

**RELIABILITY FIRST**



**ReliabilityFirst Corporation  
2025 Draft Business Plan and Budget**

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# Introduction

## ReliabilityFirst Organizational Overview

ReliabilityFirst (abbreviated RF) is one of six regional organizations responsible for ensuring the reliability and security of the North American Bulk Electric System. Under the authority of the North American Reliability Electric Corporation (NERC) and the Federal Energy Regulatory Commission (FERC), we audit utility companies on mandated standards related to cybersecurity, vegetation management near vital power lines, preparation for extreme weather and more.

We also promote the reliability and security of the electric grid through outreach and training to these companies on best practices and conduct our own analysis and projections related to resource planning and more, serving as an independent source state bodies call on for input on energy policy decisions.

We work in tandem with the North American Electric Reliability Corporation (NERC) and the five other regions, MRO, NPCC, SERC, Texas RE and WECC toward this shared mission. This system was born out of the Energy Policy Act of 2005, which followed the 2003 Northeast Blackout.

RF is responsible for promoting and improving the reliability, security and resiliency of the Bulk Electric System (BES) in all or portions of Delaware, New Jersey, Pennsylvania, Maryland, Virginia, Illinois, Wisconsin, Indiana, Ohio, Michigan, Kentucky, West Virginia, Tennessee, and the District of Columbia. As a Regional Entity, RF performs key reliability functions delegated to it by NERC.



## Our Mission and Values

Our mission is to ensure that the electric grid is reliable and secure – not only for today but also for tomorrow. Our team identifies and prioritizes risks facing the electric grid and then determines mitigation strategies to work with utility companies to address these risks, both proactively and through enforcement of the mandated standards. We also develop and deploy communication and outreach strategies to drive awareness and further ensure risk resolution.

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**Our mission:** To serve the public good and support health and safety through preserving and enhancing the reliability, security and resilience of the grid.

**Our people:** To foster a respectful, collaborative environment where employees can be and feel like the best version of themselves.

**Our transparency:** To be open and honest about what we are trying to accomplish, and why, to foster productive dialogue.

**Our fairness:** To be reasonable and consistent.

**Our accountability:** To act with integrity, take pride in our work and responsibility for our actions, and deliver exceptional results.

**Our creativity:** To encourage and reward innovative ideas and approaches.

## **Membership and Governance**

### **Members**

RF has an open and voluntary 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. Membership allows registered entities participate in committees, subcommittees and working groups with RF and their peers to share best practices and lessons learned, receive valuable training, workshops, newsletters and other communications, and to vote in elections for open board directors seats.

RF'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. RF believes that partnering with industry expert resources, combined with a competent and independent RF 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**

RF is governed by a hybrid, independent, and balanced stakeholder Board that consists of 16 Directors. The board consists of eleven (11) industry stakeholder directors elected by the Industry Sectors. In addition, RF has four (4) independent directors from outside the industry to bring a different perspective and balance to the board. RF's President and CEO also serves on the board as a non-voting member. This diverse mix of stakeholder and independent directors allows the Board to focus on the most important and significant risks to reliability in the RF footprint.

The Board has the following committees, each led by one of the independent board directors, and report directly to the Board.

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- **Talent and Compensation** – Provides oversight on behalf of the Board over RF’s organizational and staffing needs, employee compensation, independent board directors compensation, DEI efforts and other matters related to human resources.
  - **Risk and Compliance** – Provides oversight on behalf of the Board over RF’s compliance monitoring and enforcement programs, identification of regional risks, and other matters related to risk to reliability and security of the grid.
  - **Finance and Audit** – Provides oversight on behalf of the Board to RF on the business plan and budgeting process, overall financial health, internal controls and other financial matters.
  - **Nominating and Governance** – Provides oversight on behalf of the Board to RF to the organization’s Bylaws and policies and is the committee responsible for identifying, vetting and recommending candidates for Board Officers and committee positions for Board approval.

## **Statutory Functional Scope**

RF performs the following statutory functions to further its mission and in accordance with its FERC approved Delegation Agreement with NERC:

- Active participation in the development and revision of North American Reliability Standards for the Bulk Electric System (BES), and as needed development of Regional Reliability Standards and Variances applicable within the RF footprint.
- 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 BPS.
- Promoting situational awareness and the protection of critical infrastructure.
- Event analysis and identification of lessons learned to enhance reliability.
- Provides training, education and outreach to stakeholders in support of its performance of delegated functions. Participating in reliability and security activities that enhance resilience of the BPS.

## **ERO Enterprise Model and Transformation**

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly 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 conducts its work 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.

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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 has worked to further leverage resources, and enhance communication and collaboration to ensure grid reliability, resilience and security. The ERO Enterprise committed to the following declarations:

- 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.

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## **Section B: Strategic & Business Planning**



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## Strategic and Business Planning

### 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.

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.

Since that time, the ERO Enterprise has refined specific Work Plan Priorities, notably in the areas of Energy, Security, Agility, and Sustainability; and is finalizing its response to four critical challenges to overcome in order to position the ERO Enterprise for continued success in the implementation of its brilliant model for the foreseeable future.

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.

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## ReliabilityFirst Strategic Planning

### 2025 Strategic Focus Areas

The strategic plan is the culmination of a collaborative planning process. It captures our progress over the last fifteen (15) years since our inception, maintains the strong core of our prior strategic plan, but also accounts for the changing nature of our work and the grid. This iteration highlights a few of the many relevant factors we considered as we look to the future, and it sets forth streamlined objectives to ensure that RF remains positioned to ensure the reliability, security and resilience of the grid.

- **Be an excellent regulator** – RF must consistently demonstrate accountability, transparency and efficiency through our model within the ERO. We will commit resources to collaboration and security by implementing best in class security plans and practices to safeguard all data and information in our possession. We will also build deep knowledge of our entities and use it to serve our footprint so that we can help educate and serve as an independent resource to our stakeholders.
- **Cultivate a talented and engaged workforce** – Our employees are the heart of what we do, and we are committed to recruiting, retaining, and training the right people for the right roles. We will ensure our talent stays on top of this changing industry and skills are developed to adapt to these changing needs. We are also committed to further enhancing and promoting diversity, equity and inclusion as we believe a diverse workforce where employees feel they can be their authentic selves is one that is most successful. Lastly, we will prioritize our positive workplace culture making RF a workplace of choice.
- **Harness knowledge to creatively and comprehensively address risks to the grid** – We commit to quickly deploying communications to mitigate risk based on our data and perspective. We will develop targeted outreach strategies so that we are reaching a variety of stakeholders in meaningful ways. We pledge to enhance our value as an independent resource and broaden our reach by engaging with state legislatures, public utility commissions and more to utilize our independent voice.

RF's Operating Plan articulates key deliverables that ensure the day-to-day operations match the objectives laid out in the Strategic Plan:

#### **Be an Excellent Regulator**

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process using tools available to ensure thorough and collaborative compliance audits consistently with all Regions.
- Assist in the development of the risk based annual CMEP implementation Plan which helps guide oversight actions and identifies common risks and reliability issues.
- Provide outreach to industry identifying themes, trends, emerging risks, and best practices associated with noncompliance issues, including identifying opportunities to share key takeaways with industry stakeholders, helping ensure the reduction of risk to BPS reliability.

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### **Cultivate a Talented and Engaged Workforce**

- Attract, develop and retain highly skilled and engaged staff; diversify employment recruiting channels.
- Promote employee engagement and empowerment; provide opportunities for staff to engage with each other for collaboration and community in our hybrid work environment.
- Mature succession plan process and continue to develop the future leaders within RF who have been identified within the plan.

### **Harness Knowledge to Creatively and Comprehensively Address Risks to the Grid**

- Issue announcements, newsletters, and reports on key compliance, reliability, risk identification and mitigation, security, state policies, and resilience issues facing RF and the industry.
- Communicate key risks and risk mitigation strategies, plus lessons learned including outreach on winterization.
- Host targeted webinars including the open stakeholder calls (Technical Talk with RF) covering topics related to compliance, reliability, security, resilience, and enforcement.

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## **Section C: 2025 Business Plan and Budget Overview**

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## 2025 Business Plan and Budget Overview

### Funding and Budget Summary

This Business Plan and Budget reflects RF's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2025. Overall, the RF 2025 budget of \$33,373,022 increased 6.5% over the 2024 budget of \$31,324,535. The 2025 assessment of \$28,587,612 represents a 6% increase over the 2024 assessment of \$26,959,272. RF used collected penalties and a portion of its reserves to limit the assessment increase. RF's proposed 2025 assessment was reduced by the release of \$1,977,500 from its Working Capital Reserve, and \$2,707,910 from penalties released. (Refer to Working Capital and Operating Reserve Analysis for more information).

RF's NEL for 2022 was 887,355,157 MWh. The 2023 NEL number is not currently available and will be provided in the final draft of the 2025 BP&B.

RF believes that in 2025, it will continue to realize material efficiencies that will allow the organization to effectively perform its mission and deliver value by reducing risks to the reliability and security of the grid. RF will also continue to perform its essential mission at a cost that balances the longstanding traditions of affordable and reliable electricity across RF's footprint.

The following budget changes allow RF to accomplish the specific objectives outlined in the 2025 Business Plan and Budget (BP&B).

