



RELIABILITY FIRST

2026 Business Plan and Budget

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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 users, owners and operators of the BPS 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.

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 to 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 BPS. 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 sixteen (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 currently led by one of the independent board directors, and report directly to the Board.

- **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 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.

ERO Enterprise

Electricity is a vital component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric for the benefit of nearly 400 million North Americans. The ERO Enterprise, which consists of the North American Electric Reliability Corporation (NERC) and the six Regional Entities, works with users, owners, and operators of the BPS, government partners, and other stakeholders and industry participants, to pursue its mission of assuring the effective and efficient reduction of risks to the reliability and security of the BPS.

NERC and the Regional Entities play different, but important and complementary, roles in delivering ERO Enterprise programs. NERC provides industry-wide perspective and oversight, and the Regional Entities have unique features and activities that serve the needs of their regional constituents, while ensuring that registered entities follow NERC and Regional Reliability Standards. The ERO Enterprise is explicitly committed to its collective success in achieving its vision of a highly reliable and secure North American BPS.



Strategic & 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 Regional Entities, and the different corporate and governance responsibilities of each entity.

In 2024, the ERO Enterprise revised the ERO Enterprise Long-Term Strategy. This strategy includes the following focus areas for achieving success in its vision and mission:

- Energy – Effectively leverage a broad range of data, tools, and approaches to assist stakeholders and policymakers in addressing existing BPS risks and proactively identifying and preparing for emerging and unknown risks to the grid.
- Security – Maintain cyber and physical security programs (E-ISAC, Standards, Compliance Monitoring and Enforcement Program (CMEP), technical committee work¹, outreach and engagement) that are risk-based, efficient, coordinated, and effectively advance the security posture of industry.
- Engagement – Ensure that the increasingly diverse spectrum of stakeholders and policymakers find value in engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform their decision-making, and have confidence in the integrity and independence of ERO Enterprise programs.
- Agility and Sustainability – Perform as an effective and efficient team acting in coordination, ensuring its programs and efforts deliver value for stakeholders and policymakers as they manage changing reliability and security risk within the evolving industry landscape, and capturing cost efficiencies when practical.

As part of the business planning and budgeting process, NERC and the Regional Entities each have their own priorities and strategic focus areas but continually come together to ensure alignment with the long-term strategy and that business processes and operations harmonize across the ERO Enterprise where appropriate.

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.

¹ Technical committees include the NERC Standing Committees (Compliance and Certification Committee, Personnel Certification and Governance Committee, Reliability Issues Steering Committee, Reliability and Security Technical Committee, and Standards Committee) and Regional Entity committees.

ReliabilityFirst Strategic Planning

2026 Strategic Focus Areas

The strategic plan is the culmination of a collaborative planning process. It captures our progress over the last nineteen (19) years since inception, maintains the strong core of our prior strategic plan, but also accounts for the changing nature of our work and the grid. The 2023-2027 Strategic Plan 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 have a diverse workforce where employees feel they can be their authentic selves and is the 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.

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.

2026 Business Plan and Budget Overview

Funding and Budget Summary

This Business Plan and Budget (BP&B) reflects RF's best estimate of the costs it will incur to conduct its delegated functions in support of the ERO in 2026. Overall, the RF 2026 budget of \$35,857,122 increased 7.4% over the 2025 budget of \$33,373,022. The 2026 assessment of \$32,589,878 represents a 14% increase over the 2025 assessment of \$28,587,612. RF used collected penalties and a portion of its reserves to limit the assessment increase. RF's proposed 2026 assessment was reduced by the release of \$2,069,386 from its Working Capital Reserve and \$1,047,858 from penalties released. (Refer to Working Capital and Operating Reserve Analysis for more information).

RF's NEL for 2024 was 877,516,288 MWh. This number is up slightly (1.13%) from 2023 mostly due to above average temperatures in summer, below average temperatures in winter, and the addition of new customers.

RF believes that in 2026, 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 2026 Business Plan and Budget.

Major Budget Drivers

- **Personnel** – RF will be adding five additional full-time employees (FTE) to the organization in the following program areas: RAPA, Training, Education and Outreach (3 FTE), and Reliability and Risk. These additional FTEs will help support the goals and deliverables set forth by the program areas. In addition, RF is projecting increased medical costs due to higher medical premium renewal rates.
- **Meetings and Travel** – RF kept meetings and travel flat for three years despite the company's growth in both size and scope of work. Looking at 2026, RF is planning more external state outreach engagements, a return to pre-pandemic travel levels with the auditing teams and increased in-person collaboration across the ERO.
- **Office Costs, including Computer Software, Service and Maintenance** –To support RF's cloud initiatives, the data warehouse architecture will migrate to a cloud solution, providing a better user experience and modernized architecture. Additionally, as RF explores ways to scale and drive efficiency through generative AI, an investment in AI tools will be implemented to enhance internal productivity. These AI tools will help automate routine tasks, analyze large datasets for insights, and improve decision-making processes across various departments. The hardware and software required to support the NERC-required energy and interregional transfer capability studies conducted by RF's engineering team have a higher ongoing cost than previously used software. RF has also seen significant savings in 2026 on fixed assets as more technology has moved to the cloud.

