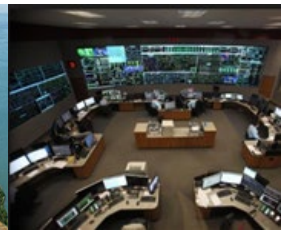




# ReliabilityFirst 2022 Business Plan and Budget Final Draft Overview

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# 2022 Statutory Budget and Assessment Overview

- **Final Draft 2022 budget \$26,219,927 (5.8% increase from 2021)**
- **Final Draft 2022 assessment \$23,447,945 (3% increase from 2021)**
  - Releasing approximately \$2M in penalties and \$1M in reserves
- **Total 2022 FTEs 88.6 (4.25 FTE change from 2021)**



# Changes Since June 3 Webinar

## ➤ **Comments from NERC Legal and Staff incorporated**

- NERC updates to wording in ERO Enterprise Model and Transformation section (pages 4-7) and other minor verbiage adjustments.
- Presentation adjustment (no impact to budget or assessment) includes unreleased penalties into working capital table B-1 (page 60).
  - Also resulted in minor wording adjustments (pages 10, 13, and 60)

## ➤ **Other Adjustments**

- Received approximately \$1.6M in penalties since First Draft (pages 60 and 61)
- Table B-9 Professional Services explanation-Independent Director Search fee eliminated and replaced by the addition of one independent director, no budget impact (page 66)
- One additional Independent Director (approved by ReliabilityFirst Board on May 19) added since First Draft (page 7)

## ➤ **Final Draft approved by Board on June 17**

## ➤ **No comments from NERC public posting**



# Budget Development Process

- **Step One-Staff develops a preliminary budget.**
  - Activities are guided by the ERO Enterprise Long-Term Strategy.
  - COVID-19 impacts were discussed.
  
- **Step Two-BP&B first draft is presented to the ReliabilityFirst FAC and Board.**
  - COVID-19 impacts were discussed.
  
- **Step Three-Comment Period and Board Approval:**
  - BP&B posted for 30 day comment
    - No stakeholder comments (last day was May 15)
  - Second draft of budget is approved by Board
  
- **Step Four-Final Approval and Filing**
  - NERC submits final BP&B to FERC



# 2022 Budget Drivers

## ➤ New FTE's

- 1 Human Resources Generalist
- 1 CIP and 1 O&P Auditor
- 1 Enforcement Attorney
- .25 FTE to change status of headcount from part-time to full-time

## ➤ Retirement Strategy

- In 2021, 6% of RF staff at or over retirement age, and 25% eligible over next five years
- 5 Retirements in 2021
  - 2 FTE overlap positions will decrease by 1



# 2022 Budget by Category

**2022 Total Budget Increase: 5.8%; \$26,219,927**

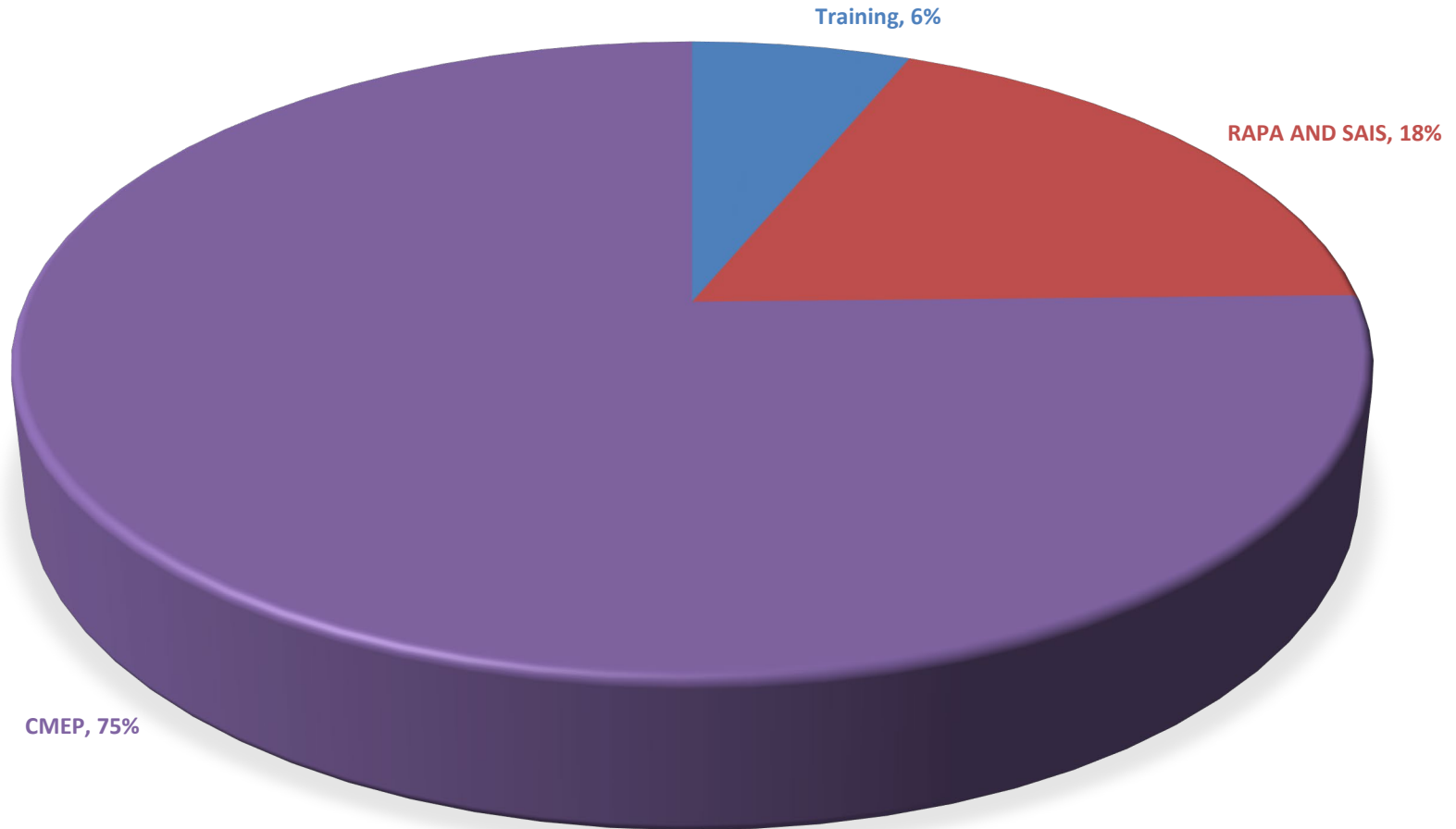
- Personnel Expenses: 5.3%; \$22,281,438
- Operating Expenses: 8.4%, \$3,938,489