### Major Budget Drivers

For comparison below, dollars are stated as an increase from the 2024 budget compared to the 2025 budget:

- **Personnel** – RF will be adding three additional full-time employees (FTE) to the organization in the following program areas: RAPA, Training and Education and Compliance Monitoring. These additional FTEs will help support the goals and deliverables set forth by the program areas.
- **Computer Service and Maintenance** – To support the software requirements for the necessary NERC energy studies, an investment in both hardware and software is needed for the tools on RF's engineering teams. Additionally, as RF explores ways to scale and drive efficiency through generative AI, an investment in tools will be explored for future gains in productivity.
- **Contractors and Consultants** – RF's security team continues to move towards a standards-based holistic approach to security. As such we are investing in tools for important benchmarking comparisons, security trends and analyses, AI business enablement ideas, and access to subject matter experts for conversations on specific vendors and technologies.
- **Office Costs** – As part of the NERC required energy assessment studies that our engineering teams will do, an investment in hardware and software for the tools needed for the studies will be made.

# Statement of Activities and Variance Explanations

## 2024 Budget and 2025 Budget Comparisons

Statement of Activities and Capital Expenditures						
2024 Budget & Projection and 2025 Budget						
STATUTORY						
	2024 Budget	2024 Projection	Variance 2024 Projection v 2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget	Variance %
<b>Funding</b>						
<b>ReliabilityFirst Funding</b>						
ERO Assessments	\$ 26,959,272	\$ 26,959,272	\$ -	\$ 28,587,612	\$ 1,628,340	6.0%
Penalties Released	1,473,348	1,474,585	1,237	2,707,910	1,234,562	83.8%
<b>Total ReliabilityFirst Funding</b>	<b>\$ 28,432,620</b>	<b>\$ 28,433,857</b>	<b>\$ 1,237</b>	<b>\$ 31,295,522</b>	<b>\$ 2,862,902</b>	<b>10.1%</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -	-
Federal Grants	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest and Investment Income	50,000	250,000	200,000	100,000	50,000	100.0%
Miscellaneous Income	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 28,482,620</b>	<b>\$ 28,683,857</b>	<b>\$ 201,237</b>	<b>\$ 31,395,522</b>	<b>\$ 2,912,902</b>	<b>10.2%</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 19,495,381	\$ 19,495,381	\$ -	\$ 20,909,475	\$ 1,414,094	7.3%
Payroll Taxes	1,232,095	1,232,095	-	1,345,325	113,230	9.2%
Benefits	2,985,469	2,856,821	(128,648)	3,013,614	28,145	0.9%
Retirement Costs	3,145,630	3,469,538	323,908	3,371,307	225,677	7.2%
<b>Total Personnel Expenses</b>	<b>\$ 26,858,575</b>	<b>\$ 27,053,835</b>	<b>\$ 195,260</b>	<b>\$ 28,639,721</b>	<b>\$ 1,781,146</b>	<b>6.6%</b>
<b>Meeting Expenses</b>						
Meetings	\$ 432,855	\$ 392,855	\$ (40,000)	\$ 427,408	\$ (5,447)	-1.3%
Conference Calls	-	40,000	40,000	13,000	13,000	-
Travel	648,100	648,100	-	648,107	7	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 1,080,955</b>	<b>\$ 1,080,955</b>	<b>\$ -</b>	<b>\$ 1,088,515</b>	<b>\$ 7,560</b>	<b>0.7%</b>
<b>Operating Expenses, excluding Depreciation</b>						
Contractors & Consultants	\$ 553,700	\$ 553,700	\$ 0	\$ 653,970	\$ 100,270	18.1%
Office Rent	852,751	719,667	(133,084)	716,000	(136,751)	-16.0%
Office Costs	1,011,134	1,011,134	-	1,357,755	346,621	34.3%
Professional Services	741,816	741,816	-	761,365	19,549	2.6%
Miscellaneous	48,704	48,704	-	65,696	16,992	34.9%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 3,208,105</b>	<b>\$ 3,075,021</b>	<b>\$ (133,084)</b>	<b>\$ 3,554,786</b>	<b>\$ 346,681</b>	<b>10.8%</b>
<b>Total Direct Expenses</b>	<b>\$ 31,147,635</b>	<b>\$ 31,209,811</b>	<b>\$ 62,176</b>	<b>\$ 33,283,022</b>	<b>\$ 2,135,387</b>	<b>6.9%</b>
<b>Indirect Expenses</b>	<b>\$ -</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>-</b>
<b>Total Expenses (B)</b>	<b>\$ 31,147,635</b>	<b>\$ 31,209,811</b>	<b>\$ 62,176</b>	<b>\$ 33,283,022</b>	<b>\$ 2,135,387</b>	<b>6.9%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ (2,665,015)</b>	<b>\$ (2,525,954)</b>	<b>\$ 139,061</b>	<b>\$ (1,887,500)</b>	<b>\$ 777,515</b>	<b>-29.2%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 176,900</b>	<b>\$ 176,900</b>	<b>\$ -</b>	<b>\$ 90,000</b>	<b>\$ (86,900)</b>	<b>-49.1%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 31,324,535</b>	<b>\$ 31,386,711</b>	<b>\$ 62,176</b>	<b>\$ 33,373,022</b>	<b>\$ 2,048,487</b>	<b>6.5%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ (2,841,915)</b>	<b>\$ (2,702,854)</b>	<b>\$ 139,061</b>	<b>\$ (1,977,500)</b>	<b>\$ 864,415</b>	<b>-30.4%</b>
<b>FTEs</b>	<b>98.00</b>	<b>96.54</b>	<b>(1.46)</b>	<b>101.00</b>	<b>3.00</b>	<b>3.1%</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).

**Table 1: Statement of Activities and Capital Expenditures**

## Major Budget Drivers - Program Areas

Program			Variance 2025	
	2024 Budget	2025 Budget	Budget v 2024 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	0.0%
Reliability and Risk	8,440,353	8,239,247	(201,106)	-2.4%
Compliance Monitoring and Enforcement	14,886,639	15,817,272	930,633	6.3%
Reliability Assessments and Performance Analysis	3,440,199	3,942,804	502,605	14.6%
Training, Education, and Outreach	2,412,111	3,188,953	776,842	32.2%
Situation Awareness and Infrastructure Security	2,145,232	2,184,745	39,513	1.8%
<b>Total</b>	<b>\$ 31,324,535</b>	<b>\$ 33,373,022</b>	<b>\$ 2,048,487</b>	<b>6.5%</b>

**Table 2: Major Budget Drivers – Program Areas**

### Compliance Monitoring and Enforcement

- **Personnel** – Increase of 1 FTE to support the administrative work of Align and the SEL. This role would centralize all existing work being done today to one person for accountability and organization. This role would also assist with keeping the compliance monitoring team in compliance on required training and follow up on standards development.

### Reliability Assessment and Performance Analysis

- **Personnel** - Increase of 1 FTE to support additional analyses, studies and modeling associated with Inverter Based Resources, new energy studies and interregional transfer capability studies.
- **Computer Service and Maintenance** – An increase in new software for the required NERC energy studies for the engineering team to complete this work with the tools needed.

### Training, Education and Outreach

- **Personnel** – The increased volume of engagements and policies that are changing in the state outreach program is resulting in the addition of 1 FTE being added to Training, Education and Outreach. This role would assist the External Affairs team in staying abreast of state policy changes, forming relationships with key stakeholders and developing messaging for our outreach efforts. Additionally, ReliabilityFirst is repurposing an FTE from Reliability and Risk to Training, Education, and Outreach.

## Major Budget Drivers - Administrative Services

Administrative Services	Direct Expenses and Fixed Assets			FTEs		Variance 2025 Budget v 2024 Budget
	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget	2024 Budget	2025 Budget	
General and Administrative*	\$ 3,979,158	\$ 4,060,605	\$ 81,447	6.00	6.00	0.00
Legal and Regulatory	1,389,298	1,439,496	50,199	4.00	4.00	0.00
Information Technology	2,748,829	2,954,142	205,312	9.00	9.00	0.00
Human Resources	1,341,294	1,582,825	241,531	4.00	4.00	0.00
Finance and Accounting	990,920	1,016,965	26,045	3.00	3.00	0.00
<b>Total Administrative Services</b>	<b>\$ 10,449,499</b>	<b>\$ 11,054,033</b>	<b>\$ 604,534</b>	<b>26.00</b>	<b>26.00</b>	<b>0.00</b>

\* General and Administrative includes the CEO, Executive Assistant, Chief Security Officer, and RF's Security staff members

**Table 3 – Major Budget Drivers - Administrative Services**

### Administrative Services

- **Personnel** – No changes to FTEs in Administrative Services in 2025. Developing a formal intern program to offset some workload, develop community relationships, and talent pipeline.
- **Computer Software and Maintenance** - Investment in tools for important benchmarking comparisons, security trends and analyses, AI business enablement ideas, and access to subject matter experts for conversations on specific vendors and technologies. Additional investment in generative AI tools, security infrastructure and software.