2025 and 2026 Budget Comparison

Statement of Activities and Capital Expenditures						
2025 Budget & Projection and 2026 Budget						
STATUTORY						
	2025 Budget	2025 Projection	Variance 25P v 25B	2026 Budget	Variance 26B v 25B	Variance %
Funding						
Statutory Funding						
RF Assessments	\$ 28,587,612	\$ 28,587,612	\$ -	\$ 32,589,878	\$ 4,002,266	14.0%
Penalties Released	2,707,910	2,707,910	-	1,047,858	(1,660,052)	-61.3%
Total Statutory Funding	\$ 31,295,522	\$ 31,295,522	\$ -	\$ 33,637,736	\$ 2,342,214	7.5%
Interest and Investment Income	\$ 100,000	\$ 400,000	\$ 300,000	\$ 150,000	\$ 50,000	50.0%
Total Funding (A)	\$ 31,395,522	\$ 31,695,522	\$ 300,000	\$ 33,787,736	\$ 2,392,214	7.6%
Expenses						
Personnel Expenses						
Salaries	\$ 20,909,475	\$ 20,909,475	\$ -	\$ 22,229,233	\$ 1,319,758	6.3%
Payroll Taxes	1,345,325	1,345,325	-	1,430,375	85,050	6.3%
Benefits	3,013,614	2,959,239	(54,375)	3,593,942	580,328	19.3%
Retirement Costs	3,371,307	3,371,307	-	3,614,611	243,304	7.2%
Total Personnel Expenses	\$ 28,639,721	\$ 28,585,346	\$ (54,375)	\$ 30,868,161	\$ 2,228,440	7.8%
Meeting & Travel Expenses						
Meetings & Conference Calls	\$ 440,408	\$ 440,408	\$ -	\$ 509,030	\$ 68,622	15.6%
Travel	648,107	648,107	-	660,820	12,713	2.0%
Total Meeting & Travel Expenses	\$ 1,088,515	\$ 1,088,515	\$ -	\$ 1,169,850	\$ 81,335	7.5%
Operating Expenses, excl. Depreciation						
Contractors & Consultants	\$ 653,970	\$ 671,530	\$ 17,560	\$ 689,266	\$ 35,296	5.4%
Office Rent	716,000	741,000	25,000	728,000	12,000	1.7%
Office Costs	1,357,755	1,371,295	13,540	1,544,271	186,516	13.7%
Professional Services	761,365	761,365	-	792,314	30,949	4.1%
Miscellaneous	65,696	42,596	(23,100)	35,260	(30,436)	-46.3%
Total Operating Expenses, excl. Depreciation	\$ 3,554,786	\$ 3,587,786	\$ 33,000	\$ 3,789,111	\$ 234,325	6.6%
Total Direct Expenses	\$ 33,283,022	\$ 33,261,647	\$ (21,375)	\$ 35,827,122	\$ 2,544,100	7.6%
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 33,283,022	\$ 33,261,647	\$ (21,375)	\$ 35,827,122	\$ 2,544,100	7.6%
Change in Net Assets (= A - B)	\$ (1,887,500)	\$ (1,566,125)	\$ 321,375	\$ (2,039,386)	\$ (151,887)	8.0%
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 90,000	\$ 90,000	\$ -	\$ 30,000	\$ (60,000)	-66.7%
TOTAL BUDGET (= B + C)	\$ 33,373,022	\$ 33,351,647	\$ (21,375)	\$ 35,857,122	\$ 2,484,100	7.4%
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ (1,977,500)	\$ (1,656,125)	\$ 321,375	\$ (2,069,386)	\$ (91,887)	4.6%
FTE	101.00	101.00	-	106.00	5.00	5.0%

*Penalties released reflect the designated amount of funds released to offset 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).

2026 Program Area Budgets

Program	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Reliability Standards	\$ -	\$ -	\$ -	0.0%
Reliability and Risk	8,239,247	8,552,078	312,831	3.8%
Compliance Monitoring and Enforcement	15,817,272	16,010,114	192,841	1.2%
Reliability Assessments and Performance Analysis	3,942,804	4,461,425	518,621	13.2%
Training, Education, and Outreach	3,188,953	4,646,556	1,457,603	45.7%
Situation Awareness and Infrastructure Security	2,184,745	2,186,949	2,204	0.1%
Total	\$ 33,373,022	\$ 35,857,122	\$ 2,484,100	7.4%

Major Budget Drivers by Program

Reliability and Risk

- **Personnel** – Increase of 1 FTE to support AI technology and data modeling, a key focus area for RF.

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 Software, Service and Maintenance** – An increase in new software for the required 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 3 FTE to Training, Education and Outreach. One position will directly support the growth in the state outreach area to provide additional communication efforts. A second position will support administrative functions freeing up highly skilled team members to focus on field work and entity engagements. The third position involves the formal conversion of an existing temporary role—previously classified as an “overlap” position—into a permanent FTE. This role, historically used to provide transitional or supplemental support without being counted toward official headcount, has proven essential to ongoing operations. By converting it to a permanent position, RF ensures continuity and stability in a function that has already demonstrated value. Importantly, this change has no budget impact, as the position was already funded under the overlap strategy. The conversion reflects a strategic shift from temporary coverage to sustained capacity, aligning with long-term outreach goals and workload demands. Additionally, RF transferred one position from Legal and Regulatory Affairs to Training, Education and Outreach.

Personnel Analysis and Expenses

Total FTE by Program Area	2025 Budget	2026 Budget	Variance 26B v 25B
STATUTORY			
Operational Programs			
Reliability Standards	0.00	0.00	0.00
Reliability and Risk	18.00	19.00	1.00
Compliance Monitoring and Enforcement	38.00	38.00	0.00
Reliability Assessment and Performance Analysis	8.00	9.00	1.00
Training, Education, and Outreach	6.00	10.00	4.00
Situation Awareness and Infrastructure Security	5.00	5.00	0.00
Total FTE Operational Programs	75.00	81.00	6.00
Administrative Programs			
General and Administrative	6.00	6.00	0.00
Legal and Regulatory Affairs	4.00	3.00	-1.00
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
Total FTE Administrative Programs	26.00	25.00	-1.00
Total FTE	101.00	106.00	5.00

Personnel Expenses			Variance	
	2025 Budget	2026 Budget	26B v 25B	Variance %
Total Salaries	\$ 20,909,475	\$ 22,229,233	\$ 1,319,758	6.3%
Total Payroll Taxes	\$ 1,345,325	\$ 1,430,375	\$ 85,050	6.3%
Total Benefits	\$ 3,013,614	\$ 3,593,942	\$ 580,328	19.3%
Total Retirement	\$ 3,371,307	\$ 3,614,611	\$ 243,304	7.2%
Total Personnel Costs	\$ 28,639,721	\$ 30,868,161	\$ 2,228,440	7.8%
FTE	101.00	106.00	5.00	5.0%
Cost per FTE				
Salaries	\$ 207,025	\$ 209,710	\$ 2,685	1.3%
Payroll Taxes	13,320	13,494	174	1.3%
Benefits	29,838	33,905	4,067	13.6%
Retirement	33,379	34,100	721	2.2%
Total Cost per FTE	\$ 283,562	\$ 291,209	\$ 7,647	2.7%

Explanation of Significant Variances

- The overall increase in Personnel Expenses is due to the addition of four (4) net new FTEs, a 4% merit increase, and higher medical premium renewal rates. More information can be found in the Major Budget Drivers – Budget Overview.

Contractors and Consultants

Contractors & Consultants			Variance	
	2025 Budget	2026 Budget	26B v 25B	Variance %
Reliability Standards	\$ -	\$ -	\$ -	-
Reliability and Risk	19,000	19,000	-	0.0%
Compliance Monitoring and Enforcement	-	-	-	-
Reliability Assessment and Performance Analysis	113,600	120,365	6,765	6.0%
Training and Education	34,000	60,300	26,300	77.4%
Situation Awareness and Infrastructure Security	-	-	-	-
Administrative Services	487,370	489,601	2,231	0.5%
Total Contractors & Consultants	\$ 653,970	\$ 689,266	\$ 35,296	5.4%

Explanation of Significant Variances

- Training and Education** - RF plans to invest in video production to support additional stakeholder and external outreach. These videos will allow for greater audience reach with our stakeholders and provide unique opportunities for engagement.

