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# **SERC Reliability Corporation**

## **2014 Business Plan and Budget**

**FINAL 1.0**  
**July 11, 2013**

## TABLE OF CONTENTS

Introduction .....	3
Section A — 2014 Business Plan.....	13
Reliability Standards Program .....	13
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	16
Reliability Assessment and Performance Analysis Program.....	21
Training, Education, and Operator Certification Program .....	25
Situation Awareness and Infrastructure Security Program.....	29
Administrative Services.....	32
Technical Committees and Member Forums .....	33
General and Administrative.....	37
Legal and Regulatory.....	40
Information Technology .....	43
Human Resources .....	47
Finance and Accounting .....	50
Section B — Supplemental Financial Information .....	54
Reserve Balance.....	54
Breakdown by Statement of Activity Sections.....	55
Section C — 2014 Non-Statutory Business Plan and Budget .....	64
Section D.....	66
2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory .....	66
Statement of Financial Position .....	67
Organizational Chart .....	68

## Introduction

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	79.20			
Non-statutory FTEs	-			
<b>Total FTEs</b>	79.20			
Statutory Expenses	\$ 16,585,941			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 16,585,941			
Statutory Inc(Dec) in Fixed Assets	\$ 291,347			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 291,347			
Statutory Working Capital Requirement	\$ (2,002,184)			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ (2,002,184)			
Total Statutory Funding Requirement	\$ 14,875,104			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 14,875,104			
<b>Statutory Funding Assessments</b>	\$ 13,734,499	\$ 13,734,499	\$ -	\$ -
<b>Non-Statutory Fees</b>	\$ -	\$ -	\$ -	\$ -
NEL	1,018,699,975	1,018,699,975	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

\*Refer to Table B-1 on page 57 in Section B.

\*\*As noted in Section C, SERC does not support any non-statutory functions.

## Organizational Overview

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the region serve approximately \_\_\_% of the net energy for load (NEL) in North America and \_\_\_% of the NEL in the Eastern Interconnection.

SERC executed an agreement with the North American Electric Reliability Corporation (NERC) on May 2, 2007, for the purpose of delegating to SERC certain responsibilities and authorities of a regional entity as defined by Section 215 of the Federal Power Act; Chapter I, Title 18, Code of Federal Regulations, Part 39; other Federal Energy Regulatory Commission (FERC) regulations and directives, and NERC Rules of Procedure.

SERC, originally called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the southeast. Throughout its history, SERC has been successful in promoting reliability of the bulk power system using an industry electric reliability organization (ERO) model, relying on reciprocity, peer influence, and the mutual reliability focus of owners, operators, and users of the bulk power system to ensure that the system remains reliable and secure.

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005 to position SERC to become a regional entity with an appropriate stakeholder governance structure. In April 2006, SERC changed its name to SERC Reliability Corporation.

SERC has a 2014 targeted staffing level of 79.2 Full-Time Equivalents (FTEs) (2014 total headcount of 79.7) comprised of power industry professionals and support personnel.

## Membership and Governance

As part of its delegated duties, SERC monitors 247 registered entities in the SERC region for compliance with the NERC Reliability Standards. Membership in SERC, however, which is voluntary and free, affords participants the opportunity to participate in the technical activities and governance of the organization. SERC currently has 57 member companies.

SERC is governed by a Board of Directors (Board) comprised of a representative from each member company. The Board delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The Board has formed a Board Compliance Committee to oversee the program that monitors and enforces compliance of registered entities in the region to FERC-approved reliability standards; a Human Resources and Compensation Committee to advise the President, Board officers, and the Board on matters of employee compensation and human resources; and a Finance and Audit Committee, headed by the Treasurer of the Board, to advise the President, Board officers and Board on matters involving the organization's finances and internal controls.

## Statutory Functional Scope

SERC provides statutory functions in support of the electric reliability organization, in accordance with its delegation agreement between SERC and NERC. The functions are:

- Promoting situational awareness and conducting event analyses to identify lessons learned for the improvement of reliability
- Promoting the reliability, adequacy and security of the Bulk Power System
- Actively participating in the development of North American reliability standards for the bulk-power system, and as needed development of reliability standards applicable within the SERC Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed certification of such entities.
- Assessment of the past, present and future reliability, adequacy, and security of the bulk-power system.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.

SERC does not perform any non-statutory functions at this time.