## Personnel Analysis and Expenses

Total FTEs by Program Area	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget
<b>STATUTORY</b>			
<b>Operational Programs</b>			
Reliability Standards	0.00	0.00	0.00
Reliability and Risk	19.00	18.00	-1.00
Compliance Monitoring and Enforcement	37.00	38.00	1.00
Reliability Assessment and Performance Analysis	7.00	8.00	1.00
Training, Education, and Outreach	4.00	6.00	2.00
Situation Awareness and Infrastructure Security	5.00	5.00	0.00
<b>Total FTEs Operational Programs</b>	<b>72.00</b>	<b>75.00</b>	<b>3.00</b>
<b>Administrative Programs</b>			
General and Administrative	6.00	6.00	0.00
Legal and Regulatory Affairs	4.00	4.00	0.00
Information Technology	9.00	9.00	0.00
Human Resources	4.00	4.00	0.00
Finance and Accounting	3.00	3.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>26.00</b>	<b>26.00</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>98.00</b>	<b>101.00</b>	<b>3.00</b>

**Table 4: Personnel Analysis and Expenses – Total FTE by Program Area**

Personnel Expenses	2024 Budget		2025 Budget		Variance 2025 Budget v 2024 Budget		
					Variance	%	
<b>Total Salaries</b>	\$	<b>19,495,380</b>	\$	<b>20,909,475</b>	\$	<b>1,414,095</b>	<b>7.3%</b>
<b>Total Payroll Taxes</b>	\$	<b>1,232,095</b>	\$	<b>1,345,325</b>	\$	<b>113,230</b>	<b>9.2%</b>
<b>Total Benefits</b>	\$	<b>2,985,469</b>	\$	<b>3,013,614</b>	\$	<b>28,144</b>	<b>0.9%</b>
<b>Total Retirement</b>	\$	<b>3,145,630</b>	\$	<b>3,371,307</b>	\$	<b>225,677</b>	<b>7.2%</b>
<b>Total Personnel Costs</b>	\$	<b>26,858,575</b>	\$	<b>28,639,721</b>	\$	<b>1,781,146</b>	<b>6.6%</b>
<b>FTEs</b>		<b>98.00</b>		<b>101.00</b>		<b>3.00</b>	<b>3.1%</b>
<b>Cost per FTE</b>							
Salaries	\$	198,932	\$	207,025	\$	8,092	4.1%
Payroll Taxes		12,572		13,320		748	5.9%
Benefits		30,464		29,838		(626)	-2.1%
Retirement		32,098		33,379		1,281	4.0%
<b>Total Cost per FTE</b>	\$	<b>274,067</b>	\$	<b>283,562</b>	\$	<b>9,494</b>	<b>3.5%</b>

**Table 5: Personnel Analysis and Expenses – Personnel Expenses**

**Explanation of Significant Variances – 2025 Budget versus 2024 Budget**

- The overall increase in **Personnel Expenses** is due to the addition of three new FTEs and a 4% general wage increase. More information can be found in the Major Budget Drivers – Budget Overview
- Additional increase tied to retirement benefits for incentive compensation.

## Contractors and Consultants

Contractors & Consultants			Variance 2025 Budget v 2024	
	2024 Budget	2025 Budget	Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	-
Reliability and Risk	24,000	19,000	(5,000)	-20.8%
Compliance Monitoring and Enforcement	-	-	-	-
Reliability Assessment and Performance Analysis	150,062	113,600	(36,462)	-24.3%
Training and Education	34,000	34,000	-	0.0%
Situation Awareness and Infrastructure Security	-	-	-	-
Administrative Services	345,638	487,370	141,732	41.0%
<b>Total Contractors &amp; Consultants</b>	<b>\$ 553,700</b>	<b>\$ 653,970</b>	<b>\$ 100,270</b>	<b>18.1%</b>

**Table 6: Contractors and Consultants**

### Explanation of Significant Variances – 2025 Budget versus 2024 Budget

- An investment in tools for important benchmarking comparisons, security trends and analyses, AI business enablement ideas, and access to subject matter experts for conversations on specific vendors and technologies.

## Fixed Assets

Fixed Assets			Variance 2025 Budget v 2024	
	2024 Budget	2025 Budget	Budget	Variance %
Computer Hardware	\$ 110,000	\$ 90,000	\$ (20,000)	-18.2%
Computer Software	63,000	-	(63,000)	-100.0%
Furniture & Fixtures	3,900	-	(3,900)	-100.0%
Leasehold Improvements	-	-	-	-
<b>Total Fixed Assets</b>	<b>\$ 176,900</b>	<b>\$ 90,000</b>	<b>\$ (86,900)</b>	<b>-49.1%</b>

**Table 7: Fixed Assets**

### Explanation of Significant Variances – 2024 Budget versus 2025 Budget

- Overall computer hardware and software costs decrease as a result of a cloud-first technology strategy and conversion to cloud-based solutions.

## Working Capital and Operating Reserve Analysis

<b>Working Capital and Operating Reserve Analysis 2024 - 2025</b>				
<b>STATUTORY</b>				
	Total	Working Capital and Working Capital Reserve	Unreleased Penalties	Operating Reserve
<b>Beginning Working Capital Per Audit, December 31, 2023</b>	\$ 12,656,573			
Less: Adjustment for Future Long-Term Liabilities	\$ -			
<b>Beginning Reserve Balances, January 1, 2024</b>	\$ 12,656,573	\$ 7,896,728	\$ 3,759,845	\$ 1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2024	\$ -	\$ 1,474,585	\$ (1,474,585)	
Plus: Penalty Sanctions Received January 1 - June 30, 2024	\$ 422,650		\$ 422,650	
Plus: 2024 ReliabilityFirst Funding (from LSEs or designees)	\$ 26,959,272	\$ 26,959,272		
Plus: 2024 Other funding sources	\$ 250,000	\$ 250,000		
Less: 2024 Projected expenses & capital expenditures	\$ (31,386,711)	\$ (31,386,711)		
<b>Projected Working Capital and Operating Reserves, December 31, 2024</b>	<b>\$ 8,901,784</b>	<b>\$ 5,193,874</b>	<b>\$ 2,707,910</b>	<b>\$ 1,000,000</b>
Targeted Working Capital and Operating Reserves, December 31, 2025 <sup>2</sup>	\$ 4,216,374	\$ 3,216,374		\$ 1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2024	\$ (8,901,784)	\$ (5,193,874)	\$ (2,707,910)	\$ (1,000,000)
<b>Total Adjustments to Reserves</b>	<b>\$ (4,685,410)</b>	<b>\$ (1,977,500)</b>	<b>\$ (2,707,910)</b>	<b>\$ -</b>
2025 Expenses and Capital Expenditures	\$ 33,373,022			
Less: Penalty Sanctions <sup>1</sup>	\$ (2,707,910)			
Less: Other Funding Sources	\$ (100,000)			
Adjustment to Achieve Reserve Balances	\$ (1,977,500)			
<b>2025 ReliabilityFirst Assessment</b>	<b>\$ 28,587,611</b>			

<sup>1</sup> Represents penalty sanctions collected from July 1, 2023 to June 30, 2024.

<sup>2</sup> The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on May 2, 2024.

**Table 8: Working Capital and Operating Reserve Analysis – Statutory**

### 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. 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 2025, the working capital reserve is being decreased by \$1,977,500 to meet the Board-approved target reserve of approximately \$3,216,374 on December 31, 2025. The Targeted Working Capital balance of \$3,216,374 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 25, 2024, the RF Board approved a \$1,000,000 operating reserve, which is consistent with RF's policy, is the same amount budgeted in the 2024 Business Plan and Budget and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

## Assessment Allocation Method

Penalty Sanctions Received Between July 1, 2023 and June 30, 2024	
Dates Received	Amount Received
Collected July 1, 2023 to December 31, 2023	\$ 2,285,260
Collected January 1, 2024 to June 30, 2024	422,650
<b>Total</b>	<b>\$ 2,707,910</b>

**Table 9: Allocation Method**

### 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, and Outreach; and
- Situational Awareness.

### Three Year Projections

Statement of Activities and Capital Expenditures							
2026 and 2027 Projections							
	2025	2026	25 v 26	25 v 26	2027	26 v 27	26 v 27
	Budget	High Projection	\$ Change	% Change	High Projection	\$ Change	% Change
<b>Funding</b>							
<b>ReliabilityFirst Funding</b>							
ERO Assessments	\$ 28,587,612	\$ 31,446,373	\$ 2,858,761	10.0%	\$ 34,591,011	\$ 3,144,637	10.0%
Penalty Sanctions	2,707,910	2,900,000	192,090	7.1%	2,900,000	-	0.0%
<b>Total ReliabilityFirst Funding</b>	<b>\$ 31,295,522</b>	<b>\$ 34,346,373</b>	<b>\$ 3,050,851</b>	<b>9.7%</b>	<b>\$ 37,491,011</b>	<b>\$ 3,144,637</b>	<b>9.2%</b>
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Federal Grants	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest and Investment Income	100,000	100,000	-	0.0%	100,000	-	0.0%
Miscellaneous Income	-	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 31,395,522</b>	<b>\$ 34,446,373</b>	<b>\$ 3,050,851</b>	<b>9.7%</b>	<b>\$ 37,591,011</b>	<b>\$ 3,144,637</b>	<b>9.1%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 20,909,475	\$ 22,684,927	\$ 1,775,452	8.5%	\$ 24,350,009	\$ 1,665,082	7.3%
Payroll Taxes	1,345,325	1,460,128	114,803	8.5%	1,566,797	106,669	7.3%
Benefits	3,013,614	3,385,300	371,686	12.3%	3,810,464	425,164	12.6%
Retirement Costs	3,371,307	3,659,214	287,907	8.5%	3,927,271	268,058	7.3%
<b>Total Personnel Expenses</b>	<b>\$ 28,639,721</b>	<b>\$ 31,189,569</b>	<b>\$ 2,549,848</b>	<b>8.9%</b>	<b>\$ 33,654,542</b>	<b>\$ 2,464,973</b>	<b>7.9%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 427,408	\$ 457,327	\$ 29,919	7.0%	\$ 489,339	\$ 32,013	7.0%
Conference Calls	13,000	13,260	260	2.0%	13,525	265	2.0%
Travel	648,107	693,474	45,367	7.0%	742,018	48,543	7.0%
<b>Total Meeting Expenses</b>	<b>\$ 1,088,515</b>	<b>\$ 1,164,061</b>	<b>\$ 75,546</b>	<b>6.9%</b>	<b>\$ 1,244,882</b>	<b>\$ 80,821</b>	<b>6.9%</b>
<b>Operating Expenses, excluding Depreciation</b>							
Contractors & Consultants	\$ 653,970	\$ 699,748	\$ 45,778	7.0%	\$ 748,730	\$ 48,982	7.0%
Office Rent	716,000	730,320	14,320	2.0%	744,926	14,606	2.0%
Office Costs	1,357,755	1,452,798	95,043	7.0%	1,554,494	101,696	7.0%
Professional Services	761,365	807,047	45,682	6.0%	855,470	48,423	6.0%
Miscellaneous	65,696	70,295	4,599	7.0%	75,215	4,921	7.0%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 3,554,786</b>	<b>\$ 3,760,207</b>	<b>\$ 205,421</b>	<b>5.8%</b>	<b>\$ 3,978,835</b>	<b>\$ 218,628</b>	<b>5.8%</b>
<b>Total Direct Expenses</b>	<b>\$ 33,283,022</b>	<b>\$ 36,113,837</b>	<b>\$ 2,830,815</b>	<b>8.5%</b>	<b>\$ 38,878,259</b>	<b>\$ 2,764,422</b>	<b>7.7%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</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>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 33,283,022</b>	<b>\$ 36,113,837</b>	<b>\$ 2,830,815</b>	<b>8.5%</b>	<b>\$ 38,878,259</b>	<b>\$ 2,764,422</b>	<b>7.7%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ (1,887,500)</b>	<b>\$ (1,667,464)</b>	<b>\$ 220,036</b>	<b>-11.7%</b>	<b>\$ (1,287,249)</b>	<b>\$ 380,215</b>	<b>-22.8%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 90,000</b>	<b>\$ 95,400</b>	<b>\$ 5,400</b>	<b>6.0%</b>	<b>\$ 101,124</b>	<b>\$ 5,724</b>	<b>6.0%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 33,373,022</b>	<b>\$ 36,209,237</b>	<b>\$ 2,836,215</b>	<b>8.5%</b>	<b>\$ 38,979,383</b>	<b>\$ 2,770,146</b>	<b>7.7%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ (1,977,500)</b>	<b>\$ (1,762,864)</b>	<b>\$ 214,636</b>	<b>-10.9%</b>	<b>\$ (1,388,373)</b>	<b>\$ 374,491</b>	<b>-21.2%</b>
<b>FTEs</b>	<b>101.00</b>	<b>106.00</b>	<b>5.00</b>	<b>5.0%</b>	<b>110.00</b>	<b>4.00</b>	<b>3.8%</b>