Fixed Assets

Fixed Assets	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Computer Hardware	\$ 90,000	\$ 30,000	\$ (60,000)	-66.7%
Computer Software	-	-	-	-
Furniture & Fixtures	-	-	-	-
Leasehold Improvements	-	-	-	-
Total Fixed Assets	\$ 90,000	\$ 30,000	\$ (60,000)	-66.7%

Explanation of Significant Variances

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

Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2025 - 2026				
STATUTORY				
	Total	Working Capital and Working Capital Reserve	Unreleased Penalties	Operating Reserve
Beginning Working Capital Per Audit, December 31, 2024	\$ 10,828,839			
Beginning Reserve Balances, January 1, 2025	\$ 10,828,839	\$ 6,690,929	\$ 3,137,910	\$ 1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2025	(30,000)	2,707,910	(2,737,910)	-
Plus: Release from 2025 Assessment Stabilization Reserve	30,000	30,000		-
Plus: Penalty Sanctions Received January 1 - June 30, 2025	647,858	-	647,858	-
Plus: 2025 ReliabilityFirst Funding (from LSEs or designees)	28,587,612	28,587,612	-	-
Plus: 2025 Other Funding Sources	400,000	400,000	-	-
Less: 2025 Projected Expenses & Capital Expenditures	(33,351,647)	(33,351,647)	-	-
Projected Working Capital and Operating Reserves, December 31, 2025	\$ 7,112,662	\$ 5,064,804	\$ 1,047,858	\$ 1,000,000
Targeted Working Capital and Operating Reserves, December 31, 2026 ²	\$ 3,995,418	\$ 2,995,418	\$ -	\$ 1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2025	(7,112,662)	(5,064,804)	(1,047,858)	(1,000,000)
Total Adjustments to Reserves	\$ (3,117,244)	\$ (2,069,386)	\$ (1,047,858)	\$ -
2026 Expenses and Capital Expenditures	\$ 35,857,122			
Less: Penalty Sanctions ¹	(1,047,858)			
Less: Other Funding Sources	(150,000)			
Adjustment to Achieve Reserve Balances	(2,069,386)			
2026 ReliabilityFirst Assessment	\$ 32,589,878			

¹ Represents penalty sanctions collected from July 1, 2024 to June 30, 2025.

² The Operating Reserve were approved by the ReliabilityFirst Board of Directors on March 26, 2025.

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 2026, the working capital reserve will be decreased by \$2,069,386 to meet the Board-approved target reserve of \$2,995,418 on December 31, 2026. The Targeted Working Capital balance of \$2,995,418 will be used to stabilize assessments in future years.

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 26, 2025, the RF Board approved a \$1,000,000 operating reserve, which is consistent with RF's policy. RF budgeted the same amount in the 2025 Business Plan and Budget for any unbudgeted and unexpected expenditures of the organization.

Penalty Sanctions

Pursuant to the NERC ROP 1107.2, all funds from financial penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or

for the second subsequent fiscal year, if received on or after July 1. RF expects to collect \$1,047,858 in penalty sanctions between July 1, 2024, and June 30, 2025, that will be used to offset RF's 2026 budget.

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 2027 and 2028 Projections							
	<u>2026</u>	<u>2027</u>	<u>26 v 27</u>	<u>26 v 27</u>	<u>2028</u>	<u>27 v 28</u>	<u>27 v 28</u>
	<u>Budget</u>	<u>High Projection</u>	<u>\$ Change</u>	<u>% Change</u>	<u>High Projection</u>	<u>\$ Change</u>	<u>% Change</u>
Funding							
Statutory Funding							
RF Assessments	\$ 32,589,878	\$ 36,500,663	\$ 3,910,785	12.0%	\$ 40,515,736	\$ 4,015,073	11.0%
Penalties Released	1,047,858	1,000,000	(47,858)	-4.6%	1,000,000	-	0.0%
Total Statutory Funding	\$ 33,637,736	\$ 37,500,663	\$ 3,862,927	11.5%	\$ 41,515,736	\$ 4,015,073	10.7%
Interest and Investment Income	\$ 150,000	\$ 150,000	\$ -	0.0%	\$ 150,000	\$ -	0.0%
Total Funding (A)	\$ 33,787,736	\$ 37,650,663	\$ 3,862,927	11.4%	\$ 41,665,736	\$ 4,015,073	10.7%
Expenses							
Personnel Expenses							
Salaries	\$ 22,229,233	\$ 24,065,093	\$ 1,835,860	8.3%	\$ 25,599,344	\$ 1,534,251	6.4%
Payroll Taxes	1,430,375	1,548,255	117,880	8.2%	1,646,514	98,260	6.3%
Benefits	3,593,942	3,837,817	243,875	6.8%	4,302,404	464,587	12.1%
Retirement Costs	3,614,611	3,972,000	357,389	9.9%	4,225,867	253,868	6.4%
Total Personnel Expenses	\$ 30,868,161	\$ 33,423,164	\$ 2,555,003	8.3%	\$ 35,774,130	\$ 2,350,966	7.0%
Meeting & Travel Expenses							
Meetings & Conference Calls	\$ 509,030	\$ 544,662	\$ 35,632	7.0%	\$ 582,788	\$ 38,126	7.0%
Travel	660,820	707,077	46,257	7.0%	756,573	49,495	7.0%
Total Meeting & Travel Expenses	\$ 1,169,850	\$ 1,251,740	\$ 81,890	7.0%	\$ 1,339,361	\$ 87,622	7.0%
Operating Expenses, excl. Depreciation							
Contractors & Consultants	\$ 689,266	\$ 737,515	\$ 48,249	7.0%	\$ 789,141	\$ 51,626	7.0%
Office Rent	728,000	742,560	14,560	2.0%	757,411	14,851	2.0%
Office Costs	1,544,271	1,652,370	108,099	7.0%	1,768,036	115,666	7.0%
Professional Services	792,314	839,853	47,539	6.0%	890,244	50,391	6.0%
Miscellaneous	35,260	37,023	1,763	5.0%	38,874	1,851	5.0%
Total Operating Expenses, excl. Depreciation	\$ 3,789,111	\$ 4,009,320	\$ 220,209	5.8%	\$ 4,243,706	\$ 234,385	5.8%
Total Direct Expenses	\$ 35,827,122	\$ 38,684,224	\$ 2,857,102	8.0%	\$ 41,357,198	\$ 2,672,974	6.9%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 35,827,122	\$ 38,684,224	\$ 2,857,102	8.0%	\$ 41,357,198	\$ 2,672,974	6.9%
Change in Net Assets (= A - B)	\$ (2,039,386)	\$ (1,033,561)	\$ 1,005,825	-49.3%	\$ 308,538	\$ 1,342,099	-129.9%
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 30,000	\$ 60,000	\$ 30,000	100.0%	\$ 120,000	\$ 60,000	100.0%
TOTAL BUDGET (= B + C)	\$ 35,857,122	\$ 38,744,224	\$ 2,887,102	8.1%	\$ 41,477,198	\$ 2,732,974	7.1%
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ (2,069,386)	\$ (1,093,561)	\$ 975,825	-47.2%	\$ 188,538	\$ 1,282,099	-117.2%
FTE	106.00	111.00	5.00	4.7%	114.00	3.00	2.7%

2027 and 2028 Budget Projections

RF forecasts a low and high budget projection for each subsequent year when doing the two-year forecast. The biggest driver of each range is the FTEs needed for the budget year as personnel comprise most of our budget costs. Other major differences are outlined below.

