiatives in Reliability Analysis in 2022.

The Entity Engagement, Risk and Resilience and Continuous Improvement and Innovation Programs will also pursue an intern to assist the teams with relevant work activities. Projected workload for the remainder of 2021 and into 2022 is consistent with a need for an intern and not a FTE.

**Reliability and Risk Analysis Budget Detail**

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

<b>2021 Budget and Projection, and 2022 Budget</b>					
<b>Reliability and Risk Analysis</b>					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 6,236,500	\$ 6,236,500	\$ -	\$ 6,704,655	\$ 468,155
Penalties Released*	1,405,573	1,405,573	-	1,032,154	(373,419)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 7,642,073</b>	<b>\$ 7,642,073</b>	<b>\$ -</b>	<b>\$ 7,736,809</b>	<b>\$ 94,737</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	15,480	15,480	-	14,793	(687)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>7,657,553</b>	<b>7,657,553</b>	<b>-</b>	<b>7,751,602</b>	<b>94,050</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,721,390	\$ 3,693,697	\$ (27,693)	\$ 3,706,649	\$ (14,741)
Payroll Taxes	229,341	228,398	(943)	228,357	(984)
Benefits	489,951	459,700	(30,251)	488,678	(1,273)
Retirement Costs	572,344	578,265	5,921	574,211	1,867
<b>Total Personnel Expenses</b>	<b>\$ 5,013,026</b>	<b>\$ 4,960,060</b>	<b>\$ (52,966)</b>	<b>\$ 4,997,895</b>	<b>\$ (15,131)</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 9,600	\$ 2,200	\$ (7,400)	\$ 9,980	\$ 380
Travel	152,000	38,000	(114,000)	152,000	-
<b>Total Meeting Expenses</b>	<b>\$ 161,600</b>	<b>\$ 40,200</b>	<b>\$ (121,400)</b>	<b>\$ 161,980</b>	<b>\$ 380</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	277,705	277,705	-	285,234	7,529
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 287,705</b>	<b>\$ 287,705</b>	<b>\$ -</b>	<b>\$ 295,234</b>	<b>\$ 7,529</b>
<b>Total Direct Expenses</b>	<b>\$ 5,462,331</b>	<b>\$ 5,287,965</b>	<b>\$ (174,366)</b>	<b>\$ 5,455,109</b>	<b>\$ (7,222)</b>
<b>Indirect Expenses</b>	<b>\$ 2,127,884</b>	<b>\$ 2,116,191</b>	<b>\$ (11,693)</b>	<b>\$ 2,260,990</b>	<b>\$ 133,106</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 7,590,215</b>	<b>\$ 7,404,156</b>	<b>\$ (186,059)</b>	<b>\$ 7,716,099</b>	<b>\$ 125,884</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 67,337</b>	<b>\$ 253,397</b>	<b>\$ 186,059</b>	<b>\$ 35,503</b>	<b>\$ (31,835)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>					
Allocation of Fixed Assets	\$ 67,337	\$ 67,337	-	\$ 35,503	\$ (31,835)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 67,337</b>	<b>\$ 67,337</b>	<b>\$ -</b>	<b>\$ 35,503</b>	<b>\$ (31,835)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 7,657,553</b>	<b>\$ 7,471,493</b>	<b>\$ (186,059)</b>	<b>\$ 7,751,602</b>	<b>\$ 94,050</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ 186,059</b>	<b>\$ 186,059</b>	<b>\$ -</b>	<b>\$ 0</b>
FTEs	20.0	20.0	-	20.0	-

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

<b>Compliance Monitoring and Enforcement</b>			
<b>(in whole dollars)</b>			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	30.0	33.0	3.0
Direct Expenses	\$ 7,427,495	\$ 8,214,749	\$ 787,254
Indirect Expenses	\$ 3,191,826	\$ 3,730,634	\$ 538,808
Inc(Dec) in Fixed Assets	\$ 101,006	\$ 58,580	\$ (42,426)
Total Funding Requirement	\$ 10,720,328	\$ 12,003,963	\$ 1,283,635

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

## Compliance Monitoring

### Program Scope and Functional Description

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

### 2022 Key Assumptions

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

1. Assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., Audits, Spot Checks, Self-Certifications), using a risk-based approach, ensuring that all activities are completed per the established process and timelines.
2. Pursuant to the risk-based CMEP, all Entities will have an Inherent Risk Assessment completed to determine their Compliance Oversight Plans (COP). As required by the NERC Rules of Procedure, Balancing Authority, Transmission Operator, and Reliability Coordinator audits will continue to occur on a three year cycle. For all other Entities, ReliabilityFirst will evaluate the entity's Inherent Risk Assessment results and COP to identify Entity risks and develop its planned monitoring schedule and oversight approach.
3. The ERO Enterprise will continue to perform reviews of internal controls as part of the compliance monitoring engagement process. As the ERO Enterprise continues to mature



its approach on internal controls this will continue to add time to the monitoring process and increase workload.

4. The implementation of the Entity COP has resulted in (and is expected to continue to result in) more frequent touch points across each calendar year, and increased workload. More frequent touch points reduce the scope of an individual engagement but adds to the overhead of managing a larger amount of engagements throughout the year.
5. The ERO Enterprise will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. ReliabilityFirst will provide the necessary training to continue to provide a credible, skilled, competent, and respected compliance monitoring staff, making use of NERC, third party Region and other available training courses and regimens.
6. Staff will continue to collaborate with NERC as it develops the ERO Enterprise-wide Align tool.
7. With the CIP Standards being revised to include virtualization, the ERO Enterprise continues to evaluate:
  - a. Whether the approved and ongoing changes area will materially change the amount of rigor and time Regional Entities will need to spend on compliance monitoring activities for entities with High, Medium, and Low BES Assets, and BES Cyber Systems, including whether field visits will be required; and
  - b. Whether material changes or additions will be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.

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

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

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

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**2022 Key Deliverables**

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.
- Perform internal controls reviews as part of the compliance monitoring engagement process.
- Conduct thorough and professional collaborative compliance audits consistently with all Regions through the incorporation of the Auditor Handbook, Checklist and the Align Tool. Audit teams will consist of staff supplemented, when necessary, by independent contractors.
- Prepare and distribute compliance monitoring reports to NERC and Registered Entities.
- Ensure all auditors receive adequate training, meet all NERC auditor training requirements, keep abreast of new and emerging technologies, and maintain professional certifications.
- Provide efficiencies in compliance monitoring processes through continued auditor training, development and enhancement of auditor tools, and continuous improvements.
- Monitoring Staff will support ERO and regional outreach and training efforts including the CIP Small Group Advisory Sessions, ReliabilityFirst Workshops (e.g. additional targeted workshops), CIP Focus Group Sessions, and CIP and O&P -related Assist Visits
- CIP audits will be performed as separate audits from Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP engagements targeted for 2022 is defined below:
  - 15 CIP audits of Entities.
  - 6 CIP Spot Checks of Entities. These Spot Checks will be conducted on larger/medium sized Entities with High, Medium, and Low impact BES Cyber Systems.
  - 25 CIP Self-Certifications of entities with only Low impact BES Cyber Systems
- The number of Operations/Planning engagements planned for 2022 is defined below and will be based on the entity's Inherent Risk Assessment, Compliance Oversight Plan and risk the entity poses to the BES.
  - 10 on-site O&P audits of entities.
  - 44 other engagements of entities based upon the Entity COP which include either off-site audits, Spot Checks, or Self-Certifications based upon their Inherent Risk Assessment.
- Spot Checks and Self-Certifications will be used: (1) to assess performance to selected Reliability Standards when a full audit is not warranted; (2) as an alternate means of monitoring lower risk entities; and (3) on an as-needed basis to address identified risks. Guidance on when a Spot Check or Self-Certification may be appropriate is outlined in the annual CMEP Implementation Plan and will be augmented by ReliabilityFirst's Regional Risk Assessment, Inherent Risk Assessments, and results from compliance

monitoring activities that identify emerging risks. Spot Checks and Self-Certifications may also be used to confirm prior self-certifications, self-reports, and the status of mitigation plans or agreed-to mitigation activities associated with settlement agreements.