Table 10: Three-Year Budget Projections

## Explanation of 2026 and 2027 Budget Projections

The following is a breakdown of the projected budget range increases for 2026:

### Low projection 5.6%

Budget Assumptions:

- 3\* FTEs
- 4% Merit increase
- 6% increase in medical premiums
- 2% increase each in meeting and travel
- 6% increase in office costs includes computer hardware/software

\*FTEs include

- Engineer in RAPA
- Process Coordinator
- Marketing and Communications Specialist

### High projection 8.5%

Budget Assumptions:

- 5\*\* FTEs total
- 5% Merit increase – 1% used for pay band adjustments based on pay band study in 2025
- 10% increase in medical premiums
- 7% increase each in meeting and travel
- 7% increase in office costs includes computer hardware/software

\*\*FTEs include

- Business Analyst in Data Analytics
- CMEP

The following is a breakdown of the projected budget range increases for 2027<sup>1</sup>:

### **Low projection 3.3%**

Budget Assumptions:

- No FTEs
- 3% Merit increase
- 6% increase in medical premiums
- 2% increase each in meeting and travel
- 6% increase in office costs includes computer hardware/software

### **High projection 7.7%**

Budget Assumptions:

- 4\* FTEs total
- 4% Merit increase
- 10% increase in medical premiums
- 7% increase each in meeting and travel
- 7% increase in office costs includes computer hardware/software

\*FTEs include

- CIP Auditor
- O&P Auditor
- Enforcement Attorney
- RAM

Notes:

<sup>1</sup>2027 projections % increases/(decreases) are compared to the 2026 high projection.





**Section D: Regional Entity Goals and Statement of Activities**

# Regional Entity Statutory Program Goals and Statements of Activities

## Reliability Standards Program

Reliability Standards Program			
	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget
<b>Total FTEs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
<b>Total Funding Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Table 11: Reliability Standards Program**

### 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 RF footprint, as well as help identify, evaluate and promote the amendment of Reliability Standards to ensure their efficiency, efficacy and appropriateness. RF may develop Regional Reliability Standards as necessary. Regional Reliability Standards must be developed in accordance with the RF 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, RF has developed one FERC approved 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 additional Regional Standards in 2025.

RF may also develop regional criteria, which relate to 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 RF Reliability Standards Development Procedure. RF has no current plans to develop regional criteria in 2025.

### 2025 Key Assumptions

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

RF 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, Compliance Monitoring and other Program Areas.

### **2025 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 or regionals criteria that:
  - may be needed to support revised NERC Reliability Standards or address issues not covered within scope of a NERC Reliability Standard; or
  - may address reliability gaps not currently covered by NERC Reliability Standards.
- With the required 5-year review of the RF Planning Resource Adequacy Analysis, Assessment, and Documentation Regional Standard (BAL-502-RF-03) commencing in late 2023, there is a potential for this Regional Standard to go through the RF Standard Development Process if modifications are required.
- Support the ERO Enterprise as needed to develop, modify, and conduct periodic reviews of Reliability Standards to ensure Standards are written clearly and structured properly for existing and emerging risks.

## **Compliance Monitoring and Enforcement, and Organization Registration Program**

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

The purpose of the Compliance Monitoring and Enforcement program (CMEP) is to ensure that all compliance monitoring, risk assessment, mitigation, and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the NERC Rules of Procedure and the Amended and Restated Delegation Agreement between NERC and RF to accomplish this objective, RF has divided CMEP into two areas: (1) Reliability and Risk Analysis and (2) Compliance Monitoring and Enforcement.

### **Reliability and Risk Analysis**

The Reliability and Risk Analysis area is further broken down into the following three subgroups: Risk Analysis and Mitigation, Reliability Analysis and Entity Engagement.

#### **Risk Analysis and Mitigation (RAM)**

- Performs Inherent Risk Assessments which identify risks impacting an entity as well as risk-harm analysis of potential non-compliances.
- Compliance Oversight Plans which create a plan to monitor the entity's compliance with selected NERC Reliability Standards.
- Registers applicable owners, operators and users of the Bulk Power System (BPS) for compliance with Reliability Standards.
- Reviews and approves the registered entity's mitigating activities to ensure the registered entity performs the actions necessary to correct the noncompliance and prevent recurrence to protect BPS reliability.

#### **Reliability Analysis**

- Develops, maintains, and grows the RF Data Warehouse for information storage and retrieval.
- Creates advanced analytics and reporting to support the activities of other CMEP areas and drive insight and business decisions by providing data visualizations.
- Performs quantitative assessments of data models, using statistical tools and technical analysis to help identify risk to the grid.

#### **Entity Engagement**

- Assists stakeholders in improving compliance programs and organizational reliability, risk identification and mitigation, security, and resilience.
- Works closely with entities assisting stakeholders in achieving operational excellence, and improvements in organizational culture and overall program maturity.
- Certifies applicable entities.

- Executes winterization program to assist entities with preparation for extreme weather conditions.

## 2025 Key Assumptions

The 2025 key assumptions for the Reliability and Risk group are as follows:

- The volume and complexity of registrations will increase based on the changing resource mix and modification to the registration criteria to include non-BES Inverter Based Resources.
- Investment in new business intelligence tools to support cloud migration of the data warehouse, generative AI, and enhanced dashboards will result in greater visibility to risks to the grid.
- Entity Engagement anticipates an increase in travel due to the need for additional Assist Visits, outreach, and training to help mature and enhance registered entity programs based on the development of new and modified Standards that tackle changing risks in our footprint (e.g., winterization, supply chain, virtualization and cloud computing).
- RAM, Entity Engagement and Reliability Analysis will continue to receive training to remain subject matter experts in their field of expertise and provide leadership and guidance to the industry.
- Anticipation of an increase in certification reviews based on FERC order 881 as well as entities more frequently making changes to their Energy Management Systems.

## 2025 Key Deliverables

- Process all registration requests in a timely manner and identify and implement process improvements to streamline and drive efficiency.
- Process BES Exception Requests and participate on NERC-Led Review Panels as requested.
- Support 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.
- Lead/Participate in the annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold weather.
- Perform and develop 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 on their inherent risk and performance.
- Conduct risk-harm assessments and develop associated risk statements for all possible noncompliances to assess the real or potential risk posed by each noncompliance and inform the proper enforcement and mitigation action(s).
- Review and verify completion of mitigation plan activities to return entities to compliance and prevent reoccurrence.

- Review of self-logged noncompliances to assess their associated risk determinations and mitigating activities.
- Facilitate the administration of the RF Regional Standards Development Process for any potential Regional Standards revisions.
- Conduct Certification reviews and readiness evaluations of Registered Entities.
- Perform Assist Visits and Extended Assist Visits to mitigate risk.