The following is a breakdown of the projected budget range increases for 2027:

Low projection

On the low end of our budget projection for 2027, RF anticipates a budget increase of \$1,511,010 or 4.2% from the 2026 budget.

High projection

RF projects to increase its 2027 operating budget \$2,887,102 or 8.1% from the 2026 budget. The 2027 projected assessment of \$36,500,663 represents an increase of 12% (\$3,910,785) from the 2026 projected assessment.

Major Budget Drivers 2027

- **Staffing:** RF plans to increase its FTE count and bring on 3 – 5 new FTEs in 2027. These roles will help support RF’s strategic objectives by focusing on critical areas in Engineering for the RAPA team, a Communications Manager and External Affairs Specialist along with a Security Analyst and Supervisor in Compliance Monitoring. These roles are critical to several key areas:
 - Strategic outreach and stakeholder engagement
 - Conducting reliability studies
 - Maturing our security posture and controls
- **Personnel Expenses:** RF plans to increase employee benefits with merit increases ranging from 2 – 4% in 2027. In addition, we project medical premium expenses increase 6 – 10% from the 2026 rates. RF will continue to upskill its employees by focusing on training and education for staff and maintain a training budget to allow employees to maintain and build the skills necessary to succeed in our rapidly changing environment.
- **Meeting and Travel:** Increases in meeting and travel expenses are anticipated in line with inflation and growth of the organization. We anticipate seeing small increases in both meeting and travel in 2027, consistent with 2026.
- **Operating Expenses:** The largest cost driver would be in computer hardware and software where we anticipate a 7% increase in cost from 2026. These costs include continuation of our cloud strategy, technology enablement for the organization and innovation of tools and services across the company.

The following is a breakdown of the projected budget range increases for 2028²:

Low projection

In 2028, on the low end of the budget projection, RF’s budget would increase \$993,059 or 2.7%. In this forecast, we do not anticipate any staffing changes to the organization.

High projection

Forecasting on the high end, the budget would increase by 7.1% or \$2,732,974. The forecasted assessments would increase to \$40,515,736, an increase of \$4,015,073 or 11%.

² 2028 projections % increases/(decreases) are compared to the 2027 high projection.

Major Budget Drivers 2028

- **Staffing:** All forecasted staffing needs in 2028 are tied to our delegated responsibilities and potential growth in volume in auditing and enforcement case dispositions. With the changes to the IBR registration requirements, the impact of the compliance changes on entities is unclear and therefore internally the impact on volume of audits and case work filing are uncertain.
- **Personnel Expenses:** RF plans to allocate a merit increases ranging from 2 – 4% in 2028. In addition, we project medical premium expenses increasing from 6 – 10% from projected high forecasted rates in 2027. RF will continue to upskill its employees by focusing on training and education for staff and maintain a training budget to allow employees to maintain and build the skills necessary to succeed in our rapidly changing environment.
- **Meeting and Travel:** Increases in meeting and travel expenses are anticipated in line with inflation and growth of the organization. We anticipate seeing small increases in both meeting and travel in 2028 consistent with prior years.
- **Operating Expenses:** RF anticipates modest increases in operating expenses from the 2027 budget, primarily tied to additional contractor needs and increased computer software and hardware costs.

2026 Program Area and Department Detail

Reliability Standards Program

Reliability Standards Program					
	2025 Budget		2026 Budget		Variance 26B v 25B
Total FTEs	0.00		0.00		0.00
Direct Expenses	\$	-	\$	-	\$ -
Indirect Expenses	\$	-	\$	-	\$ -
Inc(Dec) in Fixed Assets	\$	-	\$	-	\$ -
Total Funding Requirement	\$	-	\$	-	\$ -

Program Scope and Functional Description

ReliabilityFirst provides input to the NERC Reliability Standards development process to help ensure the Standards adequately mitigate the risks they are intended to address, particularly those risks facing the 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 BPS.

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 2026.

RF may also develop regional criteria, which relate to good utility practices used to enhance the reliability of the BPS 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 2026.

2026 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.

2026 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.
- 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 risk-harm analysis of potential entity non-compliances.
- Develops Compliance Oversight Plans (COP) which create a plan to tailor compliance monitoring activities for NERC Reliability Standards and the interval of monitoring activities. This utilizes the entity Inherent Risk Assessment, which identifies entity specific risks, along with entity performance, as inputs into the COP.
- Registers applicable owners, operators and users of the 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.

- Expands data quality management initiatives to ensure that data consumed for analysis is AI ready.
- Implements and supports generative AI usage aided with best practices/training for RF stakeholders. These AI tools will help automate routine tasks, analyze large datasets for insight and improve decision-making processes.
- Creates advanced analytics and reporting to support the activities of other CMEP areas and drives 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 Registered Entities 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 a winterization program to assist entities with preparation for extreme weather conditions.
- Facilitates training and continuous improvement opportunities through outreach, including assisted onboarding of new entities.

2026 Key Assumptions

- The volume and complexity of registrations will continue to increase based on the changing resource mix and modification to the registration criteria to include non-BPS 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 of risks to the grid.
- Entity Engagement anticipates increased 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, physical security, supply chain, virtualization and cloud computing).
- RAM, Reliability Analysis and Entity Engagement 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.

2026 Key Deliverables

- Process all registration requests in a timely manner and identify and implement process improvements to streamline and drive efficiency.
- Process BPS 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).

- 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, approval and verification of mitigation plans for noncompliances identified during compliance monitoring activities. Review of self-logged noncompliances to assess entity associated risk determinations and mitigating activities.
- Facilitate the administration of the RF Regional Standards Development Process for any potential Regional Standard revisions.
- Conduct certification reviews and readiness evaluations of registered entities.
- Perform Assist Visits and Extended Assist Visits to mitigate risk.