## 2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The 2014-2016 Shared Business Plan and Budget Assumptions document is located in Exhibit A of NERC's 2014 Business Plan and Budget.

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## 2014 Goals and Key Deliverables

### 1. Be an enforcement authority that is independent, without conflict of interest, objective and fair.

- a. Register entities commensurate to the risk to the bulk power system and ensure all key reliability entities are certified to have essential capabilities.
- b. Enforce compliance with mandatory reliability standards by registered entities within the SERC region, in accordance with the delegation agreement and CMEP while performing timely and transparent reviews.
- c. Ensure timely, thorough and comprehensive mitigation of all violations of mandatory reliability standards including prevention of recurrence.

### 2. Promote a culture of compliance that addresses reliability risks across the SERC region and the ERO.

- a. Ensure the industry understands the essential purpose of standards and compliance expectations.
- a. Work with industry to maintain effective risk control programs for compliance, reliability and security.
- b. Use efficient processes and proportional exercise of discretion to verify that compliance objectives are met by industry.

### 3. Identify the most significant risks to reliability in the SERC region.

- a. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources and emerging issues.
- b. Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends to inform standards, compliance and other programs.
- c. Ensure industry is well informed of emerging trends, risk analysis, lessons learned and expected actions.

### 4. Be accountable for mitigating reliability risks.

- a. Ensure industry is aware of and is effectively addressing security vulnerability and threats.
- b. Facilitate information sharing between industry, regions, ERO and government.
- c. Work with ERO to track industry accountability for critical reliability and security recommendations.

### 5. Promote a culture of reliability excellence.

- a. Ensure reliability modeling and data accurately represent system behavior and facilitate sharing among reliability entities.
- b. Be a leading resource to industry and policy makers for reliability information.

### 6. Improve transparency, consistency, quality and timeliness of results; work in collaboration with NERC and the other regions; improve efficiencies and cost effectiveness.

- a. Identify, understand and manage internal risks
- b. Ensure processes are effective, efficient and continuously improved.

## 2014 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$15,907,603 to \$16,877,288 in 2014, an increase of \$969,685 or 6.1%. The proposed 2014 assessment of \$13,734,499 is a decrease of 0.69% from the 2013 assessment of \$13,829,878. SERC believes that in 2014 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions as SERC will continue to be one of the lowest cost regional entities on a cost per NEL basis. SERC's culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition of affordable and reliable electricity across SERC's geography.

SERC has applied its penalty funds as an offset to assessments and as a temporary increase to SERC's Operating Reserve, as detailed in Table B-2.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2014 budget compared to the 2013 budget). SERC will continue to perform Cross-Regional Compliance Monitoring and Enforcement for other regions, if requested. The costs associated with any Cross-Regional Compliance Monitoring and Enforcement performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. \$32,000 is included in the 2014 Business Plan and Budget under Other Funding and various expense accounts for the performance of these services.

The most significant impacts on the budget are in the area of payroll, which is described as two components:

- **Staff additions proposed in 2014** – The targeted staffing level for 2014 is 79.2 Full-time Equivalents (FTEs), an increase of an additional 1.75 FTEs (headcount of 1.0) as compared to the 2013 budget, of which 0.75 FTE represents the FTEs added in the 2013 budget that are now included in the budget for a full year. In 2013, SERC budgeted for 3 entry level engineering positions to assist in information transfer and succession planning. SERC has continued to fund these entry level positions. The General and Administrative program has been increased by 1.0 FTE, to reflect a position to coordinate for regional activities. The costs associated with this position will be shared equally with the other regional entities and included in "Contracts and Consultant Expense" in each of the regional entities respective budgets, \$39,500 each, and the related offset of \$276,500 is included in SERC's Miscellaneous Income. The 2014 budget impact for the new FTEs in personnel costs is \$469,333, including salary and related payroll taxes, benefits and retirement costs.
- **Cost decrease for maintaining staff budgeted in 2014** – The remaining decrease in personnel costs of \$124,696 compared to 2013 reflects a budgeted average increase in salary for existing staff of 2.5%, and an overall increase in costs associated with employee benefits. Additionally, SERC has realigned the Reliability Services and Reliability Assessments group under one director with supervisors assisting with the management of the various program areas, as well as reducing the scope of a position. These changes in structure have caused a decrease in personnel expenses.