**Reliability and Risk Budget Detail**

<b>Statement of Activities and Capital Expenditures</b>				
<b>2024 Budget and 2025 Budget</b>				
<b>Reliability and Risk</b>				
	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget	Variance %
<b>Funding</b>				
<b>ReliabilityFirst Funding</b>				
ERO Assessments	\$ 8,038,358	\$ 7,565,349	\$ (473,009)	-5.9%
Penalties Released	388,800	649,898	261,098	67.2%
<b>Total ReliabilityFirst Funding</b>	<b>\$ 8,427,158</b>	<b>\$ 8,215,247</b>	<b>\$ (211,911)</b>	<b>-2.5%</b>
Membership Dues	\$ -	\$ -	\$ -	-
Interest & Investment Income	13,194	24,000	10,806	81.9%
Miscellaneous Income	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 8,440,353</b>	<b>\$ 8,239,247</b>	<b>\$ (201,106)</b>	<b>-2.4%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 4,015,462	\$ 3,919,351	\$ (96,110)	-2.4%
Payroll Taxes	251,941	252,397	456	0.2%
Benefits	495,208	493,347	(1,861)	-0.4%
Retirement Costs	630,976	623,255	(7,721)	-1.2%
<b>Total Personnel Expenses</b>	<b>\$ 5,393,587</b>	<b>\$ 5,288,351</b>	<b>\$ (105,235)</b>	<b>-2.0%</b>
<b>Meeting Expenses</b>				
Meetings	\$ 10,593	\$ 14,400	\$ 3,808	35.9%
Conference Calls	-	-	-	-
Travel	129,097	129,102	6	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 139,689</b>	<b>\$ 143,502</b>	<b>\$ 3,813</b>	<b>2.7%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Contractors & Consultants	\$ 24,000	\$ 19,000	\$ (5,000)	-20.8%
Office Rent	-	-	-	-
Office Costs	124,570	113,326	(11,244)	-9.0%
Professional Services	-	-	-	-
Miscellaneous	1,000	500	(500)	-50.0%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 149,570</b>	<b>\$ 132,826</b>	<b>\$ (16,744)</b>	<b>-11.2%</b>
<b>Total Direct Expenses</b>	<b>\$ 5,682,846</b>	<b>\$ 5,564,679</b>	<b>\$ (118,166)</b>	<b>-2.1%</b>
<b>Indirect Expenses</b>	<b>\$ 2,710,825</b>	<b>\$ 2,652,968</b>	<b>\$ (57,857)</b>	<b>-2.1%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 8,393,671</b>	<b>\$ 8,217,647</b>	<b>\$ (176,024)</b>	<b>-2.1%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 46,682</b>	<b>\$ 21,600</b>	<b>\$ (25,082)</b>	<b>-53.7%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 46,682</b>	<b>\$ 21,600</b>	<b>\$ (25,082)</b>	<b>-53.7%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 8,440,353</b>	<b>\$ 8,239,247</b>	<b>\$ (201,106)</b>	<b>-2.4%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>FTEs</b>	<b>19.00</b>	<b>18.00</b>	<b>(1.00)</b>	<b>-5.3%</b>

**Table 12: Statement of Activities and Capital Expenditures for Reliability and Risk**

## Compliance Monitoring

### Program Scope and Functional Description

The Compliance Monitoring group monitors compliance to the NERC Reliability Standards (Reliability Standards) across RF'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 include:

- Using a risk-based monitoring approach to conduct RF compliance monitoring activities, including compliance audits, spot checks, self-certifications, compliance investigations
- Assessing entity internal controls and evaluating system events from a reliability, security, 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.
- Managing Technical Feasibility Exceptions.
- Serving as subject matter experts and technical resources for both RF and throughout the ERO.

### 2025 Key Assumptions

The 2025 key assumptions for the Compliance Monitoring group are as follows:

- Use a risk-based approach to assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., Audits, Spot Checks, Self-Certifications). This approach allows for more frequent engagements with entities that pose a higher risk to the grid while remaining compliant with the NERC Rules of Procedure.
- Continue performing more frequent in-depth touch points across our footprint. The more frequent touch points reduce the scope of an individual engagement but adds to the overhead of managing a larger number of engagements throughout the year.
- Continue to train staff so they remain skilled experts in their field of expertise and provide credible, skilled, competent, and respected compliance monitoring staff.
- Continue to partner with NERC utilizing Align and the SEL for RF CMEP Activities while developing and prioritizing system enhancements.
- Compliance monitoring has found value in doing field visits during compliance activities in helping to understand and identify risks. An increase in travel is expected; the team uses a hybrid approach to their audit model to mitigate this cost when possible.

### 2025 Key Deliverables

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process using tools available to ensure thorough and collaborative compliance audits consistently with all Regions.
- Conduct thorough and objective assessments of entity's internal controls to understand their risks in meeting regulatory requirements and commitment to sound governance practices.



- Keep abreast of new and emerging technologies and maintain professional certifications for compliance monitoring staff to remain subject matter experts in their field; Ensure all auditors receive adequate training, meeting all NERC auditor training requirements.
- Identify and implement efficiencies in compliance monitoring processes through continued auditor training, development and enhancement of auditor tools, and continuous improvements.
- Utilizing a risk-based approach, identify which of the various Compliance Monitoring methods will be employed based upon the focused risk and/or Entity being monitored.
- Assist in the development of the risk-based annual CMEP Implementation Plan which helps guide oversight actions and identifies common risks and reliability issues.
- Support the ERO Enterprise with the planned improvements of Align and the SEL to continue to drive efficiency through the development of the enhancements.

## Enforcement

### Program Scope and Functional Description

The Enforcement group performs RF's delegated function to enforce compliance with the Reliability Standards. This effort involves ensuring that the selected resolution and 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. Some key enforcement functions include:

- Transparent, consistent, and efficient disposition of noncompliance matters.
- Educating entity stakeholders to help understand potential noncompliance trends and themes that may be early indicators of programmatic or systemic challenges.
- Work collaboratively with FERC, NERC, Region and industry to shape risk-based, effective enforcement policies that drive desired entity behavior.

### 2025 Key Assumptions

The 2025 key assumptions for the Enforcement group are as follows:

- The trend for increased number of non-compliances over the last 12-24 months will remain steady due to the implementation or modification of new standards.
- Enforcement staff will continue to process noncompliances in a timely and fair manner resolving each with appropriate dispositions based on risk, compliance history and other factors.
- Enforcement staff will stay abreast of industry trends and training will be provided to ensure staff maintain their licenses and stay current in their field of expertise.
- RF will frequently serve as the lead Region for MRREs and will continue to support other Regions when RF is the affected Region. The disposition of MRRE non-compliances takes additional time to coordinate dispositions, review mitigation, and negotiate acceptable solutions with affected Regions.
- 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.

### 2025 Key Deliverables

- Continue to focus on resolving enforcement actions in a thoughtful, risk-based, reliability focused manner while ensuring that decisions are repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
- Increase efficiency, through process improvements, in dispositioning enforcement actions and preparing related documentation.
- 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.
- Continue to process and reduce backlog of aging violations, achieving an average age of open inventory that does not exceed 12 months.

- Draft and negotiate with entities, as applicable, all necessary disposition documents in a timely, fair and consistent manner.
- Ensure all requisite notices are timely issued and provide post-filing support and advocacy with NERC and FERC.
- Provide outreach to industry identifying themes, trends, emerging risks, and best practices associated with noncompliance issues, including identifying opportunities to share key takeaways with industry stakeholders, helping ensure the reduction of risk to BPS reliability.
- Mature Enforcement processes to proactively identify noncompliance risks and emerging violation trends to reduce the likelihood of higher risk violations before they occur, and, when appropriate, hold registered entities accountable for higher risk violations with monetary and/or non-monetary penalties commensurate with the risk posed to the security and reliability of the BPS.

**Compliance Monitoring and Enforcement Budget Detail**

<b>Statement of Activities and Capital Expenditures</b>				
<b>2024 Budget and 2025 Budget</b>				
<b>Compliance Monitoring and Enforcement</b>				
	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget	Variance %
<b>Funding</b>				
<b>ReliabilityFirst Funding</b>				
ERO Assessments	\$ 14,103,808	\$ 14,394,598	\$ 290,790	2.1%
Penalties Released	757,137	1,372,008	614,871	81.2%
<b>Total ReliabilityFirst Funding</b>	<b>\$ 14,860,945</b>	<b>\$ 15,766,606</b>	<b>\$ 905,661</b>	<b>6.1%</b>
Membership Dues	\$ -	\$ -	\$ -	-
Interest & Investment Income	25,694	50,667	24,973	97.2%
Miscellaneous Income	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 14,886,639</b>	<b>\$ 15,817,272</b>	<b>\$ 930,633</b>	<b>6.3%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 6,640,158	\$ 7,197,322	\$ 557,164	8.4%
Payroll Taxes	440,928	484,716	43,788	9.9%
Benefits	1,058,592	1,036,754	(21,839)	-2.1%
Retirement Costs	1,035,995	1,141,097	105,102	10.1%
<b>Total Personnel Expenses</b>	<b>\$ 9,175,673</b>	<b>\$ 9,859,888</b>	<b>\$ 684,215</b>	<b>7.5%</b>
<b>Meeting Expenses</b>				
Meetings	\$ 11,834	\$ 14,100	\$ 2,266	19.1%
Conference Calls	-	-	-	-
Travel	226,036	226,033	(3)	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 237,870</b>	<b>\$ 240,133</b>	<b>\$ 2,263</b>	<b>1.0%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Contractors & Consultants	\$ -	\$ -	\$ -	-
Office Rent	-	-	-	-
Office Costs	93,815	61,541	(32,274)	-34.4%
Professional Services	-	-	-	-
Miscellaneous	9,400	9,400	-	0.0%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 103,215</b>	<b>\$ 70,941</b>	<b>\$ (32,274)</b>	<b>-31.3%</b>
<b>Total Direct Expenses</b>	<b>\$ 9,516,758</b>	<b>\$ 10,170,962</b>	<b>\$ 654,205</b>	<b>6.9%</b>
<b>Indirect Expenses</b>	<b>\$ 5,278,974</b>	<b>\$ 5,600,710</b>	<b>\$ 321,736</b>	<b>6.1%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 14,795,732</b>	<b>\$ 15,771,672</b>	<b>\$ 975,940</b>	<b>6.6%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 90,907</b>	<b>\$ 45,600</b>	<b>\$ (45,307)</b>	<b>-49.8%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 90,907</b>	<b>\$ 45,600</b>	<b>\$ (45,307)</b>	<b>-49.8%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 14,886,639</b>	<b>\$ 15,817,272</b>	<b>\$ 930,633</b>	<b>6.3%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
FTEs	37.00	38.00	1.00	2.7%

**Table 13: Statement of Activities and Capital Expenditures for Compliance Monitoring and Enforcement**

## Reliability Assessment and Performance Analysis Program

### Program Scope and Functional Description

RF's Engineering and System Performance (ESP) group executes the Reliability Assessment and Performance Analysis (RAPA) program within RF. 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. Key functions include:

- Independently analyze, assess, and report on the reliability and adequacy of the BES within the RF footprint.
- Monitor and execute 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.
- Provide resources and data input for the technical analyses and support of the risk-based activities throughout the organization acting as subject matter experts.
- Facilitate four of the stakeholder advisory and technical committees and several other industry discussion groups.