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

### **Resource Requirements**

- **Personnel**

As discussed above in the 2022 Key Assumptions, the workload in the O&P and CIP monitoring area has continually increased and is expected to continue increasing. Two additional FTEs will be required in 2022 and ReliabilityFirst will continue to evaluate the need for additional future resources. This is driven by various factors, including the expansion of CIP scopes for entities with only Low Impact BES Cyber Systems, increased complexity of the Standards, and the fact that more Compliance Oversight Plans also include Spot Checks or Self-Certifications. Compliance monitoring teams now perform internal controls reviews as part of the compliance monitoring engagement process, which has added time and workload to engagements. All of these along with the enhanced security features included with the new ERO ALIGN CMEP tool, may require additional hours for the audit teams to complete their work.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2022 to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

## Enforcement

### Program Scope and Functional Description

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

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

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

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

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

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## 2022 Key Assumptions

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

1. The increased number of CIP noncompliances will, at a minimum, remain steady due to implementation of the CIP V5 Standards and certain Operations and Planning Standards, which increased the scope of assets covered and frequency of activities required relating to an entity's assets. The number of CIP noncompliances may increase as a result of proposed revisions to the CIP Standards.
2. ReliabilityFirst will process a larger volume of Settlement Agreements than it has in past years due to the complexity of the CIP Standards and increased focus on certain Operations and Planning Standards. Complex, higher-risk noncompliances disposed as Settlement Agreements will require approximately 70% of Enforcement resources. These matters often involve more complex mitigation, increased regional interaction with the entities, and additional analysis and advocacy regarding penalties and sanctions.
3. ReliabilityFirst anticipates that the majority of noncompliances will continue to trend as minimal or moderate risk; however the complexity of processing these noncompliances may continue to increase as entities' compliance history grows and technology continues to evolve and advance.
4. ReliabilityFirst will implement and utilize the new ERO tools for CMEP activities, including ALIGN and related platforms for exchanging entities' most sensitive information. Mostly due to increased security measures, these tools may increase the amount of administrative work for our enforcement case managers, compared to current tools and processes.
5. The Find Fix and Track (FFT) disposition method will be used for some moderate and minimal risk issues. It will continue to be used less often in favor of the Compliance Exception disposition method, which will be used for qualified minimal risk noncompliances.
6. Enforcement staff will spend significant time ensuring adequate records are created for all issues, including minimal risk issues. The expenditure of this time will be driven by anticipated receipt of minimal risk issues for the CIP V5 Standards, as well as increased participation in the self-logging program and case-by-case compliance exception mechanisms.
7. ReliabilityFirst will frequently serve as the lead Region for MRREs and will continue to support other Regions when ReliabilityFirst is the affected Region. The disposition of MRRE noncompliances takes additional time to coordinate dispositions, review mitigation, and negotiate acceptable solutions with Affected Regions.

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

### **2022 Key Deliverables**

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

## Resource Requirements

- **Personnel**

As described in the Assumptions section, the workload for Enforcement has increased since the implementation of CIP version 5, and with the revision and implementation of certain Operations and Planning Standards. This increased volume has been sustained since the implementation of CIP version 5, and this is expected to continue, and potentially increase with the newest proposed revisions to the CIP Standards.

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

Additionally, ReliabilityFirst has experienced an increase in processing times for moderate and serious risk violations due to multiple causes, including the complexity of the violations and mitigation especially relating to Full Notices of Penalty. This, together with the increased number of settlements (which is related to the complexity of our entities, increased complexity of the CIP Standards, and increased focused on certain Operations and Planning Standards), has resulted in additional resources needed to adequately process these violations. In addition, processing time for all individual noncompliance will likely increase as a result of new platforms for managing CMEP activities and exchanging related information with entities.

Based on the assumptions as stated above, ReliabilityFirst is including the addition of one FTE for Enforcement in the budget to continue to ensure it remains effective in addressing known risks through enforcement processing and to decrease its inventory of violations and prevent the creation of a backlog due to the sustained and expected increase in violations and number of settlements.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in 2022.

**Compliance Monitoring and Enforcement Budget Detail**

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

<b>2021 Budget and Projection, and 2022 Budget</b>					
<b>Compliance Monitoring and Enforcement</b>					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 8,588,749	\$ 8,588,749	\$ -	\$ 10,276,500	\$ 1,687,751
Penalties Released*	2,108,359	2,108,359	-	1,703,054	(405,305)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 10,697,108</b>	<b>\$ 10,697,108</b>	<b>\$ -</b>	<b>\$ 11,979,554</b>	<b>\$ 1,282,447</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	23,220	23,220	-	24,408	1,188
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>10,720,328</b>	<b>10,720,328</b>	<b>-</b>	<b>12,003,963</b>	<b>1,283,635</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,128,355	\$ 5,136,027	\$ 7,672	\$ 5,778,419	\$ 650,064
Payroll Taxes	330,787	329,802	(985)	371,629	40,842
Benefits	773,137	708,564	(64,573)	835,456	62,319
Retirement Costs	789,805	799,580	9,775	884,951	95,146
<b>Total Personnel Expenses</b>	<b>\$ 7,022,084</b>	<b>\$ 6,973,973</b>	<b>\$ (48,111)</b>	<b>\$ 7,870,455</b>	<b>\$ 848,371</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 9,825	\$ 2,500	\$ (7,325)	\$ 9,825	\$ -
Travel	226,000	56,491	(169,509)	226,000	-
<b>Total Meeting Expenses</b>	<b>\$ 235,825</b>	<b>\$ 58,991</b>	<b>\$ (176,834)</b>	<b>\$ 235,825</b>	<b>\$ -</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 70,000	\$ 70,000	\$ -	\$ 10,000	\$ (60,000)
Office Rent	-	-	-	-	-
Office Costs	92,186	92,186	-	91,069	(1,117)
Professional Services	-	-	-	-	-
Miscellaneous	7,400	7,400	-	7,400	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 169,586</b>	<b>\$ 169,586</b>	<b>\$ -</b>	<b>\$ 108,469</b>	<b>\$ (61,117)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,427,495</b>	<b>\$ 7,202,550</b>	<b>\$ (224,945)</b>	<b>\$ 8,214,749</b>	<b>\$ 787,254</b>
<b>Indirect Expenses</b>	<b>\$ 3,191,826</b>	<b>\$ 3,174,287</b>	<b>\$ (17,540)</b>	<b>\$ 3,730,634</b>	<b>\$ 538,808</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 10,619,321</b>	<b>\$ 10,376,837</b>	<b>\$ (242,485)</b>	<b>\$ 11,945,383</b>	<b>\$ 1,326,062</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 101,006</b>	<b>\$ 343,491</b>	<b>\$ 242,485</b>	<b>\$ 58,580</b>	<b>\$ (42,426)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	\$ 101,006	\$ 101,006	-	\$ 58,580	\$ (42,426)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 101,006</b>	<b>\$ 101,006</b>	<b>\$ -</b>	<b>\$ 58,580</b>	<b>\$ (42,426)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 10,720,328</b>	<b>\$ 10,477,843</b>	<b>\$ (242,485)</b>	<b>\$ 12,003,963</b>	<b>\$ 1,283,635</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ 242,485</b>	<b>\$ 242,485</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	30.0	30.0	-	33.0	3.0

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



## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis Program</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.6	6.6	0.0
Direct Expenses	\$ 2,243,430	\$ 2,134,965	\$ (108,465)
Indirect Expenses	\$ 702,202	\$ 746,127	\$ 43,925
Inc(Dec) in Fixed Assets	\$ 22,221	\$ 11,716	\$ (10,505)
Total Funding Requirement	\$ 2,967,853	\$ 2,892,808	\$ (75,045)

### Program Scope and Functional Description

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

### 2022 Key Assumptions

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

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

### 2022 Key Deliverables

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

- Perform seasonal (summer and winter), near-term (typically five years into the future), and extreme transmission power-flow analysis assessments, and produce reports on the transmission assessment scope and results.
- Collect data and contribute to the production of assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, special assessment, and long-term reports.
- Provide technical support for the ERO Enterprise's expanded and enhanced system studies and help perform analyses as needed.
- Work with neighboring Regional Entities within the Eastern Interconnection Reliability Assessment Group (ERAG) to perform Eastern Interconnection assessment studies and produce reports.
- Update power-flow base case models that represent the Bulk Power System within the ReliabilityFirst footprint as needed for regional study efforts.
- Reporting Requirements
  - Assist NERC in the collection, verification, and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), Misoperation Information Data Analysis System (MIDAS), and Geomagnetic Disturbance Data System (GMD). All these systems can be used for data analytics across the ERO Enterprise.
- Other Requirements and Activities
  - Support risk-based activities with the development and review of lessons learned, best practices, and guidance documentation across the ERO Enterprise and industry. Continue to participate in the Eastern Interconnection Reliability Assessment Group (ERAG) and the Multiregional Modeling Working Group (MMWG).
  - Analyze protective relay misoperation information and track corrective action plans, as reported in the NERC MIDAS system. Facilitate a peer review process of this data via the ReliabilityFirst Protection Subcommittee.
  - Develop and maintain various data repositories, which includes, but is not limited to: support the development of ongoing data warehouse initiatives, maintenance of a linear contingency database, and maintenance of a data dictionary between GADS and the MMWG power-flow model.
  - In support of the ERO Enterprise, actively participate (and in some cases serve in leadership roles) in NERC committees, subcommittees, task forces, and other technical groups, such as the ERO Reliability Assessment and Performance Analysis Steering Group, Reliability Assessment Subcommittee, Performance Analysis Subcommittee, Probabilistic Assessment Working Group, and associated subgroups, as well as the MIDAS User Group, TADS User Group, and GADS User Group.

