



TEXAS RE

2025 Business Plan and Budget

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Vice President and CFO**



2025 Budget Development Process

March 20, 2024

AGR&F Conference Call to Review 2025 BP&B

April 17, 2024

Board of Directors Conference Call to Review 2025 BP&B

April 25, 2024

MRC Conference Call to Review 2025 BP&B

- MRC voted to recommend that the Texas RE Board approve the proposed 2025 BP&B

May 8, 2024

2025 BP&B Posted for Member Comments

- No comments were submitted

May 15, 2024

Texas RE Board of Directors Voted to Approve the 2025 BP&B

**All statutory activity in the 2025 Business Plan and Budget
aligns with the ERO Enterprise Long-Term Strategy**



2025 Budget Drivers

Increasing the FTE count from 70 to 72

- **Compliance Operations and Planning Auditor**
 - Growth in the number and type of registered entities is increasing compliance oversight engagements
 - New standards in key risk areas like IBR performance, winterization, and transmission planning for extreme events will increase the engagement workload
 - Increasing expectations for new entity outreach and engagements from NERC and FERC
- **IT Security**
 - Multi-year effort to mature IT Security Department and promote sustainability
 - Supports full segregation of IT and security functions consistent with sound governance models

4% Merit and market adjustment pool

Investment in technology for ERM and Energy Assessment Tools



2025 Statutory Budget & Assessment Overview

Total 2025 Budget \$20.3M

- 5.9% increase from 2024
 - Adding 2 FTE's and corresponding benefits
 - 4% Merit and market adjustment pool

Total 2025 Assessment \$19.3M

- 3.1% increase from 2024
 - \$570K assessment stabilization reserves to offset assessments
 - \$338K penalty revenue applied to reduce assessment



2025 Budget by Category

Personnel \$16M – 8.1% Increase Over 2024

- Includes 2 additional FTEs and full benefits, one each in CMEP and IT departments
- The average available salary adjustment is 4.0%

Meeting and Travel Expense \$524K – 12.3% Increase Over 2024

- Includes quarterly meetings with Board of Directors and stakeholders, one outside workshop, one virtual workshop, as well as enhanced production and outreach
- Travel is increasing to account for the additional FTEs, an increase in compliance oversight engagements requiring travel, and enhanced outreach



2025 Budget by Category

Operating Expenses \$3.7M – 2.9% Decrease From 2024

- Rent and office maintenance will decrease 14.4% to better reflect actual experience in our new building
- Office costs will increase 10.3% because of investments in ERM Software and Energy Assessment Software
- Consultants and Contracts will increase 11.2% to support new software and ERO energy assessment requirements