### 2025 Key Assumptions

The key assumptions for the RAPA program are as follows:

- RF will continue to support NERC's RAPA program to collect and analyze reliability data, perform engineering studies, develop reliability assessments, and report on the reliability of the BPS.
- RF will support the ERO Enterprise in the identification and mitigation of significant reliability risks that are known today, as well as the identification and assessment of emerging and accelerating risks.
- RF will continue to support its integrated risk management initiatives to promote awareness and discuss strategies for risk mitigation.
- RF will support the bi-annual interregional transfer capability study to help analyze the effects to reliability and risk to the grid. Additionally, the energy assessments as required by NERC will be performed by RF .

### 2025 Key Deliverables

- Continue to 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 RF's footprint.
- Continue to perform seasonal near-term and extreme transmission power-flow analysis assessments and produce reports on the transmission assessment scope and results.
- 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.
- 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 and expand the work being performed 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 RF Protection Subcommittee.
- Continue to support and increase stakeholder participation and interaction through various regional technical groups, including the Reliability Committee (a technical advisory body to the RF 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 Registered Entities with tailored training and interaction through recurring workshops, including human performance workshop.
- Provide knowledge, techniques, and data input in support of RF's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts, as well as supporting state outreach activities.
- Complete interregional transfer capability studies for the RF Region, including recommendations that would strengthen the reliability of the rapidly evolving BPS and develop energy studies to help identify areas of risk for the changing grid.

**Reliability Assessment and Performance Analysis Program Budget Detail**

<b>Statement of Activities and Capital Expenditures</b>				
<b>2024 Budget and 2025 Budget</b>				
<b>Reliability Assessment and Performance Analysis</b>				
	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget	Variance %
<b>Funding</b>				
<b>ReliabilityFirst Funding</b>				
ERO Assessments	\$ 3,292,096	\$ 3,643,293	\$ 351,197	10.7%
Penalties Released	143,242	288,844	145,602	101.6%
<b>Total ReliabilityFirst Funding</b>	<b>\$ 3,435,338</b>	<b>\$ 3,932,137</b>	<b>\$ 496,799</b>	<b>14.5%</b>
Membership Dues	\$ -	\$ -	\$ -	-
Interest & Investment Income	4,861	10,667	5,805	119.4%
Miscellaneous Income	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 3,440,199</b>	<b>\$ 3,942,804</b>	<b>\$ 502,604</b>	<b>14.6%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 1,573,274	\$ 1,742,538	\$ 169,264	10.8%
Payroll Taxes	96,030	112,946	16,916	17.6%
Benefits	201,301	222,915	21,614	10.7%
Retirement Costs	250,380	275,476	25,096	10.0%
<b>Total Personnel Expenses</b>	<b>\$ 2,120,984</b>	<b>\$ 2,353,874</b>	<b>\$ 232,890</b>	<b>11.0%</b>
<b>Meeting Expenses</b>				
Meetings	\$ 7,155	\$ 7,800	\$ 645	9.0%
Conference Calls	-	-	-	-
Travel	84,875	84,876	1	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 92,030</b>	<b>\$ 92,676</b>	<b>\$ 646</b>	<b>0.7%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Contractors & Consultants	\$ 150,062	\$ 113,600	\$ (36,462)	-24.3%
Office Rent	-	-	-	-
Office Costs	61,199	193,957	132,758	216.9%
Professional Services	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 211,261</b>	<b>\$ 307,557</b>	<b>\$ 96,296</b>	<b>45.6%</b>
<b>Total Direct Expenses</b>	<b>\$ 2,424,276</b>	<b>\$ 2,754,107</b>	<b>\$ 329,831</b>	<b>13.6%</b>
<b>Indirect Expenses</b>	<b>\$ 998,725</b>	<b>\$ 1,179,097</b>	<b>\$ 180,372</b>	<b>18.1%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 3,423,001</b>	<b>\$ 3,933,204</b>	<b>\$ 510,203</b>	<b>14.9%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 17,199</b>	<b>\$ 9,600</b>	<b>\$ (7,599)</b>	<b>-44.2%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 17,199</b>	<b>\$ 9,600</b>	<b>\$ (7,599)</b>	<b>-44.2%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 3,440,199</b>	<b>\$ 3,942,804</b>	<b>\$ 502,604</b>	<b>14.6%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
FTEs	7.00	8.00	1.00	14.3%

**Table 14: Statement of Activities and Capital Expenditures for Reliability Assessment and Performance Analysis**

## Training, Education, and Outreach

### Program Scope and Functional Description

The RF Training, Education and Outreach Program is designed for flexible participation, adding value at all levels within organizations, with state policy makers and across the ERO. These programs provide communication, education and training necessary to obtain essential knowledge of BPS operations, reliability, and security. Programs are offered in a variety of venues, formats and channels to ensure those wanting to participate have options available to them for easy access.

The Training and Education area primarily focuses on providing information to industry stakeholders through webinars, newsletters, workshops and other forums. Information is shared through lessons learned, identifying trends, and common themes. The focus for these sessions is on grid reliability and security, ranging from compliance and internal controls to protection systems and human performance.

The Outreach areas target audience is with state legislators, public utility commissioners, energy offices, and governors' offices to provide expertise and answer questions, and shine a light on emerging reliability and security risks. RF strives to be an objective resource for our state stakeholders on reliability issues as they evaluate and implement energy policies. As a regulator of the electric utility industry, with experts in power system engineering, control room operations, planning, and cyber and physical security, RF acts as an independent, credible resource for state policy makers to rely upon. Information is shared through webinars, newsletters, meetings and testimonies.

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

### 2025 Key Assumptions

The key assumptions for the RF Training, Education and Outreach programs are as follows:

- RF continues to broaden its reach through State Outreach efforts. As this program continues to grow, we anticipate more hearings, testimonies, commenting on policy, meetings with states, and participation on regulatory panels which will result in additional travel and training for these stakeholders.
- Through innovation, RF will explore generative AI tools to identify ways in which these tools can help streamline work activities and drive efficiency across teams.
- RF continues to enhance internal and external training tools, processes, and outreach offerings such as workshops, webinars, and resources on the newly designed website to address new and modified NERC standards, risks associated with energy assurance, IBRs, and new cybersecurity risks.
- External training and outreach will be a critical focus area to help Registered Entities comply with new registration requirements and changes to NERC standards.



**2025 Key Deliverables**

- Continue education and assistance efforts to help all stakeholders achieve improvement and excellence in compliance, reliability, risk identification, security, and resilience.
- Facilitate training and continuous improvement of staff skillsets to assess stakeholder compliance and operational programs, culture, and maturity.
- Provide outreach to state policy makers within the region as an independent, unbiased source of information.
- 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.
- Issue announcements, newsletters, and reports on key compliance, reliability, risk identification and mitigation, security, state policies, and resilience issues facing RF and the industry.
- Communicate key risks and risk mitigation strategies, plus lessons learned including outreach on winterization.
- Host targeted webinars including the open stakeholder calls (Technical Talk with RF) covering topics related to compliance, reliability, security, resilience, and enforcement.
- Post educational materials on the RF 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.
- Facilitate stakeholder engagement through groups such as the Compliance Users Group (CUG) and Critical Infrastructure Protection Committee (CIPC).
- Continue workshops and outreach engagements to allow for information exchange between RF and its stakeholders.