- Continue to support stakeholder participation and interaction through various regional technical groups, including the Reliability Committee (a technical advisory body to the ReliabilityFirst Board of Directors) and its subcommittees (i.e. Protection Subcommittee, Transmission Performance Subcommittee, Generation Subcommittee) and task forces. Facilitate several industry groups aimed toward continuous improvement and excellence.
- Provide the various regional technical groups with information and knowledge to help entities improve human performance. Conduct a human performance workshop and facilitate an industry group aimed toward continuous improvement and excellence.
- Provide Registered Entities with tailored training and interaction through recurring workshops (such as the Protection Workshop for Technical Personnel).
- Provide knowledge, techniques, and data input in support of ReliabilityFirst's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts.
- Provide the various Registered Entities with information and knowledge to help entities improve vegetation contacts on non-BES facilities. Initiate and facilitate an industry group aimed toward continuous improvement and excellence in vegetation management.

### **Resource Requirements**

- **Personnel**

There are no planned changes in FTEs for 2022.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to support:

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

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

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

## Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the *2022 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2021 Budget and Projection, and 2022 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,498,906	\$ 2,498,906	\$ -	\$ 2,547,315	\$ 48,409
Penalties Released*	463,839	463,839	-	340,611	(123,228)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,962,745</b>	<b>\$ 2,962,745</b>	<b>\$ -</b>	<b>\$ 2,887,926</b>	<b>\$ (74,819)</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	5,108	5,108	-	4,882	(227)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>2,967,853</b>	<b>2,967,853</b>	<b>-</b>	<b>2,892,808</b>	<b>(75,045)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,495,220	\$ 1,518,448	\$ 23,228	\$ 1,399,167	\$ (96,053)
Payroll Taxes	90,895	92,427	1,532	82,229	(8,666)
Benefits	162,238	143,630	(18,608)	145,186	(17,052)
Retirement Costs	228,591	243,735	15,144	221,857	(6,734)
<b>Total Personnel Expenses</b>	<b>\$ 1,976,944</b>	<b>\$ 1,998,240</b>	<b>\$ 21,296</b>	<b>\$ 1,848,439</b>	<b>\$ (128,505)</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 8,000	\$ 3,500	\$ (4,500)	\$ 8,250	\$ 250
Travel	95,000	23,747	(71,253)	95,000	-
<b>Total Meeting Expenses</b>	<b>\$ 103,000</b>	<b>\$ 27,247</b>	<b>\$ (75,753)</b>	<b>\$ 103,250</b>	<b>\$ 250</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 116,624	\$ 116,624	\$ -	\$ 130,624	\$ 14,000
Office Rent	-	-	-	-	-
Office Costs	46,862	46,862	-	52,652	5,790
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 163,486</b>	<b>\$ 163,486</b>	<b>\$ -</b>	<b>\$ 183,276</b>	<b>\$ 19,790</b>
<b>Total Direct Expenses</b>	<b>\$ 2,243,430</b>	<b>\$ 2,188,973</b>	<b>\$ (54,457)</b>	<b>\$ 2,134,965</b>	<b>\$ (108,465)</b>
<b>Indirect Expenses</b>	<b>\$ 702,202</b>	<b>\$ 698,343</b>	<b>\$ (3,859)</b>	<b>\$ 746,127</b>	<b>\$ 43,925</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,945,632</b>	<b>\$ 2,887,316</b>	<b>\$ (58,316)</b>	<b>\$ 2,881,092</b>	<b>\$ (64,540)</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 22,221</b>	<b>\$ 80,537</b>	<b>\$ 58,316</b>	<b>\$ 11,716</b>	<b>\$ (10,505)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>					
Allocation of Fixed Assets	\$ 22,221	\$ 22,221	-	\$ 11,716	\$ (10,505)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 22,221</b>	<b>\$ 22,221</b>	<b>\$ -</b>	<b>\$ 11,716</b>	<b>\$ (10,505)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 2,967,853</b>	<b>\$ 2,909,537</b>	<b>\$ (58,316)</b>	<b>\$ 2,892,808</b>	<b>\$ (75,045)</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ 58,316</b>	<b>\$ 58,316</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>FTEs</b>	6.6	6.6	-	6.6	-

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

## Training, Education, Outreach, and Operator Certification Program

<b>Training, Education, Outreach and Operator Certification Program</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.0	3.0	0.0
Direct Expenses	\$ 1,268,086	\$ 1,287,433	\$ 19,347
Indirect Expenses	\$ 319,183	\$ 339,149	\$ 19,966
Inc(Dec) in Fixed Assets	\$ 10,101	\$ 5,325	\$ (4,775)
Total Funding Requirement	\$ 1,597,369	\$ 1,631,907	\$ 34,538

### Program Scope and Functional Description

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

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

### 2022 Key Assumptions

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

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

### 2022 Key Deliverables

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

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

- Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
- Participate in the ERO Enterprise staff learning development process through the ERO working groups and functional area program leaders.

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

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

- One Reliability workshop (fall) to promote a culture of compliance focusing on reliability, security, resilience, risk management, internal controls, and targeted discussion on methods to demonstrate compliance.
- Protection Systems Workshop on key issues associated with protection systems (e.g., misoperations, maintenance and testing).

- Human Performance Workshop on practical application of human performance techniques and concepts for front-line activities such as operations, asset management, design, protection, and maintenance.
- Additional targeted outreach to address internal controls, cybersecurity, community outreach, emerging risks (e.g., misoperations, fuel security, changing generation mix, insider threats and cyber security technology) as the need is identified and the sessions can be scheduled.

- **Personnel**

There are no planned changes in FTEs for 2022.

- **Contractors and Consultants**

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

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

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the *2022 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

<b>2021 Budget and Projection, and 2022 Budget</b>					
<b>Training, Education, and Operator Certification Program</b>					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 1,384,211	\$ 1,384,211	\$ -	\$ 1,474,865	\$ 90,654
Penalties Released*	210,836	210,836	-	154,823	(56,013)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 1,595,047</b>	<b>\$ 1,595,047</b>	<b>\$ -</b>	<b>\$ 1,629,688</b>	<b>\$ 34,641</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	2,322	2,322	-	2,219	(103)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>1,597,369</b>	<b>1,597,369</b>	<b>-</b>	<b>1,631,907</b>	<b>34,538</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 707,053	\$ 707,265	\$ 212	\$ 697,612	\$ (9,441)
Payroll Taxes	36,672	37,526	854	37,514	842
Benefits	89,322	84,290	(5,032)	121,026	31,704
Retirement Costs	111,869	113,560	1,691	105,848	(6,021)
<b>Total Personnel Expenses</b>	<b>\$ 944,916</b>	<b>\$ 942,641</b>	<b>\$ (2,275)</b>	<b>\$ 962,000</b>	<b>\$ 17,084</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 237,600	\$ 78,950	\$ (158,650)	\$ 207,230	\$ (30,370)
Travel	18,000	4,500	(13,500)	18,000	-
<b>Total Meeting Expenses</b>	<b>\$ 255,600</b>	<b>\$ 83,450</b>	<b>\$ (172,150)</b>	<b>\$ 225,230</b>	<b>\$ (30,370)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 50,000	\$ 50,000	\$ -	\$ 80,000	\$ 30,000
Office Rent	-	-	-	-	-
Office Costs	17,070	17,070	-	19,703	2,633
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	500	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 67,570</b>	<b>\$ 67,570</b>	<b>\$ -</b>	<b>\$ 100,203</b>	<b>\$ 32,633</b>
<b>Total Direct Expenses</b>	<b>\$ 1,268,086</b>	<b>\$ 1,093,661</b>	<b>\$ (174,425)</b>	<b>\$ 1,287,433</b>	<b>\$ 19,347</b>
<b>Indirect Expenses</b>	<b>\$ 319,183</b>	<b>\$ 317,429</b>	<b>\$ (1,754)</b>	<b>\$ 339,149</b>	<b>\$ 19,966</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,587,269</b>	<b>\$ 1,411,090</b>	<b>\$ (176,179)</b>	<b>\$ 1,626,582</b>	<b>\$ 39,313</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 10,101</b>	<b>\$ 186,280</b>	<b>\$ 176,179</b>	<b>\$ 5,325</b>	<b>\$ (4,775)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	\$ 10,101	\$ 10,101	-	\$ 5,325	\$ (4,775)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 10,101</b>	<b>\$ 10,101</b>	<b>\$ -</b>	<b>\$ 5,325</b>	<b>\$ (4,775)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 1,597,369</b>	<b>\$ 1,421,190</b>	<b>\$ (176,179)</b>	<b>\$ 1,631,907</b>	<b>\$ 34,538</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ 176,178</b>	<b>\$ 176,179</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	3.0	3.0	-	3.0	-