Other notable changes in the proposed budget from year to year include the following:

- **Consultants** – A net increase of \$62,083 or 5.3% is due to (1) enhancements to the modeling process for the ERAG Assessments; (2) a change in the trainers and tools used for the System Operator Conference; (3) ongoing training and development of SERC's management team and development of a communications plan; and (4) to be more in line with historical costs.

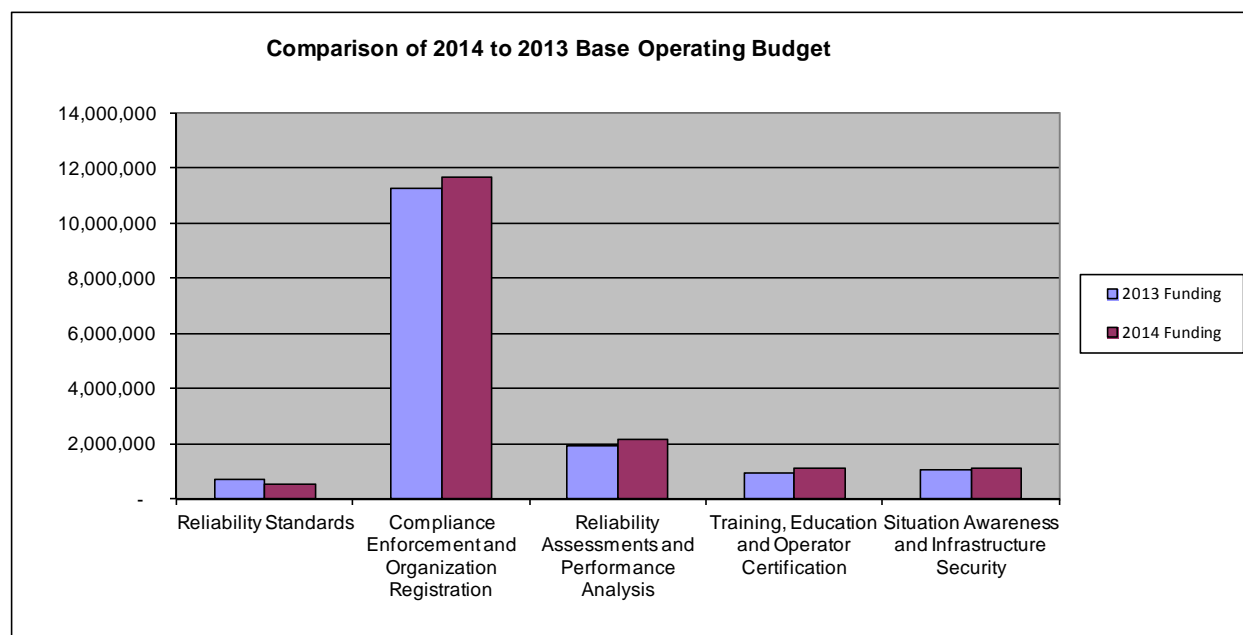
- **Office Costs** – An increase of \$115,848 or 32.0% is due to one-time costs related to the relocation of office space, including furnishings and equipment, and an upgrade of computer software for all employees.
- **Depreciation** – A decrease of \$81,736 or 27.2% is due to an increase in the capital assets purchased in previous years are now fully depreciated. Additionally, there has been a decrease in the assets capitalized over the past budget year which would now incur a full year of depreciation.
- **Other Non-Operating Costs** – An increase of \$15,000 due to one-time costs related to the relocation of office space, for a moving company.

SERC's budget is defined and approved by the Board of Directors in aggregate. SERC works within the total budget to perform its delegated duties. Any variances will be explained in the quarterly variance reports.