Statement of Activities and Capital Expenditures

2025 Budget and 2026 Budget

Reliability and Risk

	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Funding				
Statutory Funding				
RF Assessments	\$ 7,565,349	\$ 8,271,099	\$ 705,751	9.3%
Penalties Released	649,898	245,794	(404,105)	-62.2%
Total Statutory Funding	\$ 8,215,247	\$ 8,516,893	\$ 301,646	3.7%
Interest and Investment Income	\$ 24,000	\$ 35,185	\$ 11,185	46.6%
Total Funding (A)	\$ 8,239,247	\$ 8,552,078	\$ 312,831	3.8%
Expenses				
Personnel Expenses				
Salaries	\$ 3,919,351	\$ 4,163,842	\$ 244,491	6.2%
Payroll Taxes	252,397	267,350	14,953	5.9%
Benefits	493,347	599,290	105,943	21.5%
Retirement Costs	623,255	659,333	36,078	5.8%
Total Personnel Expenses	\$ 5,288,351	\$ 5,689,815	\$ 401,464	7.6%
Meeting & Travel Expenses				
Meetings & Conference Calls	\$ 14,400	\$ 10,800	\$ (3,600)	-25.0%
Travel	129,102	120,300	(8,802)	-6.8%
Total Meeting & Travel Expenses	\$ 143,502	\$ 131,100	\$ (12,402)	-8.6%
Operating Expenses, excl. Depreciation				
Contractors & Consultants	\$ 19,000	\$ 19,000	\$ -	0.0%
Office Rent	-	-	-	-
Office Costs	113,326	104,478	(8,848)	-7.8%
Professional Services	-	-	-	-
Miscellaneous	500	960	460	92.0%
Total Operating Expenses, excl. Depreciation	\$ 132,826	\$ 124,438	\$ (8,388)	-6.3%
Total Direct Expenses	\$ 5,564,679	\$ 5,945,353	\$ 380,674	6.8%
Indirect Expenses	\$ 2,652,968	\$ 2,599,688	\$ (53,280)	-2.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 8,217,647	\$ 8,545,041	\$ 327,394	4.0%
Change in Net Assets (= A - B)	\$ 21,600	\$ 7,037	\$ (14,563)	-67.4%
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 21,600	\$ 7,037	\$ (14,563)	-67.4%
TOTAL BUDGET (= B + C)	\$ 8,239,247	\$ 8,552,078	\$ 312,831	3.8%
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ -	\$ -	\$ -	-
FTE	18.00	19.00	1.00	5.6%

Compliance Monitoring and Enforcement

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 BPS 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, and periodic data submittals.
- 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.
- Serving as subject matter experts and technical resources for RF and the ERO.

2026 Key Assumptions

- Use a risk-based approach to assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., Audits and Spot Checks). 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.
- Self-certifications will be utilized more frequently for lower-risk entities or monitoring specific risks.
- Continue performing more frequent, in-depth touchpoints across our footprint which reduces the scope of an individual engagement but adds to the overhead of managing a larger number of engagements throughout the year.
- Ensure continuous training for staff to maintain their expertise, credibility, and competence, thereby providing knowledgeable and skilled compliance monitoring. Continue to partner with NERC utilizing Align and the SEL for RF CMEP activities while developing and prioritizing system enhancements.
- Travel is expected to remain steady; the team uses a hybrid approach to their audit model to mitigate this cost when possible. Compliance monitoring has found value in doing field visits during compliance activities in helping to understand and identify risks.

2026 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 entities' 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.
Finalize and implement a risk-based monitoring approach for performing oversight of the new Inverter Based Resources (IBR) that will be registering in 2026.

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.

2026 Key Assumptions

- The trend for an 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.

2026 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 issued timely 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.

Statement of Activities and Capital Expenditures 2025 Budget and 2026 Budget

Compliance Monitoring and Enforcement

	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Funding				
Statutory Funding				
RF Assessments	\$ 14,394,598	\$ 15,448,156	\$ 1,053,558	7.3%
Penalties Released	1,372,008	491,588	(880,420)	-64.2%
Total Statutory Funding	\$ 15,766,606	\$ 15,939,743	\$ 173,138	1.1%
Interest and Investment Income	\$ 50,667	\$ 70,370	\$ 19,704	38.9%
Total Funding (A)	\$ 15,817,272	\$ 16,010,114	\$ 192,841	1.2%
Expenses				
Personnel Expenses				
Salaries	\$ 7,197,322	\$ 7,536,215	\$ 338,893	4.7%
Payroll Taxes	484,716	507,917	23,201	4.8%
Benefits	1,036,754	1,214,007	177,253	17.1%
Retirement Costs	1,141,097	1,194,118	53,021	4.6%
Total Personnel Expenses	\$ 9,859,888	\$ 10,452,257	\$ 592,369	6.0%
Meeting & Travel Expenses				
Meetings & Conference Calls	\$ 14,100	\$ 14,400	\$ 300	2.1%
Travel	226,033	261,964	35,931	15.9%
Total Meeting & Travel Expenses	\$ 240,133	\$ 276,364	\$ 36,231	15.1%
Operating Expenses, excl. Depreciation				
Contractors & Consultants	\$ -	\$ -	\$ -	-
Office Rent	-	-	-	-
Office Costs	61,541	63,342	1,801	2.9%
Professional Services	-	-	-	-
Miscellaneous	9,400	4,700	(4,700)	-50.0%
Total Operating Expenses, excl. Depreciation	\$ 70,941	\$ 68,042	\$ (2,899)	-4.1%
Total Direct Expenses	\$ 10,170,962	\$ 10,796,663	\$ 625,701	6.2%
Indirect Expenses	\$ 5,600,710	\$ 5,199,377	\$ (401,333)	-7.2%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 15,771,672	\$ 15,996,040	\$ 224,367	1.4%
Change in Net Assets (= A - B)	\$ 45,600	\$ 14,074	\$ (31,526)	-69.1%
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 45,600	\$ 14,074	\$ (31,526)	-69.1%
TOTAL BUDGET (= B + C)	\$ 15,817,272	\$ 16,010,114	\$ 192,841	1.2%
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ -	\$ -	\$ -	-
FTE	38.00	38.00	-	0.0%

Reliability Assessment and Performance Analysis

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 BPS within the RF footprint.
- Monitor and execute resource adequacy, energy adequacy, 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 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.

2026 Key Assumptions

- 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.
- In coordination with the Eastern Interconnection Reliability Assessment Group (ERAG), RF will support the annual interregional transfer capability and energy analysis study to assist in the development of the NERC Long-Term Reliability Assessment (LTRA) and any additional analysis required by NERC or internally needed by RF (i.e., State Outreach support).

2026 Key Deliverables

- Continue to perform seasonal (summer and winter) risk analyses of the projected resource and energy 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 and long-term power-flow analysis and produce assessment reports on the results.
- Continue to enhance analysis capabilities with the development of dynamic, short circuit, electromagnetic transient (EMT), and other specialized techniques.
- Provide technical support for the ERO Enterprise's expanded and enhanced system studies and help perform analyses as needed.

- Support risk-based activities with the development and review of lessons learned, best practices, and guidance documentation across the ERO Enterprise and industry.
- Work with neighboring Regional Entities within ERAG to perform Eastern Interconnection assessment studies and produce reports. Continue to actively participate in and broaden the scope of work within 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).
- 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 Assessment and Regional Risk Assessment efforts, as well as supporting state outreach activities.