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



## Situational Awareness Program

<b>Situational Awareness Program</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.0	5.0	0.0
Direct Expenses	\$ 1,293,584	\$ 1,365,524	\$ 71,940
Indirect Expenses	\$ 531,971	\$ 565,248	\$ 33,277
Inc(Dec) in Fixed Assets	\$ 16,834	\$ 8,876	\$ (7,959)
Total Funding Requirement	\$ 1,842,389	\$ 1,939,647	\$ 97,258

### Program Scope and Functional Description

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

In support of the ERO Enterprise, OAA staff, in coordination with members of the Engineering and System Performance (ESP) and the Reliability and Risk Analysis groups, monitors present conditions on and emerging threats to the BES. OAA staff performs the event analysis process for system disturbances and events which includes working with entities to identify and analyze the root causes of system events, complete event analysis reports, and communicate the resulting information and lessons learned to the industry.

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

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

### 2022 Key Assumptions

The OAA Event Analysis, Situational Awareness, and Threat Intelligence programs support the key value drivers and strategic focus areas set forth in the ERO Enterprise Long Term Strategy. They also include the following regional assumptions:

1. National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and

Data Acquisition, and information technology assets. OAA staff will participate in these exercises as appropriate.

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

## 2022 Key Deliverables

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

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

- Engage in and contribute to ERO biennial GridEx and annual GridSecCon activities.
- Collect, validate, review, and analyze data for system events and disturbances as described in the ERO Event Analysis Process and the ReliabilityFirst Event Analysis Procedure.
  - For system events and disturbances, cooperate with NERC and FERC staff and other Regional staff to ensure root causes, corrective actions, lessons learned, and recommendations are identified and shared across the ERO Enterprise and the industry.
  - Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Author, publish and share lessons learned documents designed to convey lessons learned from NERC’s various activities such as the ERO Event Analysis Process and NERC/FERC supported initiatives (i.e. commissioning practices, data verification and validation, real-time assessments, etc.)
- Support ERO Enterprise-wide data collection and analysis efforts.
- Support and leverage cross-functional collaboration to use analytics within ReliabilityFirst and across the ERO Enterprise.
  - Collaborate with ESP in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), and the Misoperation Information Data Analysis System (MIDAS).
  - Collaborate with Reliability and Risk Analysis and Monitoring, Enforcement, and Legal, to explore and develop analytical solutions, where applicable.
  - Collaborate with NERC and other Regional Entities on Analytics related initiatives and efforts via the ERO Analytics Community of Excellence (ACE).
- Engage and participate in the Event Analysis Subcommittee (EAS), ERO Event Analysis (EA), Energy Management System Working Group (EMSWG), System Protection & Control Working Group (SPCWG), and other ERO committees, working groups, task forces, as deemed necessary. Where possible, support industry conferences that address Monitoring and Situational Awareness, Energy Management Systems, Human Performance, Grid Security.
- Provide technical subject matter expertise and support for regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.

**Resource Requirements**

- **Personnel**

There are no planned changes in FTEs for 2022.

- **Contractors and Consultants**

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

## Situational Awareness Program Budget Detail

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

<b>2021 Budget and Projection, and 2022 Budget</b>					
<b>Situational Awareness</b>					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 1,487,126	\$ 1,487,126	\$ -	\$ 1,677,911	\$ 190,784
Penalties Released*	351,393	351,393	-	258,039	(93,355)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 1,838,519</b>	<b>\$ 1,838,519</b>	<b>\$ -</b>	<b>\$ 1,935,949</b>	<b>\$ 97,430</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	3,870	3,870	-	3,698	(172)
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>1,842,389</b>	<b>1,842,389</b>	<b>-</b>	<b>1,939,647</b>	<b>97,258</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 843,467	\$ 841,644	\$ (1,823)	\$ 873,055	\$ 29,588
Payroll Taxes	52,832	53,464	632	54,875	2,043
Benefits	171,141	148,997	(22,144)	161,887	(9,254)
Retirement Costs	133,310	133,506	196	138,102	4,792
<b>Total Personnel Expenses</b>	<b>\$ 1,200,750</b>	<b>\$ 1,177,611</b>	<b>\$ (23,139)</b>	<b>\$ 1,227,919</b>	<b>\$ 27,169</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 1,500	\$ 625	\$ (875)	\$ 500	\$ (1,000)
Travel	50,000	12,575	(37,425)	50,000	-
<b>Total Meeting Expenses</b>	<b>\$ 51,500</b>	<b>\$ 13,200</b>	<b>\$ (38,300)</b>	<b>\$ 50,500</b>	<b>\$ (1,000)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 20,000	\$ 10,000
Office Rent	-	-	-	-	-
Office Costs	31,334	31,334	-	67,105	35,771
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 41,334</b>	<b>\$ 41,334</b>	<b>\$ -</b>	<b>\$ 87,105</b>	<b>\$ 45,771</b>
<b>Total Direct Expenses</b>	<b>\$ 1,293,584</b>	<b>\$ 1,232,145</b>	<b>\$ (61,439)</b>	<b>\$ 1,365,524</b>	<b>\$ 71,940</b>
<b>Indirect Expenses</b>	<b>\$ 531,971</b>	<b>\$ 529,048</b>	<b>\$ (2,923)</b>	<b>\$ 565,248</b>	<b>\$ 33,277</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,825,555</b>	<b>\$ 1,761,193</b>	<b>\$ (64,362)</b>	<b>\$ 1,930,772</b>	<b>\$ 105,217</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 16,834</b>	<b>\$ 81,197</b>	<b>\$ 64,362</b>	<b>\$ 8,876</b>	<b>\$ (7,959)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>					
Allocation of Fixed Assets	\$ 16,834	\$ 16,834	-	\$ 8,876	\$ (7,959)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 16,834</b>	<b>\$ 16,834</b>	<b>\$ -</b>	<b>\$ 8,876</b>	<b>\$ (7,959)</b>
<b>Total Budget (= B + C)</b>	<b>\$ 1,842,389</b>	<b>\$ 1,778,027</b>	<b>\$ (64,362)</b>	<b>\$ 1,939,647</b>	<b>\$ 97,258</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ 64,362</b>	<b>\$ 64,362</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>FTEs</b>	<b>5.0</b>	<b>5.0</b>	<b>-</b>	<b>5.0</b>	<b>-</b>

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

## Administrative Services

Administrative Services (in whole dollars)						
	Increase (Decrease)			FTEs Increase (Decrease)		
	2021 Budget	2022 Budget		2021 Budget	2022 Budget	
General and Administrative	\$ 2,452,168	\$ 2,798,619	\$ 346,451	4.00	4.00	0.00
Legal and Regulatory	\$ 978,429	\$ 987,435	\$ 9,006	3.00	3.00	0.00
Information Technology	\$ 1,895,883	\$ 2,059,406	\$ 163,523	7.00	7.00	0.00
Human Resources	\$ 950,263	\$ 1,100,773	\$ 150,510	3.00	4.00	1.00
Finance and Accounting	\$ 813,823	\$ 815,914	\$ 2,091	2.75	3.00	0.25
<b>Total Administrative Services</b>	<b>\$ 7,090,566</b>	<b>\$ 7,762,147</b>	<b>\$ 671,581</b>	<b>19.75</b>	<b>21.00</b>	<b>1.25</b>