**Training, Education, and Outreach Program Budget Detail**

<b>Statement of Activities and Capital Expenditures</b>				
<b>2024 Budget and 2025 Budget</b>				
<b>Training, Education, and Outreach Program</b>				
	<b>2024 Budget</b>	<b>2025 Budget</b>	<b>Variance 2025 Budget v 2024 Budget</b>	<b>Variance %</b>
<b>Funding</b>				
<b>ReliabilityFirst Funding</b>				
ERO Assessments	\$ 2,327,481	\$ 2,964,320	\$ 636,840	27.4%
Penalties Released	81,853	216,633	134,780	164.7%
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,409,333</b>	<b>\$ 3,180,953</b>	<b>\$ 771,620</b>	<b>32.0%</b>
Membership Dues	\$ -	\$ -	\$ -	-
Interest & Investment Income	2,778	8,000	5,222	188.0%
Miscellaneous Income	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 2,412,111</b>	<b>\$ 3,188,953</b>	<b>\$ 776,842</b>	<b>32.2%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 1,070,545	\$ 1,428,606	\$ 358,061	33.4%
Payroll Taxes	64,975	92,466	27,491	42.3%
Benefits	162,641	193,310	30,669	18.9%
Retirement Costs	171,287	224,234	52,947	30.9%
<b>Total Personnel Expenses</b>	<b>\$ 1,469,448</b>	<b>\$ 1,938,616</b>	<b>\$ 469,168</b>	<b>31.9%</b>
<b>Meeting Expenses</b>				
Meetings	\$ 224,471	\$ 212,200	\$ (12,271)	-5.5%
Conference Calls	-	-	-	-
Travel	42,080	42,084	5	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 266,551</b>	<b>\$ 254,284</b>	<b>\$ (12,267)</b>	<b>-4.6%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Contractors & Consultants	\$ 34,000	\$ 34,000	\$ -	0.0%
Office Rent	-	-	-	-
Office Costs	61,085	70,031	8,946	14.6%
Professional Services	-	-	-	-
Miscellaneous	500	500	1	0.1%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 95,585</b>	<b>\$ 104,531</b>	<b>\$ 8,946</b>	<b>9.4%</b>
<b>Total Direct Expenses</b>	<b>\$ 1,831,583</b>	<b>\$ 2,297,431</b>	<b>\$ 465,848</b>	<b>25.4%</b>
<b>Indirect Expenses</b>	<b>\$ 570,700</b>	<b>\$ 884,323</b>	<b>\$ 313,623</b>	<b>55.0%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 2,402,283</b>	<b>\$ 3,181,753</b>	<b>\$ 779,470</b>	<b>32.4%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 9,828</b>	<b>\$ 7,200</b>	<b>\$ (2,628)</b>	<b>-26.7%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 9,828</b>	<b>\$ 7,200</b>	<b>\$ (2,628)</b>	<b>-26.7%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 2,412,111</b>	<b>\$ 3,188,953</b>	<b>\$ 776,842</b>	<b>32.2%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>FTEs</b>	<b>4.00</b>	<b>6.00</b>	<b>2.00</b>	<b>50.0%</b>

**Table 15: Statement of Activities and Capital Expenditures for Training, Education, and Outreach**

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## Situational Awareness Program

### Program Scope and Functional Description

The RF Operational Analysis & Awareness (OAA) department focuses on Event Analysis, Situational Awareness, Threat Intelligence, and operational RF and ERO initiatives. These activities support Registered Entities and RF staff 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. Key functions include:

- Performing event analysis for system disturbances and events by analyzing the root causes of system events, completing event analysis reports, and communicating the resulting information and lessons learned to the industry; and
- Monitoring present conditions on and emerging threats to the BES.

### 2025 Key Assumptions

The key assumptions for the RF Situational Awareness program are as follows:

- Support the ERO Enterprise in the identification and mitigation of significant reliability risks, as well as the analysis of root cause of events that pose risk to the grid.
- Continue to support innovative and continuous improvement initiatives to drive efficiencies, effectiveness and risk informed decision making.
- Continue to support external collaboration with industry, other stakeholders, and the ERO Enterprise community to share lessons learned, best practices, and recommendations from event analysis.
- Continue to review, track, and trend reliability events to support the ERO Enterprise's goal of fewer, less severe events in the RF Region.

### 2025 Key Deliverables

- Provide information on cyber and physical security, and operational related issues by being a conduit from agencies like E-ISAC, U.S. Department of Homeland Security and others.
- Help develop messaging and sharing information on events or suspected events posing potential threats to the electricity sector with these agencies.
- Continue to monitor the health of the grid using a variety of tools and techniques, collaborating with the ERO Enterprise and industry experts to share best practices, lessons learned, analysis results and tooling success.
- Evolve and facilitate the RF Threat Intelligence Program by collecting and analyzing data, leveraging the Analytic Services program to better identify and quantify emerging threats to the BES and providing additional input to RF staff, stakeholders and internally for various initiatives and projects.
- Engage in and contribute to ERO biennial GridEx and annual GridSecCon activities.

- Collect, validate, review, and analyze data for system events and disturbances in a timely manner ensuring root causes, corrective actions, lessons learned, and recommendations are identified and shared across the ERO Enterprise and the industry.
- Monitor and evaluate cyber and physical related threats, events, and vulnerabilities for information sharing with internal and external stakeholders.
- Provide technical subject matter expertise and support for regional outreach activities, and other initiatives as identified within RF and/or the ERO.

**Situational Awareness Program Budget Detail**

<b>Statement of Activities and Capital Expenditures</b>				
<b>2024 Budget and 2025 Budget</b>				
<b>Situation Awareness and Infrastructure Security</b>				
	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget	Variance %
<b>Funding</b>				
<b>ReliabilityFirst Funding</b>				
ERO Assessments	\$ 2,039,444	\$ 1,997,551	\$ (41,893)	-2.1%
Penalties Released	102,316	180,527	78,211	76.4%
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,141,760</b>	<b>\$ 2,178,079</b>	<b>\$ 36,319</b>	<b>1.7%</b>
Membership Dues	\$ -	\$ -	\$ -	-
Interest & Investment Income	3,472	6,667	3,195	92.0%
Miscellaneous Income	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 2,145,232</b>	<b>\$ 2,184,745</b>	<b>\$ 39,513</b>	<b>1.8%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 909,818	\$ 966,255	\$ 56,437	6.2%
Payroll Taxes	62,447	66,724	4,277	6.8%
Benefits	168,763	141,850	(26,913)	-15.9%
Retirement Costs	145,123	153,284	8,161	5.6%
<b>Total Personnel Expenses</b>	<b>\$ 1,286,151</b>	<b>\$ 1,328,113</b>	<b>\$ 41,962</b>	<b>3.3%</b>
<b>Meeting Expenses</b>				
Meetings	\$ 3,211	\$ 3,500	\$ 289	9.0%
Conference Calls	-	-	-	-
Travel	44,671	44,676	5	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 47,882</b>	<b>\$ 48,176</b>	<b>\$ 294</b>	<b>0.6%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Contractors & Consultants	\$ -	\$ -	\$ -	-
Office Rent	-	-	-	-
Office Costs	85,540	65,521	(20,019)	-23.4%
Professional Services	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 85,540</b>	<b>\$ 65,521</b>	<b>\$ (20,019)</b>	<b>-23.4%</b>
<b>Total Direct Expenses</b>	<b>\$ 1,419,573</b>	<b>\$ 1,441,810</b>	<b>\$ 22,237</b>	<b>1.6%</b>
<b>Indirect Expenses</b>	<b>\$ 713,375</b>	<b>\$ 736,936</b>	<b>\$ 23,561</b>	<b>3.3%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 2,132,948</b>	<b>\$ 2,178,745</b>	<b>\$ 45,798</b>	<b>2.1%</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ 12,285</b>	<b>\$ 6,000</b>	<b>\$ (6,285)</b>	<b>-51.2%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 12,285</b>	<b>\$ 6,000</b>	<b>\$ (6,285)</b>	<b>-51.2%</b>
<b>Total Budget (= B + C)</b>	<b>\$ 2,145,232</b>	<b>\$ 2,184,745</b>	<b>\$ 39,513</b>	<b>1.8%</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
FTEs	5.00	5.00	-	0.0%

Table 16: Statement of Activities and Capital Expenditures for Situational Awareness

## **Administrative Services**

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

RF's Administrative Services program includes the budget for all business and administrative functions of the organization:

- General and Administrative
- Legal and Regulatory Affairs
- Information Technology
- Human Resources
- Finance and Accounting

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

Where applicable, 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.

## General and Administrative

### Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Chief Security Officer (CSO), a Senior Executive Assistant, and three security personnel. Responsibilities include leadership, oversight, and management of all RF 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. The office of the CSO is responsible for the overall security governance of the organization. The CSO and his team (Security Governance) meet this duty by creating and maintaining all security policies, performing security awareness training, and implementing incident response and disaster recovery planning.

### 2025 Key Assumptions

They key assumptions for Security Governance are as follows:

- Security Governance team is increasingly moving towards a standards-based holistic approach to security utilizing tools for important benchmarking comparisons, security trends and analyses.
- Maintain recurring third-party security assessment activities to uncover undetected vulnerabilities, measure security control effectiveness, gauge security maturity, and ultimately reduce risk to the enterprise.
- Continue to support the security outreach efforts to the members in our region, looking for opportunities to enhance relationships and outreach efforts with tabletop exercises and simulation activities.

### 2025 Key Deliverables

- Conduct annual active cyber vulnerability assessment.
- Maintain and test Incident Response Plan.
- Coordinate with the Information Technology department on the monitoring of and alerting on security events occurring on RF networks and devices.
- Execute statewide tabletop drills and smaller regional exercises to test stakeholders' responsiveness to a cyber or physical security event.
- Coordinate with the RF President & CEO and the Board of Directors on the maturity of the RF security program and the residual risk to the organization after security controls.

## Legal and Regulatory Affairs

### Program Scope and Functional Description

RF maintains in-house legal staff and hires outside legal consultants, as needed. These legal resources provide the following services:

- Serves as an advisor to the President and CEO and the Board of Directors and acts as the Corporate Secretary.
- Ensures legal and regulatory compliance with all applicable laws, orders, rules and regulations.
- Provides legal support to all areas of the organization.
- Drafts, reviews and maintains the corporations' contracts, policies and procedures and governance documents.
- Manages communication to FERC/NERC and State regulatory agencies on issues relating to RF and/or the performance of its delegated functions.
- Supports internal and external audits of the corporation and oversees all regulatory filings and interactions.

### 2025 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 unique to the Legal and Regulatory Affairs Program.

### 2025 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.
- Support external communications to industry, states, FERC, NERC and other government agencies.
- Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization.