Statement of Activities and Capital Expenditures 2025 Budget and 2026 Budget

Reliability Assessment and Performance Analysis

	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Funding				
Statutory Funding				
RF Assessments	\$ 3,643,293	\$ 4,328,329	\$ 685,036	18.8%
Penalties Released	288,844	116,429	(172,415)	-59.7%
Total Statutory Funding	\$ 3,932,137	\$ 4,444,758	\$ 512,621	13.0%
Interest and Investment Income	\$ 10,667	\$ 16,667	\$ 6,000	56.3%
Total Funding (A)	\$ 3,942,804	\$ 4,461,425	\$ 518,621	13.2%
Expenses				
Personnel Expenses				
Salaries	\$ 1,742,538	\$ 2,013,662	\$ 271,124	15.6%
Payroll Taxes	112,946	129,660	16,714	14.8%
Benefits	222,915	279,746	56,831	25.5%
Retirement Costs	275,476	317,845	42,369	15.4%
Total Personnel Expenses	\$ 2,353,874	\$ 2,740,913	\$ 387,039	16.4%
Meeting & Travel Expenses				
Meetings & Conference Calls	\$ 7,800	\$ 6,300	\$ (1,500)	-19.2%
Travel	84,876	80,056	(4,820)	-5.7%
Total Meeting & Travel Expenses	\$ 92,676	\$ 86,356	\$ (6,320)	-6.8%
Operating Expenses, excl. Depreciation				
Contractors & Consultants	\$ 113,600	\$ 120,365	\$ 6,765	6.0%
Office Rent	-	-	-	-
Office Costs	193,957	279,026	85,069	43.9%
Professional Services	-	-	-	-
Miscellaneous	-	-	-	-
Total Operating Expenses, excl. Depreciation	\$ 307,557	\$ 399,391	\$ 91,834	29.9%
Total Direct Expenses	\$ 2,754,107	\$ 3,226,660	\$ 472,553	17.2%
Indirect Expenses	\$ 1,179,097	\$ 1,231,431	\$ 52,334	4.4%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 3,933,204	\$ 4,458,091	\$ 524,887	13.3%
Change in Net Assets (= A - B)	\$ 9,600	\$ 3,333	\$ (6,267)	-65.3%
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 9,600	\$ 3,333	\$ (6,267)	-65.3%
TOTAL BUDGET (= B + C)	\$ 3,942,804	\$ 4,461,425	\$ 518,621	13.2%
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ -	\$ -	\$ -	-
FTE	8.00	9.00	1.00	12.5%

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, and 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 to ensure 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 area's target audience is with state legislators, public utility commissioners, energy offices, and governors' offices to provide expertise, 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.

2026 Key Assumptions

- 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. This also includes engaging with chambers of commerce and consumer advocate groups to discuss reliability and security issues.
- Through innovation, RF will implement 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 RF 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.
- Communications will continue to serve a fundamental role with training and outreach efforts for our entities and stakeholders.

2026 Key Deliverables

- Continue education and assistance efforts to help all stakeholders achieve improvement and excellence in compliance, reliability, risk identification, security, and resilience.
- 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, risk mitigation strategies, and lessons learned.
- 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.
- 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.

Statement of Activities and Capital Expenditures
2025 Budget and 2026 Budget
Training, Education, and Outreach Program

	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Funding				
Statutory Funding				
RF Assessments	\$ 2,964,320	\$ 4,498,672	\$ 1,534,352	51.8%
Penalties Released	216,633	129,365	(87,268)	-40.3%
Total Statutory Funding	\$ 3,180,953	\$ 4,628,037	\$ 1,447,084	45.5%
Interest and Investment Income	\$ 8,000	\$ 18,519	\$ 10,519	131.5%
Total Funding (A)	\$ 3,188,953	\$ 4,646,556	\$ 1,457,603	45.7%
Expenses				
Personnel Expenses				
Salaries	\$ 1,428,606	\$ 2,065,294	\$ 636,688	44.6%
Payroll Taxes	92,466	119,152	26,686	28.9%
Benefits	193,310	284,899	91,589	47.4%
Retirement Costs	224,234	318,531	94,297	42.1%
Total Personnel Expenses	\$ 1,938,616	\$ 2,787,876	\$ 849,260	43.8%
Meeting & Travel Expenses				
Meetings & Conference Calls	\$ 212,200	\$ 285,350	\$ 73,150	34.5%
Travel	42,084	74,200	32,116	76.3%
Total Meeting & Travel Expenses	\$ 254,284	\$ 359,550	\$ 105,266	41.4%
Operating Expenses, excl. Depreciation				
Contractors & Consultants	\$ 34,000	\$ 60,300	\$ 26,300	77.4%
Office Rent	-	-	-	-
Office Costs	70,031	66,869	(3,162)	-4.5%
Professional Services	-	-	-	-
Miscellaneous	500	-	(500)	-100.0%
Total Operating Expenses, excl. Depreciation	\$ 104,531	\$ 127,169	\$ 22,638	21.7%
Total Direct Expenses	\$ 2,297,431	\$ 3,274,595	\$ 977,164	42.5%
Indirect Expenses	\$ 884,323	\$ 1,368,257	\$ 483,934	54.7%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 3,181,753	\$ 4,642,852	\$ 1,461,099	45.9%
Change in Net Assets (= A - B)	\$ 7,200	\$ 3,704	\$ (3,496)	-48.6%
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 7,200	\$ 3,704	\$ (3,496)	-48.6%
TOTAL BUDGET (= B + C)	\$ 3,188,953	\$ 4,646,556	\$ 1,457,603	45.7%
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ -	\$ -	\$ -	-
FTE	6.00	10.00	4.00	66.7%

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 BPS, and identifying potential and emerging threats to the BPS. 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.
- Monitoring the performance and trends of the BPS while identifying and staying alert to the potential threats to maintain Situational Awareness

2026 Key Assumptions

- Support the ERO Enterprise in the identification and mitigation of significant reliability risks, as well as the root cause analysis of events that pose risk to the BPS.
- 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.
- Continue to monitor the BPS and identify and categorize threats and vulnerabilities posing risk to the BPS. Coordinate, assess, and disseminate this information with RF staff and stakeholders.
- Continue to support innovative and continuous improvement initiatives to drive efficiencies, effectiveness, and risk informed decision making.

2026 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 information sharing about realized events or suspected events posing potential threats to the electricity sector with these agencies.
- Continue to monitor the health of the BPS 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 BPS 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 that address Monitoring and Situational Awareness, Energy Management Systems, Human Performance, Physical Security, and Grid Security.