### Program Scope and Functional Description

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

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

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

**Administrative Services Budget Detail**

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

<b>2021 Budget and Projection, and 2022 Budget</b>					
<b>Administrative Services</b>					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2021 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,569,503	\$ 2,569,503	\$ -	\$ 766,700	\$ (1,802,804)
Penalties Released*	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,569,503</b>	<b>\$ 2,569,503</b>	<b>\$ -</b>	<b>\$ 766,700</b>	<b>\$ (1,802,804)</b>
Membership Dues	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>2,569,503</b>	<b>2,569,503</b>	<b>-</b>	<b>766,700</b>	<b>(1,802,804)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,476,844	\$ 3,525,731	\$ 48,887	\$ 3,819,343	\$ 342,499
Payroll Taxes	194,118	204,070	9,952	217,678	23,560
Benefits	666,141	629,581	(36,560)	660,573	(5,568)
Retirement Costs	657,868	715,400	57,532	677,136	19,268
<b>Total Personnel Expenses</b>	<b>\$ 4,994,971</b>	<b>\$ 5,074,782</b>	<b>\$ 79,811</b>	<b>\$ 5,374,730</b>	<b>\$ 379,759</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 113,110	\$ 48,866	\$ (64,244)	\$ 143,850	\$ 30,740
Travel	60,000	14,991	(45,009)	60,000	-
<b>Total Meeting Expenses</b>	<b>\$ 173,110</b>	<b>\$ 63,857</b>	<b>\$ (109,253)</b>	<b>\$ 203,850</b>	<b>\$ 30,740</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 67,954	\$ 67,954	\$ -	\$ 198,250	\$ 130,296
Office Rent	628,092	564,856	(63,236)	598,092	(30,000)
Office Costs	491,619	491,619	-	594,625	103,006
Professional Services	481,335	536,244	54,909	631,765	150,430
Miscellaneous	35,985	35,985	-	40,835	4,850
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 1,704,985</b>	<b>\$ 1,696,658</b>	<b>\$ (8,327)</b>	<b>\$ 2,063,567</b>	<b>\$ 358,582</b>
<b>Total Direct Expenses</b>	<b>\$ 6,873,066</b>	<b>\$ 6,835,297</b>	<b>\$ (37,769)</b>	<b>\$ 7,642,147</b>	<b>\$ 769,081</b>
<b>Indirect Expenses</b>	<b>\$ (6,873,066)</b>	<b>\$ (6,835,297)</b>	<b>\$ 37,769</b>	<b>\$ (7,642,147)</b>	<b>\$ (769,081)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 2,569,503</b>	<b>\$ 2,569,503</b>	<b>\$ -</b>	<b>\$ 766,700</b>	<b>\$ (1,802,804)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	217,500	217,500	-	120,000	(97,500)
Allocation of Fixed Assets	\$ (217,500)	\$ (217,500)	-	\$ (120,000)	\$ 97,500
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget (= B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ 2,569,503</b>	<b>\$ 2,569,503</b>	<b>\$ -</b>	<b>\$ 766,700</b>	<b>\$ (1,802,804)</b>
<b>FTEs</b>	19.75	19.75	-	21.00	1.25

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

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## General and Administrative

### Program Scope and Functional Description

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

### 2022 Key Assumptions

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

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

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

1. ReliabilityFirst will implement a Data Loss Prevention strategy.
2. ReliabilityFirst will increase its cybersecurity resources
3. ReliabilityFirst will increase its security monitoring capability, including Network Traffic Analysis.

### 2022 Key Deliverables

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



ReliabilityFirst staff, particularly the Information Technology staff, in achieving compliance to these Standards.

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

### **Resource Requirements**

- **Personnel**

There are no planned changes in FTEs for 2022.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in 2022.

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## Legal and Regulatory Affairs

### Program Scope and Functional Description

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

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

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

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

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

### 2022 Key Assumptions

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

### 2022 Key Deliverables

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

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

**Resource Requirements**

- **Personnel**

There are no planned changes in FTEs for 2022.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in 2022.

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## Information Technology

### Program Scope and Functional Description

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

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

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

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

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

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

### **2022 Key Assumptions**

The IT Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the recently developed ERO 3 Year Cybersecurity Strategy 2021 – 2023. The objectives include the support for building and implementing centralized enterprise applications for the ERO and implementation of controls and processes to provide like protections to the identified ERO security risks, respectively. The IT Program includes the following regional assumptions:

1. Utilize Continuous improvement to maintain and advance the security posture across the corporation-wide data infrastructure and remediate any vulnerability to protect sensitive data.
2. Maintain lower fixed asset costs (infrastructure servers) by continuing operations of virtualization technologies, therefore minimizing replacement costs.
3. Maintain a stringent level of control of the Access Management Process that governs physical and electronic access to resources that contain sensitive corporate data.
4. Departmental processes and efficiencies must be continuously improved, including training exercises for implemented technologies in order to maintain proficiency.
5. Maintain a multi-layered security protection and monitoring environment governed by established controls, processes, and security awareness activities.
6. Continue close collaboration with Corporate Security to ensure that planned objectives are prioritized and desired results are purposely implemented.

### **2022 Key Deliverables**

- Continue assessment of system(s) and/or services that could potentially be outsourced or moved into a secure cloud hosted environment. The ERO Enterprise recognizes that this alternative must be considered for projected collaboration solutions across the ERO.
- Perform necessary software and hardware upgrades including, but not limited to, the upgrade of various workstation and server applications, targeted server operating systems, and infrastructure equipment that has reached its end-of-life.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified corporation-wide Information Management System.

- Continue enhancements of the internal and external website and related applications to further improve employee efficiency and customer experience.
- Continue supporting Data Warehousing and Analytics efforts that will support improved risk analysis and decision making for customers.
- Continue the advancement of data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats. Efforts to advance the implementation of Data Loss Prevention and Network Traffic Analysis will continue within ReliabilityFirst environment.
- Continue refinement of security awareness program by providing training documents, questionnaires, simulated exercises, assessment campaigns, and/or seminars on existing workplace vulnerabilities.
- Continue participation in E-ISAC CHIRP (Cyber Hygiene and Internet Risk Program) and CRISP (Cybersecurity Risk Information Sharing Program) initiatives to obtain additional external vulnerability assessment and threat information.
- Continue supporting ERO initiatives of developing, testing, and deploying ERO Enterprise solutions. Continue to look for opportunities to implement the common processes and/or solutions across the ERO Enterprise to achieve shared cost savings and efficiencies.

### **Resource Requirements**

- **Personnel**

There are no planned changes in FTEs for 2022.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2022 as needed for network maintenance projects, security simulation activities, enhancing data management systems, and network and audio/visual upgrades.

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## Organization Development & Human Resources

### Program Scope and Functional Description

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

ReliabilityFirst will increase its staff to 89 individuals, equivalent to 88.60 FTEs. This includes one part-time position equaling (.60) FTE. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

### 2022 Key Assumptions

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

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

### 2022 Key Deliverables

- Recruit and retain highly skilled employees.
- Implement new recruiting strategies to identify diverse candidates
- Develop and deploy diversity and inclusion training, series, regional and ERO resource groups to foster a culture of inclusion.
- Assess workforce model against organizational needs and changing competitive market
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide staff training and education:
  - Train and educate staff on relevant technical topics, including emerging issues and technologies (e.g., virtualization, smart grid technologies).

- Train and educate staff on the existing and new competencies required to perform their roles and responsibilities (e.g., identify and assess risks, perform internal controls assessments and evaluations).
- Leverage competency models to more accurately identify training needs and update individual development plans.
- Explore, develop, and provide training on tools to further enhance staff efficiency and effectiveness.
- Review and manage employee benefits.
- Review succession plans and forecast for future talent needs.
- Apply organization development principles, methods and tools to formulate customized business solutions and frameworks which enhance organizational effectiveness.
- Provide continuous improvement in organizational design and alignment to corporate vision and strategic plan.
- Lead the development, communication and tracking of corporate goals and strategic plan.
- Cultivate a culture of innovation, collaboration and high performance
- Drive employee engagement and inclusion

### **Resource Requirements**

- **Personnel**

An increase in one FTE for the Organizational Development & Human Resource Department is budgeted for 2022.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2022 for third party recruiting and consulting services for skills software.



## Finance and Accounting

### Program Scope and Functional Description

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

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

### 2022 Key Assumptions

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

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

### 2022 Key Deliverables

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

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

### **Resource Requirements**

- **Personnel**

An increase of .25 FTEs is budgeted in 2022. The purpose of this increase is to convert a part-time position into a full-time position.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in 2022.