Other Non-Operating Expense

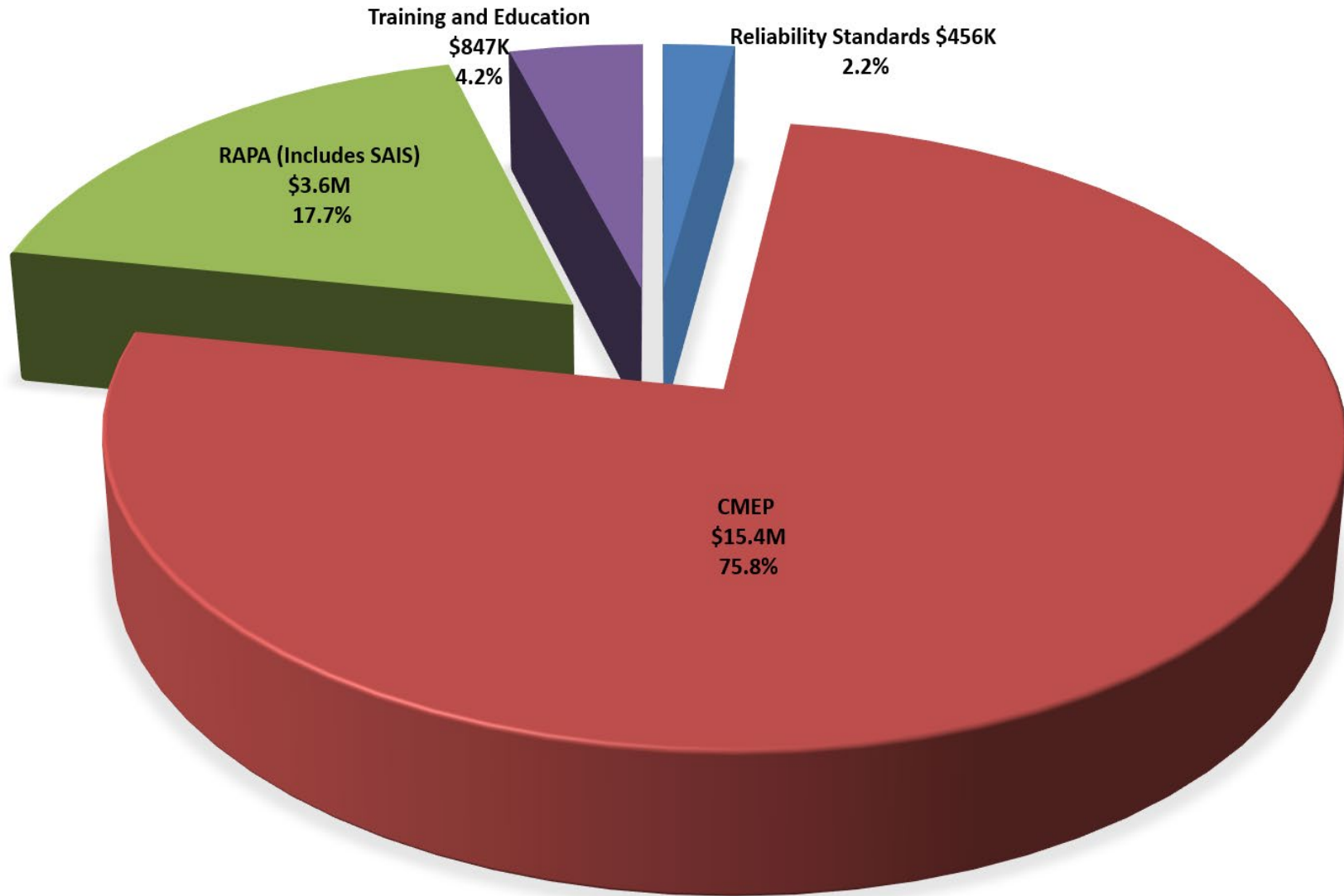
- No cost for 2025

Fixed Assets \$50K

- Fixed Asset cost remains the same as 2024



2025 Budget by Program Area



**Total Program Budget
\$20.3M**



Texas RE Operating Reserve

- Texas RE maintains a \$2M Contingency Operating Reserve intended to provide funds for contested enforcement matters or sudden unanticipated expenses
- Any use of the Contingency Operating Reserve must be approved by the Board of Directors
- Any budget under-runs are added to Assessment Stabilization Reserves
- All penalty money received is released to appropriate budget year as required by FERC



Projected Reserve Balances

\$4.9M Total Reserves at end of 2024

- \$477K Working Capital Reserves
- \$2M Contingency Reserves
- \$2.4M Penalty and Assessment Stabilization Reserves

\$4.0M Total Reserves at end of 2025

- \$508K Working Capital Reserves
- \$2M Contingency Reserves
- \$1.5M Penalty and Assessment Stabilization Reserves



Preliminary 2026 & 2027 Projections

2026 Projections

Budget 7.5% Increase Over 2025

- Addition of 3 FTEs
- Includes 10% increase for health benefits
- Includes 3% increase for rent, utilities, and maintenance
- Includes 9.7% increase for consultants to support ERO Energy Assessment requirements
- All other categories 4.0% increase

12.7% assessments increase over 2025 budget, which includes an offset of penalty revenue

2027 Projections

Budget 6.1% Increase Over 2026

- Addition of 2 FTEs
- Includes 10% increase for health benefits
- Includes 3% increase in rent, utilities, and maintenance
- Includes 9.2% increase for consultants to support ERO Energy Assessment requirement
- All other categories 4.0% increase

6.5% assessments increase over 2026, which does not include an offset of penalty revenue

Penalty revenue will be used to reduce assessments if available. Any budget under-runs will be added to Assessment Stabilization.



The background of the slide features a blurred Texas state flag on the left and a target with several darts on the right. The darts are clustered in the center of the target, suggesting a focus on a specific point.

Questions?



TEXAS RE

Ensuring electric reliability for Texans