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## Information Technology

### Program Scope and Functional Description

The Information Technology (IT) department supports the organization by provides users with cost-effective information technology tools and delivers technologies to assist the departments in meeting their goals, objectives, and deliverables. The IT department has enlisted a cloud first strategy and continues to migrate on-premises solutions to cloud infrastructure. They manage controls, systems, program and tools to maintain a robust security posture that minimizes RF's cybersecurity risks. The Information Technology team includes the following functions:

- IT and Infrastructure Operations
- Security Operations

RF supports the ERO Enterprise's efforts to implement, operate, and maintain software tools supporting common enterprise-wide IT operations. RF 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 is delayed or otherwise not available as planned, RF could incur additional costs to conduct operations pending the availability of these applications. RF 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 IT and Infrastructure Operations function supports the organization through the design and maintenance for all of RF's computer and network infrastructure, support of computer hardware and software and project management of technology related projects.

The Security Operations function is responsible for implementing and improving all cyber and physical security controls to minimize risk. They work hand in hand with the Chief Security Officer and Security team to be the boots on the ground within IT implementing the tools and technology needed to keep RF protected. They provide the necessary services to ensure efficient and effective controls are in place to protect the confidentiality, integrity and availability of RF's IT infrastructure, business critical assets and data.

### 2025 Key Assumptions

The IT Program incorporates specific strategic and operating objectives utilizing a cloud first approach to technology. IT also helps support the ERO objectives for building and implementing

centralized enterprise applications 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:

- Utilize Continuous improvement to maintain and advance the security posture across the corporation-wide data infrastructure and remediate any vulnerability to protect sensitive data.
- Maintain lower fixed asset costs (infrastructure servers) by continuing operations of virtualization technologies and/or cloud solutions, therefore minimizing operating and replacement costs.
- Maintain a stringent level of control of the Access Management Process that governs physical and electronic access to resources that contain sensitive corporate data.
- Continue to improve departmental processes and efficiencies and conduct training exercises for implemented technologies to maintain proficiency.
- Maintain a multi-layered security protection and monitoring environment governed by established controls, processes, and security awareness activities.
- Continue close collaboration with Corporate Security to ensure that planned objectives are prioritized and desired results are purposely implemented.

### **2025 Key Deliverables**

- Identify and implement process improvements for manual tasks associated with the IT core work and prioritized business projects to drive efficiency through the business.
- Identify and implement key business processes to incorporate machine learning and AI capabilities.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified corporation-wide Information Management System.
- Maintain and mature database architecture to support Data Warehousing and Analytics efforts to move to the cloud and allow for improved risk analysis and decision-making for customers.
- Improve cyber and physical security controls to defend against emerging threats.
- Maintain and mature Information Technology and Security National Institute of Standards and Technology (NIST) Cybersecurity framework and strategy.
- Guide and implement ERO initiatives of developing, testing, and deploying collaboration 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.

## Human Resources

### Program Scope and Functional Description

RF realizes that talented, engaged employees are its greatest assets, and that recruiting, nurturing, developing, and retaining that talent is one of its most important tasks. The HR department is responsible for a variety of essential functions:

- 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.
- Attraction and retention of a diverse and talented workforce and employee development through performance management and individual, departmental, and organizational training.
- Employee engagement through creating a work environment of inclusion where all employees feel valued, appreciated, and free to be their authentic selves.
- Corporate policy and procedure development and adherence measures, and compliance with state and federal employment law to reduce liability as well as compensation and benefits administration.

### 2025 Key Assumptions

The Human Resources Program has the following 2025 key assumptions:

- RF will continue to provide competitive compensation and benefits packages.
- RF will ensure training for staff on industry trending topics to stay ahead of the fast-paced changing grid and that subject matter experts will maintain elevated professional credentials to remain a leader in the industry.
- RF will provide an annual merit salary increase. The salary expense budget for all program areas reflects this assumption.

### 2025 Key Deliverables

- Attract, develop and retain highly skilled and engaged staff; diversify employment recruiting channels.
- Promote employee engagement and empowerment; provide opportunities for staff to engage with each other for collaboration and community in our hybrid work environment.
- Mature succession plan process and continue to develop the future leaders within RF who have been identified within the plan.
- Refresh compensation and benefit studies to ensure organization and industry competitiveness.
- Develop robust intern program to build talent pipeline and community visibility.

## Finance and Accounting

### Program Scope and Functional Description

The Finance and Accounting department plays an important role in providing essential financial services to RF, including accounting, forecasting, budgeting, analytical and treasury functions.

Key responsibilities include:

- Developing the annual BP&B and ongoing analysis of actual-to-budget expenditures to ensure alignment with organizational objectives and financial sustainability.
- Reviewing, maturing, and establishing accounting policies, procedures, and internal controls, in accordance with GAAP, to adapt to the evolving business environment and needs.
- Preparing monthly, quarterly, and annual financial statements.
- Overseeing external audits of RF's financials or retirement accounts and ensures all required filings are completed timely.
- Managing accounts payables, accounts receivables and fixed assets.
- Working with the ERO to develop common accounting practices throughout NERC and the Regions.
- Maintaining banking relationships, managing cashflow and retirement and corporate investment activities.
- Performing the Corporate Treasury function.

### 2025 Key Assumptions

The 2025 key assumptions for the Finance and Accounting function are as follows:

- Current accounting systems and controls are effective.
- There are no major changes in applicable accounting regulations.

### 2025 Key Deliverables

- Provide timely, accurate, and relevant reporting and financial analysis to RF's leadership team, Board of Directors, FAC, NERC and stakeholders.
- Identify opportunities to create efficiencies through new processes or procedure; maximize accounting and budgeting technology currently in use.
- Collaborate with the ERO Finance Group (EROFG) to develop best practices and commonality within accounting, budgeting and financial reporting.
- Ensure RF has effective financial controls and exercises fiscal responsibility.

## Administrative Services Budget Detail

<b>Statement of Activities and Capital Expenditures</b>				
<b>2024 Budget and 2025 Budget</b>				
<b>Administrative Services</b>				
	2024 Budget	2025 Budget	Variance 2025 Budget v 2024 Budget	Variance %
<b>Funding</b>				
<b>ReliabilityFirst Funding</b>				
ERO Assessments	\$ (2,841,915)	\$ (1,977,500)	\$ 864,415	-30.4%
Penalties Released	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ (2,841,915)</b>	<b>\$ (1,977,500)</b>	<b>\$ 864,415</b>	<b>-30.4%</b>
Membership Dues	-	-	-	-
Interest & Investment Income	-	-	-	-
Miscellaneous Income	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (2,841,915)</b>	<b>\$ (1,977,500)</b>	<b>\$ 864,415</b>	<b>-30.4%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 5,286,124	\$ 5,655,403	\$ 369,279	7.0%
Payroll Taxes	315,774	336,076	20,301	6.4%
Benefits	898,964	925,438	26,474	2.9%
Retirement Costs	911,870	953,962	42,092	4.6%
<b>Total Personnel Expenses</b>	<b>\$ 7,412,732</b>	<b>\$ 7,870,879</b>	<b>\$ 458,147</b>	<b>6.2%</b>
<b>Meeting Expenses</b>				
Meetings	\$ 175,591	\$ 175,408	\$ (183)	-0.1%
Conference Calls	-	13,000	13,000	-
Travel	121,342	121,336	(6)	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 296,933</b>	<b>\$ 309,744</b>	<b>\$ 12,811</b>	<b>4.3%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Contractors & Consultants	\$ 345,638	\$ 487,370	\$ 141,732	41.0%
Office Rent	852,751	716,000	(136,751)	-16.0%
Office Costs	584,926	853,379	268,453	45.9%
Professional Services	741,816	761,365	19,549	2.6%
Miscellaneous	37,804	55,296	17,492	46.3%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 2,562,934</b>	<b>\$ 2,873,410</b>	<b>\$ 310,476</b>	<b>12.1%</b>
<b>Total Direct Expenses</b>	<b>\$ 10,272,599</b>	<b>\$ 11,054,033</b>	<b>\$ 781,434</b>	<b>7.6%</b>
<b>Indirect Expenses</b>	<b>\$ (10,272,599)</b>	<b>\$ (11,054,033)</b>	<b>\$ (781,434)</b>	<b>7.6%</b>
<b>Other Non-Operating Expenses</b>	-	-	-	-
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Change in Net Assets (= A - B)</b>	<b>\$ (2,841,915)</b>	<b>\$ (1,977,500)</b>	<b>\$ 864,415</b>	<b>-30.4%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Budget (= B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Change in Working Capital (= A - B - C)</b>	<b>\$ (2,841,915)</b>	<b>\$ (1,977,500)</b>	<b>\$ 864,415</b>	<b>-30.4%</b>
FTEs	26.00	26.00	-	0.0%

Table 17: Statement of Activities and Capital Expenditures for Administrative Services

**Office Rent**

Office Rent	2024 Budget		2025 Budget		Variance 2025 Budget v 2024 Budget	Variance %
Office Rent	\$	722,191	\$	580,000	\$ (142,191)	-19.7%
Data Center Rent		70,560		76,000	5,440	7.7%
Utilities		60,000		60,000	-	0.0%
<b>Total Office Rent</b>	<b>\$</b>	<b>852,751</b>	<b>\$</b>	<b>716,000</b>	<b>\$ (136,751)</b>	<b>-16.0%</b>

**Table 18: Office Rent****Explanation of Significant Variances – 2024 Budget versus 2025 Budget**

- **Office Rent** decreased to reflect actual rent expense recognized.

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

Section E is not applicable.

## **Appendix A: 2024 – 2025 Organization Chart**



### Appendix A: 2024 – 2025 Organization Chart