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

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

Working Capital and Operating Reserve Analysis 2021-2022				
STATUTORY				
	Total	Working Capital and Working Capital Reserve	Unreleased Penalties	Operating Reserve
<b>Beginning Working Capital, December 31, 2020 Per Audit</b>	10,957,680			
Less: Adjustment for Future Long-Term Liabilities	(506,627)			
<b>Beginning Reserve Balances, January 1, 2021</b>	10,451,053	2,996,122	6,454,931	1,000,000
Penalty Funds Released from Restriction January 1, 2021	0	4,540,000	(4,540,000)	
Plus: Penalty Sanctions Received January 1 - June 30, 2021	1,573,750	0	1,573,750	0
Plus: 2021 ReliabilityFirst Funding (from LSEs or designees)	22,764,995	22,764,995	0	0
Plus: 2021 Other funding sources	50,000	50,000	0	0
Less: 2021 Projected expenses & capital expenditures	(24,058,091)	(24,058,091)	0	0
Other Adjustments to Reserves <sup>1</sup>	(158,074)	(158,074)	0	0
<b>Projected Reserves, December 31, 2021</b>	<b>10,623,633</b>	<b>6,134,952</b>	<b>3,488,681</b> <sup>2</sup>	<b>1,000,000</b>
Targeted Reserves, December 31, 2022 <sup>3</sup>	7,743,577	6,743,577	0	1,000,000
Less: Projected Reserves, December 31, 2021	(10,623,633)	(6,134,952)	(3,488,681)	(1,000,000)
<b>Total Adjustments to Reserves</b>	<b>(2,880,056)</b>	<b>608,625</b>	<b>(3,488,681)</b>	<b>0</b>
2022 Expenses and Capital Expenditures	26,219,927			
Less: Released Penalties <sup>2</sup>	(3,488,681)			
Less: Other Funding Sources	(50,000)			
Adjustment to Achieve Working Capital Reserve Balance	608,625			
Other Adjustments to Reserve <sup>1</sup>	158,074			
<b>2022 ReliabilityFirst Assessment</b>	<b>23,447,945</b>			

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

<sup>2</sup> Represents penalty sanctions collected from July 1, 2020 to June 30, 2021.

<sup>3</sup> The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on March 18, 2021.

### Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow needs for daily operations. In an effort to manage assessments more effectively over a three to five year period, the working capital reserve was initially increased in amount such that additional funds were available to achieve stabilization of future assessments. For 2022, the working capital reserve is being increased by \$0.6M to meet the Board-approved target reserve of approximately \$6.7M at December 31, 2022. The Targeted Working Capital balance of \$6.7M will be used to stabilize assessments in future years.

### Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On March 18, 2021, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy, is the same amount budgeted in the 2021 Business Plan and Budget, and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

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

Dates Received	Amount Received
Collected July 1, 2020 to December 31, 2020	1,914,931
Collected January 1, 2021 to June 30, 2021	1,573,750
<b>Total</b>	<b>3,488,681</b>

### Allocation Method

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

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

**Table B-3: Supplemental Funding**

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget
Interest Income	\$ 50,000	\$ 50,000	\$ 50,000	-
<b>Total Outside Funding</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>-</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- No significant variances requiring explanation.

**Table B-4: Personnel Expenses**

Personnel Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 15,312,641	\$ 15,363,124	\$ 16,209,863	\$ 897,222	5.9%
Vacation Expense	59,688	59,688	64,382	4,694	7.9%
<b>Total Salaries</b>	<b>\$ 15,372,329</b>	<b>\$ 15,422,812</b>	<b>\$ 16,274,245</b>	<b>\$ 901,916</b>	<b>5.9%</b>
<b>Total Payroll Taxes</b>	<b>\$ 934,645</b>	<b>\$ 945,687</b>	<b>\$ 992,282</b>	<b>\$ 57,637</b>	<b>6.2%</b>
<b>Benefits</b>					
Workers Compensation	\$ 14,000	\$ 14,000	\$ 17,000	\$ 3,000	21.4%
Medical Insurance	1,865,755	1,689,920	1,907,912	42,157	2.3%
Life-LTD Insurance	132,925	131,592	140,244	7,319	5.5%
Training & Education	339,250	339,250	347,650	8,400	2.5%
Relocation	-	-	-	-	-
<b>Total Benefits</b>	<b>\$ 2,351,930</b>	<b>\$ 2,174,762</b>	<b>\$ 2,412,806</b>	<b>\$ 60,876</b>	<b>2.6%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 1,489,744	\$ 1,498,388	\$ 1,581,739	\$ 91,995	6.2%
Savings Plan	873,543	910,274	924,016	50,473	5.8%
Pension & Savings Admin	130,500	175,384	96,350	(34,150)	-26.2%
<b>Total Retirement</b>	<b>\$ 2,493,787</b>	<b>\$ 2,584,046</b>	<b>\$ 2,602,105</b>	<b>\$ 108,318</b>	<b>4.3%</b>
<b>Total Personnel Costs</b>	<b>\$ 21,152,691</b>	<b>\$ 21,127,307</b>	<b>\$ 22,281,438</b>	<b>\$ 1,128,747</b>	<b>5.3%</b>
<b>FTEs</b>	84.35	84.35	88.60	4.25	5.0%
<b>Cost per FTE</b>					
Salaries	\$ 182,245	\$ 182,843	\$ 183,682	1,438	0.8%
Payroll Taxes	11,081	11,211	11,200	119	1.1%
Benefits	27,883	25,783	27,233	(650)	-2.3%
Retirement	29,565	30,635	29,369	(196)	-0.7%
<b>Total Cost per FTE</b>	<b>\$ 250,773</b>	<b>\$ 250,472</b>	<b>\$ 251,483</b>	<b>\$ 711</b>	<b>0.3%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- The overall increase in **Personnel Expenses** is mainly due to the addition of 4.25 new FTEs, a 3% general wage increase, and promotions.
- The decrease in **Pension & Savings Admin** is due to the decrease in administrative costs relating to the management of the corporation's retirement plans.

**Table B-5: Meeting Expenses**

Meeting Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Reliability and Risk	161,600	40,200	161,980	380	0.2%
Compliance Monitoring and Enforcement	235,825	58,991	235,825	-	0.0%
Reliability Assessment and Performance Analysis	103,000	27,247	103,250	250	0.2%
Training and Education	255,600	83,450	225,230	(30,370)	-11.9%
Situation Awareness and Infrastructure Security	51,500	13,200	50,500	(1,000)	-1.9%
Administrative Services	173,110	63,857	203,850	30,740	17.8%
<b>Total Meeting Expenses</b>	<b>\$ 980,635</b>	<b>\$ 286,945</b>	<b>\$ 980,635</b>	<b>\$ -</b>	<b>0.0%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- The decrease in **Training and Education** is due to the decreased costs associated with the Reliability and CIP Workshops and technical workshops.
- The increase in **Administrative Services** is due to a plan to have more in person Board Meeting in 2022 compared to 2021.



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

Consultants & Contracts	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Reliability and Risk	10,000	10,000	10,000	-	0.0%
Compliance Monitoring and Enforcement	70,000	70,000	10,000	(60,000)	-85.7%
Reliability Assessment and Performance Analysis	116,624	116,624	130,624	14,000	12.0%
Training and Education	50,000	50,000	80,000	30,000	60.0%
Situation Awareness and Infrastructure Security	10,000	10,000	20,000	10,000	100.0%
Administrative Services	67,954	67,954	198,250	130,296	191.7%
<b>Consultants &amp; Contracts Total</b>	<b>\$ 324,578</b>	<b>\$ 324,578</b>	<b>\$ 448,874</b>	<b>\$ 124,296</b>	<b>38.3%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- The decrease in **Compliance Monitoring and Enforcement** is due to the removal of funds used to support the compliance monitoring activities as a result of having adequate resources in house.
- The increase in **Reliability Assessment and Performance Analysis** is due to the increased costs associated with the steady state and dynamic base case models and power flow analysis assessments.
- The increases in **Training and Education** and **Situational Awareness** are due to the continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.
- The increase in **Administrative Services** is mainly due to network maintenance projects, security simulation activities, enhancing data management systems, and network and Audio/Visual upgrades.

**Table B-7: Office Rent**

Office Rent	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Office Rent	\$ 512,532	\$ 445,028	\$ 467,532	\$ (45,000)	-8.8%
Data Center Rent	70,560	70,560	70,560	-	0.0%
Utilities	45,000	49,268	60,000	15,000	33.3%
<b>Total Office Rent</b>	<b>\$ 628,092</b>	<b>\$ 564,856</b>	<b>\$ 598,092</b>	<b>\$ (30,000)</b>	<b>-4.8%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- The decrease in **Office Rent** is due to budgeted office space lease costs in 2021 that were eliminated in 2022.
- The increase in **Utilities** is due to higher monthly electric and operating expense charges.