<b>Personnel Expenses</b>	<b>Total Change From 2021</b>		<b>% of Budget Increase</b>
Direct Salaries	5.9%	\$897,222	63%
Additional FTEs	100%	\$463,804	
Payroll Taxes	6.2%	\$57,637	4%
Training and Education	2.5%	8,400	.6%
Medical Benefits	2.3%	\$42,157	3%
Retirement Costs	4.3%	\$108,318	8%
<b>Operating Expenses</b>			
Meetings	0%	\$0	0%
Travel	0%	\$0	0%
Contractors	38.3%	124,296	9%
Rent	(4.8%)	(\$30,000)	(2%)
Office Costs	16.1%	\$153,612	11%
Professional Services	31.3%	\$150,430	11%
Fixed Assets	(44.8%)	(\$97,500)	(7%)

Only includes major expenses



# 2022 Budget by Program Area



# 2022 Assessment Details

- **Final Draft 2022 assessment \$23,447,945 (3% increase from 2021)**
  - Releasing \$3.5M in penalties, partially offset by an increase in assessment of \$0.6M





# Assessment Stabilization Analysis

## ➤ Objective

- Stabilize annual assessments to minimize large fluctuations.
- Provide stakeholders with a pragmatic expectation of future assessment changes.

## ➤ Assumptions

- Penalty dollars released on average (without anomalies) \$1M
- 2023 and 2024 budgets increase based upon projections.
- The Working Capital Reserve does not include the \$1M Operating Reserve.



# Operating Reserve

- **It is the policy of ReliabilityFirst to maintain 10% of the budgeted year's expenses, or a minimum of \$1,000,000, as the Operating Reserve.**
- **For 2022, ReliabilityFirst Board approved a \$1,000,000 operating reserve.**
- **The Operating Reserve Fund is set aside each year with the intention of providing for unbudgeted or unexpected expenditures.**



# Working Capital

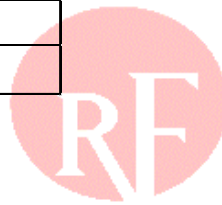
- **The 2022 Working Capital Reserve will be utilized to manage cash flow for daily operations and to stabilize and minimize large fluctuations in the annual assessments.**
  - Developed a multi-year plan that provides stakeholders with a pragmatic expectation of future assessments.
- **The Targeted Working Capital balance of approximately \$5M will be used to stabilize assessments in future years.**

Projected Reserve Balances		
	December 31, 2021	December 31, 2022
Working Capital	\$6.1M	\$6.7M
Operating Reserve	\$1M	\$1M
Unreleased Penalties and Ending Assessment Stabilization Reserve	\$3.5M	-



# 2023 and 2024 Projections

<b>Budget Projections</b>	<b>2023</b>	<b>2024</b>
<b>Personnel Expense</b>	4.3%	3.5%
• Wages: 3%	x	x
• Medical/Dental: 10% /5%	x	x
• Hire 2 additional FTEs	x	-
<b>Meeting Expense</b>	2.0%	2.0%
<b>Travel Expense</b>	3.0%	3.0%
<b>Operating Expense</b>	7.4%	7.1%
• CMEP Data Migration - \$35K	x	-
• Capability Management Software for Building Models and Measuring Maturity for Various Business Processes - \$50K	x	-
• Penetration Testing \$40K	x	-
<b>Projected Budget Low Range</b>	<b>4.6%</b>	<b>3.9%</b>
<b>Additional Budget Items</b>		
<b>Personnel Expense</b>	6.9%	8.7%
• 5 Positions (Including 2 FTE's from Low Range)	x	-
• 3 Positions (In Addition to the 5 FTEs from 2023 High Range)	-	x
Data Analytics Software/Hardware	x	x
<b>Projected Budget High Range</b>	<b>7.4%</b>	<b>8.8%</b>
<b>Projected Budget Range</b>	<b>4.6% to 7.4%</b>	<b>3.9% to 8.8%</b>



# Questions & Answers

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