Statement of Activities and Capital Expenditures

2025 Budget and 2026 Budget

Situation Awareness and Infrastructure Security

	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Funding				
Statutory Funding				
RF Assessments	\$ 1,997,551	\$ 2,113,008	\$ 115,456	5.8%
Penalties Released	180,527	64,683	(115,845)	-64.2%
Total Statutory Funding	\$ 2,178,079	\$ 2,177,690	\$ (388)	0.0%
Interest and Investment Income	\$ 6,667	\$ 9,259	\$ 2,593	38.9%
Total Funding (A)	\$ 2,184,745	\$ 2,186,949	\$ 2,204	0.1%
Expenses				
Personnel Expenses				
Salaries	\$ 966,255	\$ 1,008,354	\$ 42,099	4.4%
Payroll Taxes	66,724	68,984	2,260	3.4%
Benefits	141,850	163,554	21,704	15.3%
Retirement Costs	153,284	159,781	6,497	4.2%
Total Personnel Expenses	\$ 1,328,113	\$ 1,400,673	\$ 72,560	5.5%
Meeting & Travel Expenses				
Meetings & Conference Calls	\$ 3,500	\$ 3,500	\$ -	0.0%
Travel	44,676	33,600	(11,076)	-24.8%
Total Meeting & Travel Expenses	\$ 48,176	\$ 37,100	\$ (11,076)	-23.0%
Operating Expenses, excl. Depreciation				
Contractors & Consultants	\$ -	\$ -	\$ -	-
Office Rent	-	-	-	-
Office Costs	65,521	63,196	(2,325)	-3.5%
Professional Services	-	-	-	-
Miscellaneous	-	-	-	-
Total Operating Expenses, excl. Depreciation	\$ 65,521	\$ 63,196	\$ (2,325)	-3.5%
Total Direct Expenses	\$ 1,441,810	\$ 1,500,969	\$ 59,159	4.1%
Indirect Expenses	\$ 736,936	\$ 684,129	\$ (52,807)	-7.2%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 2,178,745	\$ 2,185,098	\$ 6,352	0.3%
Change in Net Assets (= A - B)	\$ 6,000	\$ 1,852	\$ (4,148)	-69.1%
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 6,000	\$ 1,852	\$ (4,148)	-69.1%
TOTAL BUDGET (= B + C)	\$ 2,184,745	\$ 2,186,949	\$ 2,204	0.1%
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ -	\$ -	\$ -	-
FTE	5.00	5.00	-	0.0%

Administrative Services

Administrative Services	Direct Expenses and Fixed Assets			FTE		
	2025 Budget	2026 Budget	Variance 26B v 25B	2025 Budget	2026 Budget	Variance 26B v 25B
General and Administrative*	\$ 4,060,605	\$ 4,235,657	\$ 175,052	6.00	6.00	0.00
Legal and Regulatory	1,439,496	927,481	(512,015)	4.00	3.00	(1.00)
Information Technology	3,044,142	3,238,252	194,110	9.00	9.00	0.00
Human Resources	1,582,825	1,630,513	47,688	4.00	4.00	0.00
Finance and Accounting	1,016,965	1,080,979	64,014	3.00	3.00	0.00
Total Administrative Services	\$11,144,033	\$11,112,882	\$ (31,151)	26.00	25.00	(1.00)

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

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

Major Budget Drivers

- **Personnel** – One FTE is shifting from Legal and Regulatory to Training, Education and Outreach. RF is also projecting increased medical premiums due to higher renewal rates.
- **Computer Software, Services and Maintenance** - To support RF's cloud initiatives, the data warehouse architect will migrate to a cloud solution providing a better user experience and modernized architecture. Additionally, as RF explores ways to scale and drive efficiency through generative AI, an investment in tools will be implemented for future gains in internal productivity.

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.

2026 Key Assumptions

- 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.

2026 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.
- Report on and 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 that provides the following services:

- Serve as an advisor to the President and CEO and the Board of Directors and acts as the Corporate Secretary.
- Oversees Corporate Governance initiatives including Board of Directors elections, training, and supporting all Board, Member, and Board Committee meetings.
- Ensures legal and regulatory compliance with all applicable laws, orders, rules and regulations, manages policies, the code of conduct, and supports training programs.
- Provides legal advice and support to the organization's business units and strategic initiatives.
- Drafts, reviews, negotiates and maintains the corporations' contracts, agreements and Intellectual Property policies and procedures and governance documents.
- Monitors regulatory changes and manages communication to FERC/NERC and State regulatory agencies on relevant matters and the performance of RF's delegated functions.

- Supports internal and external audits of the corporation and oversees legal risk management including relevant plans and policy developments and all regulatory filings and interactions.
- Retains, hires, and manages outside legal services as necessary and manages legal claims, liaisons with counsel and oversees settlements and responses as necessary.

2026 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.
- Continue to support legal and regulatory needs of the corporation.
- The costs of software and tools are increasing as vendors implement enhanced AI tools, but Legal and Regulatory Affairs has been able to delay these increases with limited subscriptions and utilizing internal solutions.
- Collaborate with ERO to ensure consistent legal practices and share best practices across ERO.
- Continue training and education for attorneys on relevant and emerging topics.

2026 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 laws.
- 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, negotiate and maintain the corporation's contracts, policies and procedures, and governance documents.
- Support all 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.

Information Technology

Program Scope and Functional Description

The Information Technology (IT) department supports the organization by providing users with cost-effective information technology tools and delivering technologies to assist 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, programs and tools to maintain a robust security posture that minimizes RF's cybersecurity risks. The IT 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.

2026 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.

2026 Key Deliverables

- Streamline manual tasks within IT core work and prioritized business projects to enhance overall business efficiency.
- Integrate machine learning and AI capabilities into key business processes for improved performance and innovation.
- 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, compliance with state and federal employment law as well as compensation and benefits administration.

2026 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.

2026 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.
- Mature RF's intern program to build talent pipeline and community visibility.
- Identify and develop the skills needed for future roles for RF to successfully achieve its goals and mission.

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, business 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 financial and retirement accounts and ensuring all required filings are completed timely.
- Managing accounts payable, accounts receivable and fixed assets.
- Working with the ERO to develop common accounting practices throughout NERC and the Regions.
- Maintaining banking relationships and managing cashflow, retirement, and corporate investment activities.
- Performing the Corporate Treasury function.