**Table B-8: Office Costs**

Office Costs	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Telephone	\$ 95,664	\$ 95,664	\$ 92,222	\$ (3,442)	-3.6%
Internet	43,572	43,572	41,586	(1,986)	-4.6%
Office Supplies	19,340	19,340	19,600	260	1.3%
Computer Supplies and Maintenance	733,403	733,403	900,606	167,203	22.8%
Publications & Subscriptions	26,384	26,384	19,585	(6,799)	-25.8%
Dues	25,083	25,083	22,309	(2,774)	-11.1%
Postage	1,300	1,300	1,300	-	0.0%
Express Shipping	300	300	500	200	66.7%
Copying	3,000	3,000	3,000	-	0.0%
Reports	-	-	-	-	-
Stationary Forms	400	400	850	450	112.5%
Equipment Repair/Service Contracts	8,330	8,330	8,830	500	6.0%
Merchant Card Fees	-	-	-	-	-
<b>Total Office Costs</b>	<b>\$ 956,776</b>	<b>\$ 956,776</b>	<b>\$ 1,110,388</b>	<b>\$ 153,612</b>	<b>16.1%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- The increase in **Computer Supplies and Maintenance** is due to the purchase of new corporate laptops along with the purchase of a new threat intelligence tool.

**Table B-9: Professional Services**

Professional Services	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Independent Trustee Fees	\$ 314,750	\$ 351,917	\$ 449,000	\$ 134,250	42.7%
Accounting & Auditing Fees	65,385	75,057	72,665	7,280	11.1%
Outside Legal	10,000	15,000	15,000	5,000	50.0%
Insurance Commercial	91,200	94,270	95,100	3,900	4.3%
<b>Total Services</b>	<b>\$ 481,335</b>	<b>\$ 536,244</b>	<b>\$ 631,765</b>	<b>\$ 150,430</b>	<b>31.3%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- The increase in **Independent Director Fees** is due to the increase in the annual retainer fees and the addition of one independent director.

**Table B-10: Miscellaneous**

Miscellaneous Expense	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Miscellaneous	\$ 43,885	\$ 43,885	\$ 48,735	\$ 4,850	11.1%
<b>Total Miscellaneous Expense</b>	<b>\$ 43,885</b>	<b>\$ 43,885</b>	<b>\$ 48,735</b>	<b>\$ 4,850</b>	<b>11.1%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- No significant variances requiring explanation

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

Other Non-Operating Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- No significant variances requiring explanation.

**Table B-12: Fixed Assets**

Fixed Assets	Budget 2021	Projection 2021	Budget 2022	Variance 2021 Budget v 2022 Budget	Variance %
Computer Hardware	\$ 175,000	\$ 175,000	\$ 90,000	\$ (85,000)	-48.6%
Computer Software	42,500	42,500	30,000	(12,500)	-29.4%
Furniture & Fixtures	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>\$ 217,500</b>	<b>\$ 217,500</b>	<b>\$ 120,000</b>	<b>\$ (97,500)</b>	<b>-44.8%</b>

**Explanation of Significant Variances – 2021 Budget versus 2022 Budget**

- The decrease in Fixed Assets is due to changes in projects planned in 2021 compared to 2022.

Table B-13: 2023 and 2024 Projections

<b>Statement of Activities 2023 and 2024 Projections</b>							
	2022 Budget	2023 Projection	\$ Change 22 v 23	% Change 22 v 23	2024 Projection	\$ Change 23 v 24	% Change 23 v 24
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 23,447,945	\$ 24,620,343	\$ 1,172,397	5.0%	\$ 25,580,536	\$ 960,193	3.9%
Penalty Sanctions	1,914,931	1,000,000	-914,931	-48%	1,000,000	-	0.0%
<b>Total ERO Funding</b>	<b>\$ 25,362,877</b>	<b>\$ 25,620,343</b>	<b>\$ 257,466</b>	<b>1.0%</b>	<b>\$ 26,580,536</b>	<b>-</b>	<b>-</b>
Membership Dues	-	-	-	-	-	-	-
Interest and Investment Income	50,000	100,000	50,000	100.0%	100,000	-	0.0%
Miscellaneous Income	-	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 25,412,877</b>	<b>\$ 25,720,343</b>	<b>\$ 307,466</b>	<b>1.2%</b>	<b>\$ 26,680,536</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 16,274,245	\$ 16,917,154	\$ 642,909	4.0%	\$ 17,421,505	\$ 504,350	3.0%
Payroll Taxes	992,282	1,017,248	24,966	2.5%	1,030,562	13,314	1.3%
Benefits	2,412,806	2,616,190	203,384	8.4%	2,850,086	233,896	8.9%
Retirement Costs	2,602,105	2,692,118	90,013	3.5%	2,761,032	68,914	2.6%
<b>Total Personnel Expenses</b>	<b>\$ 22,281,438</b>	<b>\$ 23,242,710</b>	<b>\$ 961,272</b>	<b>4.3%</b>	<b>\$ 24,063,185</b>	<b>\$ 820,474</b>	<b>3.5%</b>
<b>Meeting Expenses</b>							
Meetings & Conference Calls	\$ 379,635	\$ 387,228	\$ 7,593	2.0%	\$ 394,972	\$ 7,745	2.0%
Travel	601,000	619,030	18,030	3.0%	637,601	18,571	3.0%
<b>Total Meeting Expenses</b>	<b>\$ 980,635</b>	<b>\$ 1,006,258</b>	<b>\$ 25,623</b>	<b>2.6%</b>	<b>\$ 1,032,573</b>	<b>\$ 26,315</b>	<b>2.6%</b>
<b>Operating Expenses, excluding Depreciation</b>							
Consultants & Contracts	\$ 448,874	\$ 528,363	\$ 79,489	17.7%	\$ 608,646	\$ 80,284	15.2%
Office Rent	598,092	610,054	11,962	2.0%	622,255	12,201	2.0%
Office Costs	1,110,388	1,215,907	105,519	9.5%	1,326,703	110,795	9.1%
Professional Services	631,765	644,400	12,635	2.0%	657,288	12,888	2.0%
Miscellaneous	48,735	49,710	975	2.0%	50,207	497	1.0%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>2,837,854</b>	<b>3,048,434</b>	<b>210,580</b>	<b>7.4%</b>	<b>3,265,099</b>	<b>216,665</b>	<b>7.1%</b>
<b>Total Direct Expenses</b>	<b>\$ 26,099,927</b>	<b>\$ 27,297,402</b>	<b>\$ 1,197,475</b>	<b>4.6%</b>	<b>\$ 28,360,857</b>	<b>\$ 1,063,455</b>	<b>3.9%</b>
<b>Indirect Expenses</b>	-	-	-	-	-	-	-
<b>Other Non-Operating Expenses</b>	-	-	-	-	-	-	-
<b>Total Expenses (B)</b>	<b>\$ 26,099,927</b>	<b>\$ 27,297,402</b>	<b>\$ 1,197,475</b>	<b>4.6%</b>	<b>\$ 28,360,857</b>	<b>\$ 1,063,455</b>	<b>3.9%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ (687,050)</b>	<b>\$ (1,577,060)</b>	<b>\$ (890,009)</b>	<b>129.5%</b>	<b>\$ (1,680,321)</b>	<b>\$ (1,063,455)</b>	<b>67.4%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	120,000	120,000	-	0.0%	\$ 120,000	-	0.0%
Allocation of Fixed Assets	-	-	-	-	-	-	-
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ 120,000</b>	<b>\$ 120,000</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 120,000</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Budget (= B+ C)</b>	<b>\$ 26,219,927</b>	<b>\$ 27,417,402</b>	<b>\$ 1,197,475</b>	<b>4.6%</b>	<b>\$ 28,480,857</b>	<b>\$ 1,063,455</b>	<b>3.9%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ (807,050)</b>	<b>\$ (1,697,060)</b>	<b>\$ (890,009)</b>	<b>110.3%</b>	<b>\$ (1,800,321)</b>	<b>\$ (1,063,455)</b>	<b>62.7%</b>
<b>FTEs</b>	88.6	90.6	2.0	2.3%	90.6	-	0.0%

## Explanation of 2023 and 2024 Budget Projections

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

### **2023 Lower Range: 4.6%**

- Personnel Expense: 4.3%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 10%/5%
  - Hire 2 additional FTEs
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.4%
  - CMEP Data Migration: \$35,000
  - Penetration Testing: \$40,000
  - Capability Management Software used for building models and measuring maturity for various business processes: \$50,000

### **2023 Higher Range to Address At-Risk Initiatives: 7.4%**

- Personnel Expense: 6.9%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 10%/5%
  - Hire 5 additional FTEs
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.4%
  - CMEP Data Migration: \$35,000
  - Penetration Testing: \$40,000
  - Capability Management Software used for building models and measuring maturity for various business processes: \$50,000
- Fixed Assets
  - \$165,000 for Data Analytics Software/Hardware

Notes:

1. 2023 projections are based on the 2022 budget.

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

**2024 Lower Range: 3.9%**

- Personnel Expense: 3.5%
  - Wages Increase: 3%
  - Medical/Dental/Vision Premiums: 10%/5%/5%
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.1%
  - Program Improvements

**2024 Higher Range to Address At-Risk Initiatives: 8.8%**

- Personnel Expense: 8.7%
  - Wages Increase: 3%
  - Medical/Dental Premiums: 10%/5%/5%
  - Includes the 5 FTEs from the 2023 projection
  - Hire 3 additional FTEs
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.1%
  - Program Improvements
- Fixed Assets
  - \$165,000 for Data Analytics Software/Hardware

Notes:

1. 2024 projections are based on the 2023 lower range.

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

ReliabilityFirst performed only those functions delegated to it by the ERO in 2021 and the organization does not intend to perform any functions outside its ERO delegated activities in 2022, therefore Section C is not applicable.



**Section D: Additional Consolidated Financial  
Statements**

### 2022 Consolidated Statement of Activities by Program

	Total	Statutory Total	Reliability Standards	Reliability & Risk Analysis	Compliance Monitoring and Enforcement	Reliability Assessment and Performance Analysis (Section 800)	Training and Education	Situation Awareness	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
<b>Funding</b>													
<b>ReliabilityFirst Funding</b>													
ReliabilityFirst Assessments	23,447,945	23,447,945	-	6,704,655	10,276,500	2,547,315	1,474,865	1,677,911	766,700	-	-	-	-
Penalty Sanctions	3,488,681	3,488,681	-	1,032,154	1,703,054	340,611	154,823	258,039	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>26,936,627</b>	<b>26,936,627</b>	-	<b>7,736,809</b>	<b>11,979,554</b>	<b>2,887,926</b>	<b>1,629,688</b>	<b>1,935,949</b>	<b>766,700</b>	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Investment Income	50,000	50,000	-	14,793	24,408	4,882	2,219	3,698	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>26,986,627</b>	<b>26,986,627</b>	-	<b>7,751,602</b>	<b>12,003,963</b>	<b>2,892,808</b>	<b>1,631,907</b>	<b>1,939,647</b>	<b>766,700</b>	-	-	-	-
<b>Expenses</b>													
<b>Personnel Expenses</b>													
Salaries	16,274,245	16,274,245	-	3,706,649	5,778,419	1,399,167	697,612	873,055	1,257,010	698,567	883,013	599,008	381,745
Payroll Taxes	992,282	992,282	-	228,357	371,629	82,229	37,514	54,875	52,567	36,511	64,059	36,773	27,768
Benefits	2,412,806	2,412,806	-	488,678	835,456	145,186	121,026	161,887	113,583	100,657	172,089	220,281	53,963
Retirement Costs	2,602,105	2,602,105	-	574,211	884,951	221,857	105,848	138,102	180,459	110,331	139,971	89,412	156,963
<b>Total Personnel Expenses</b>	<b>22,281,438</b>	<b>22,281,438</b>	-	<b>4,997,895</b>	<b>7,870,455</b>	<b>1,848,439</b>	<b>962,000</b>	<b>1,227,919</b>	<b>1,603,619</b>	<b>946,066</b>	<b>1,259,132</b>	<b>945,474</b>	<b>620,439</b>
<b>Meeting Expenses</b>													
Meetings & Conference Calls	379,635	379,635	-	9,980	9,825	8,250	207,230	500	68,500	1,000	23,400	50,600	350
Travel	601,000	601,000	-	152,000	226,000	95,000	18,000	50,000	20,000	15,000	11,000	8,000	6,000
<b>Total Meeting Expenses</b>	<b>980,635</b>	<b>980,635</b>	-	<b>161,980</b>	<b>235,825</b>	<b>103,250</b>	<b>225,230</b>	<b>50,500</b>	<b>88,500</b>	<b>16,000</b>	<b>34,400</b>	<b>58,600</b>	<b>6,350</b>
<b>Operating Expenses</b>													
Consultants & Contracts	448,874	448,874	-	10,000	10,000	130,624	80,000	20,000	25,000	3,000	145,000	25,250	-
Office Rent	598,092	598,092	-	-	-	-	-	-	527,532	-	70,560	-	-
Office Costs	1,110,388	1,110,388	-	285,234	91,069	52,652	19,703	67,105	75,643	22,369	426,804	20,009	49,800
Professional Services	631,765	631,765	-	-	-	-	-	-	464,000	-	-	28,440	139,325
Miscellaneous	48,735	48,735	-	-	7,400	-	500	-	14,325	-	3,510	23,000	-
<b>Total Operating Expenses</b>	<b>2,837,854</b>	<b>2,837,854</b>	-	<b>295,234</b>	<b>108,469</b>	<b>183,276</b>	<b>100,203</b>	<b>87,105</b>	<b>1,106,500</b>	<b>25,369</b>	<b>645,874</b>	<b>96,699</b>	<b>189,125</b>
<b>Total Direct Expenses</b>	<b>26,099,927</b>	<b>26,099,927</b>	-	<b>5,455,109</b>	<b>8,214,749</b>	<b>2,134,965</b>	<b>1,287,433</b>	<b>1,365,524</b>	<b>2,798,619</b>	<b>987,435</b>	<b>1,939,406</b>	<b>1,100,773</b>	<b>815,914</b>
<b>Indirect Expenses</b>	<b>0</b>	<b>0</b>	-	<b>2,260,990</b>	<b>3,730,634</b>	<b>746,127</b>	<b>339,149</b>	<b>565,248</b>	<b>(2,798,619)</b>	<b>(987,435)</b>	<b>(1,939,406)</b>	<b>(1,100,773)</b>	<b>(815,914)</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>26,099,927</b>	<b>26,099,927</b>	-	<b>7,716,099</b>	<b>11,945,383</b>	<b>2,881,092</b>	<b>1,626,582</b>	<b>1,930,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>886,700</b>	<b>886,700</b>	-	<b>35,503</b>	<b>58,580</b>	<b>11,716</b>	<b>5,325</b>	<b>8,876</b>	<b>766,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>													
Computer & Software CapEx	120,000	120,000	-	-	-	-	-	-	-	-	120,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>120,000</b>	<b>120,000</b>	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,000</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	35,503	58,580	11,716	5,325	8,876	-	-	(120,000)	-	-
<b>Inc/(Dec) Fixed Assets</b>	<b>120,000</b>	<b>120,000</b>	-	<b>35,503</b>	<b>58,580</b>	<b>11,716</b>	<b>5,325</b>	<b>8,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Budget</b>	<b>26,219,927</b>	<b>26,219,927</b>	-	<b>7,751,602</b>	<b>12,003,963</b>	<b>2,892,808</b>	<b>1,631,907</b>	<b>1,939,647</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Working Capital</b>	<b>766,700</b>	<b>766,700</b>	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>766,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>88.6</b>	<b>88.6</b>	-	<b>20.0</b>	<b>33.0</b>	<b>6.6</b>	<b>3.0</b>	<b>5.0</b>	<b>4.0</b>	<b>3.0</b>	<b>7.0</b>	<b>4.0</b>	<b>3.0</b>

## Statement of Financial Position

### 2020 Statement of Financial Position

#### STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-20
<b>ASSETS</b>	
Current Assets	
Cash	2,459,881
Cash - Regulatory Designated	4,540,000
Investments	6,583,286
Accounts receivable, net of allowance for uncollectible accounts	147,380
Prepaid expenses	395,480
<b>Total Current Assets</b>	<b>14,126,027</b>
Noncurrent Assets	
Cash - Regulatory Designated (net of current portion)	1,914,931
Deferred Compensation Plan Assets	451,899
<b>Total Noncurrent Assets</b>	<b>2,366,830</b>
Fixed Assets	
Furniture and Equipment	410,579
Leasehold Improvements	2,086,939
Computer Hardware and Software	3,411,752
Less Accumulated Depreciation	(4,288,597)
<b>Total Fixed Assets</b>	<b>1,620,673</b>
<b>Total Assets</b>	<b>18,113,530</b>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	50,559
Accrued expenses	5,032,719
Deferred Rent	211,438
<b>Total Current Liabilities</b>	<b>5,294,716</b>
Long Term Liabilities	
Accrued expenses	-
Deferred Revenue	350,000
Deferred Rent	1,269,977
Deferred Compensation	451,899
<b>Total Long Term Liabilities</b>	<b>2,071,876</b>
<b>Total Liabilities</b>	<b>7,366,592</b>
Net Assets	
Without Donor Restrictions	
Undesignated	1,763,858
Operating Reserve Fund	1,000,000
Working Capital Reserve Fund	1,528,149
Regulatory Designated Funds	6,454,931
<b>Total Net Asset</b>	<b>10,746,938</b>
<b>Total Liabilities and Net Assets</b>	<b>18,113,530</b>

# Appendix A: 2021 – 2022 Organization Chart