2026 Key Assumptions

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

2026 Key Deliverables

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

Statement of Activities and Capital Expenditures 2025 Budget and 2026 Budget

Administrative Services

	2025 Budget	2026 Budget	Variance 26B v 25B	Variance %
Funding				
Statutory Funding				
RF Assessments	\$ (1,977,500)	\$ (2,069,386)	\$ (91,886)	4.6%
Penalties Released	-	\$ -	-	-
Total Statutory Funding	<u>\$ (1,977,500)</u>	<u>\$ (2,069,386)</u>	<u>\$ (91,886)</u>	<u>4.6%</u>
Interest and Investment Income	\$ -	\$ -	\$ -	-
Total Funding (A)	<u>\$ (1,977,500)</u>	<u>\$ (2,069,386)</u>	<u>\$ (91,886)</u>	<u>4.6%</u>
Expenses				
Personnel Expenses				
Salaries	\$ 5,655,403	\$ 5,441,866	\$ (213,537)	-3.8%
Payroll Taxes	336,076	337,312	1,236	0.4%
Benefits	925,438	1,052,446	127,008	13.7%
Retirement Costs	953,962	965,003	11,041	1.2%
Total Personnel Expenses	<u>\$ 7,870,879</u>	<u>\$ 7,796,627</u>	<u>\$ (74,252)</u>	<u>-0.9%</u>
Meeting & Travel Expenses				
Meetings & Conference Calls	\$ 188,408	\$ 188,680	\$ 272	0.1%
Travel	121,336	90,700	(30,636)	-25.2%
Total Meeting & Travel Expenses	<u>\$ 309,744</u>	<u>\$ 279,380</u>	<u>\$ (30,364)</u>	<u>-9.8%</u>
Operating Expenses, excl. Depreciation				
Contractors & Consultants	\$ 487,370	\$ 489,601	\$ 2,231	0.5%
Office Rent	716,000	728,000	12,000	1.7%
Office Costs	853,379	967,360	113,981	13.4%
Professional Services	761,365	792,314	30,949	4.1%
Miscellaneous	55,296	29,600	(25,696)	-46.5%
Total Operating Expenses, excl. Depreciation	<u>\$ 2,873,410</u>	<u>\$ 3,006,875</u>	<u>\$ 133,465</u>	<u>4.6%</u>
Total Direct Expenses	<u>\$ 11,054,033</u>	<u>\$ 11,082,882</u>	<u>\$ 28,849</u>	<u>0.3%</u>
Indirect Expenses	\$(11,054,033)	\$(11,082,882)	\$ (28,849)	0.3%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Change in Net Assets (= A - B)	<u>\$ (1,977,500)</u>	<u>\$ (2,069,386)</u>	<u>\$ (91,886)</u>	<u>4.6%</u>
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ -	\$ -	\$ -	-
TOTAL BUDGET (= B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	<u>\$ (1,977,500)</u>	<u>\$ (2,069,386)</u>	<u>\$ (91,886)</u>	<u>4.6%</u>
FTE	26.00	25.00	(1.00)	-3.8%

Office Rent

Office Rent			Variance	
	2025 Budget	2026 Budget	26B v 25B	Variance %
Office Rent	\$ 580,000	\$ 580,000	\$ -	0.0%
Data Center Rent	76,000	76,000	-	0.0%
Utilities	60,000	72,000	12,000	20.0%
Total Office Rent	\$ 716,000	\$ 728,000	\$ 12,000	1.7%

Explanation of Significant Variances

- Total Office Rent increased to reflect higher utility costs.

Non-Statutory Activities

This section is not applicable as RF does not perform non-statutory activities.

Appendix A: Consolidated Statement of Activities

Statement of Activities and Capital Expenditures by Program 2026 Budget	Statutory Total	Reliability Standards	Reliability & Risk	Compliance Monitoring & Enforcement	Reliability Assessment & Performance Analysis	Training & Education	Situation Awareness & Infrastructure Security	Administrative Services
Statutory Funding								
RF Assessments	\$ 32,589,878	\$ -	\$ 8,271,099	\$ 15,448,156	\$ 4,328,329	\$ 4,498,672	\$ 2,113,008	\$ (2,069,386)
Penalties Released	1,047,858	-	245,794	491,588	116,429	129,365	64,683	-
Total Statutory Funding	\$ 33,637,736	\$ -	\$ 8,516,893	\$ 15,939,743	\$ 4,444,758	\$ 4,628,037	\$ 2,177,690	\$ (2,069,386)
Interest and Investment Income	\$ 150,000	\$ -	\$ 35,185	\$ 70,370	\$ 16,667	\$ 18,519	\$ 9,259	
Total Funding (A)	\$ 33,787,736	\$ -	\$ 8,552,078	\$ 16,010,114	\$ 4,461,425	\$ 4,646,556	\$ 2,186,949	\$ (2,069,386)
Expenses								
Personnel Expenses								
Salaries	\$ 22,229,233	\$ -	\$ 4,163,842	\$ 7,536,215	\$ 2,013,662	\$ 2,065,294	\$ 1,008,354	\$ 5,441,866
Payroll Taxes	1,430,375	-	267,350	507,917	129,660	119,152	68,984	337,312
Benefits	3,593,942	-	599,290	1,214,007	279,746	284,899	163,554	1,052,446
Retirement Costs	3,614,611	-	659,333	1,194,118	317,845	318,531	159,781	965,003
Total Personnel Expenses	\$ 30,868,161	\$ -	\$ 5,689,815	\$ 10,452,257	\$ 2,740,913	\$ 2,787,876	\$ 1,400,673	\$ 7,796,627
Meeting & Travel Expenses								
Meetings & Conference Calls	\$ 509,030	\$ -	\$ 10,800	\$ 14,400	\$ 6,300	\$ 285,350	\$ 3,500	\$ 188,680
Travel	660,820	-	120,300	261,964	80,056	74,200	33,600	90,700
Total Meeting & Travel Expenses	\$ 1,169,850	\$ -	\$ 131,100	\$ 276,364	\$ 86,356	\$ 359,550	\$ 37,100	\$ 279,380
Operating Expenses, excl. Depreciation								
Contractors & Consultants	\$ 689,266	\$ -	\$ 19,000	\$ -	\$ 120,365	\$ 60,300	\$ -	\$ 489,601
Office Rent	728,000	-	-	-	-	-	-	728,000
Office Costs	1,544,271	-	104,478	63,342	279,026	66,869	63,196	967,360
Professional Services	792,314	-	-	-	-	-	-	792,314
Miscellaneous	35,260	-	960	4,700	-	-	-	29,600
Total Operating Expenses, excl. Depreciation	\$ 3,789,111	\$ -	\$ 124,438	\$ 68,042	\$ 399,391	\$ 127,169	\$ 63,196	\$ 3,006,875
Total Direct Expenses	\$ 35,827,122	\$ -	\$ 5,945,353	\$ 10,796,663	\$ 3,226,660	\$ 3,274,595	\$ 1,500,969	\$ 11,082,882
Indirect Expenses	\$ -	\$ -	\$ 2,599,688	\$ 5,199,377	\$ 1,231,431	\$ 1,368,257	\$ 684,129	\$ (11,082,882)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 35,827,122	\$ -	\$ 8,545,041	\$ 15,996,040	\$ 4,458,091	\$ 4,642,852	\$ 2,185,098	\$ -
Change in Net Assets (= A - B)	\$ (2,039,386)	\$ -	\$ 7,037	\$ 14,074	\$ 3,333	\$ 3,704	\$ 1,852	\$ (2,069,386)
Fixed Asset Additions, excl. Right of Use Assets (C)	\$ 30,000	\$ -	\$ 7,037	\$ 14,074	\$ 3,333	\$ 3,704	\$ 1,852	\$ -
TOTAL BUDGET (= B + C)	\$ 35,857,122	\$ -	\$ 8,552,078	\$ 16,010,114	\$ 4,461,425	\$ 4,646,556	\$ 2,186,949	\$ -
TOTAL CHANGE IN WORKING CAPITAL (= A - B - C)	\$ (2,069,386)	\$ -	\$ 0	\$ 0	\$ (0)	\$ (0)	\$ (0)	\$ (2,069,386)
FTE	106.00	-	19.00	38.00	9.00	10.00	5.00	25.0

Appendix B: 2025-2026 Organization Chart

Appendix A: 2025 – 2026 Organization Chart