### Summary by Program

Base Operating Budget	Budget 2013	Projection 2013	Budget 2014	Change	
				2014 Budget v 2013 Budget	% Change
Reliability Standards	701,238	430,238	535,593	(165,645)	-23.6%
Compliance Enforcement and Organization Registration	11,252,443	10,445,606	11,670,318	417,875	3.7%
Reliability Assessments and Performance Analysis	1,944,140	2,487,258	2,164,384	220,244	11.3%
Training, Education and Operator Certification	949,537	826,957	1,093,583	144,046	15.2%
Situation Awareness and Infrastructure Security	1,050,245	764,338	1,126,910	76,665	7.3%
<b>Total</b>	<b>15,897,603</b>	<b>14,954,397</b>	<b>16,590,788</b>	<b>693,185</b>	<b>4.4%</b>
Working Capital Reserve	(1,705,725)	(732,669)	(2,002,184)	(296,459)	
<b>Total Funding</b>	<b>14,191,878</b>	<b>14,221,728</b>	<b>14,588,604</b>	<b>396,726</b>	<b>2.8%</b>

This graphical representation does not include an allocation of working capital requirements among the Program Areas



This graphical representation does not include an allocation of working capital requirements among the Program Areas

**Reliability Standards** – The 23.6% decrease in total funding from \$701,238 budgeted in 2013 to \$535,593 budgeted in 2014 results from a change in the management structure, and a reclassification of an FTE, as described below in the Total FTEs by Program Area schedule. The decrease in indirect expenses being allocated to the Reliability Standards program is due to the reduction of FTEs.

**Compliance Enforcement and Organization Registration** – The 3.7% increase in total funding from \$11,252,443 budgeted in 2013 to \$11,670,318 budgeted in 2014 is primarily due to the addition of 1.0 FTE as described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. The increase is offset by a decrease in travel expenses. The increase in indirect expenses being allocated to the Compliance Enforcement and Organization Registration program is due to the addition of FTEs.



**Reliability Assessments and Performance Analysis** – The 11.3% increase in total funding from \$1,944,140 budgeted in 2013 to \$2,164,384 budgeted in 2014 is due to the addition of 0.40 FTEs as described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. Additionally, there is an increase in Consultants and Contracts for the Eastern Interconnection Reliability Assessments Group due to an increase in enhancements to the modeling process. The increase in indirect expenses being allocated to the Reliability Assessments program is due to the addition of FTEs.

**Training, Education and Operator Certification** – The 15.2% increase in total funding from \$949,537 budgeted in 2013 to \$1,093,583 budgeted in 2014 is primarily due to an increase in Consultants and Contracts for the trainer and tools used at the System Operator Conferences and the addition of 0.4 FTEs described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. The increase in indirect expenses being allocated to the Training, Education and Operator Certification program is due to the addition of FTEs.

**Situation Awareness and Infrastructure Security** – The 7.3% increase in total funding from \$1,050,245 budgeted in 2013 to \$1,126,910 budgeted in 2014 is due to the addition of 0.4 FTEs as described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. The increase in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the addition of FTEs.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2013	2013	2014	FTEs <sup>1</sup> 2014	2014	from 2013
	Budget	Budget	Budget	Budget	Budget	Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	2.66	1.74	2.31	-	2.31	(0.35)
Compliance Monitoring and Enforcement and Organization Registration and Certification	41.50	38.96	42.50	-	42.50	1.00
Training and Education	2.41	2.00	2.81	-	2.81	0.40
Reliability Assessment and Performance Analysis	7.20	9.00	7.60	-	7.60	0.40
Situation Awareness and Infrastructure Security	3.75	2.88	4.15	-	4.15	0.40
<b>Total FTEs Operational Programs</b>	<b>57.52</b>	<b>54.58</b>	<b>59.37</b>	<b>-</b>	<b>59.37</b>	<b>1.85</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	4.93	3.00	4.83	-	4.83	(0.10)
General & Administrative	15.00	15.00	15.00	-	15.00	-
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
<b>Total FTEs Administrative Programs</b>	<b>19.93</b>	<b>18.00</b>	<b>19.83</b>	<b>-</b>	<b>19.83</b>	<b>(0.10)</b>
<b>Total FTEs</b>	<b>77.45</b>	<b>72.58</b>	<b>79.20</b>	<b>-</b>	<b>79.20</b>	<b>1.75</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

This chart reflects the following changes:

1. An increase in the Reliability Standards, Compliance Monitoring and Enforcement, and Reliability Assessments programs is due to a full year of staffing for the FTEs added at staggered points throughout the 2013 budget.
2. During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.
3. SERC reclassified an existing position as a Technical Writer, evenly split among Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, to support the program areas with report writing; meeting agendas and minutes; training materials and developing corporate process documents, causing a net decrease of 0.8 FTE in Reliability Standards and a 0.2 FTE increase in each of the programs previously listed.
4. During 2013, a 0.5 FTE was reclassified from the Technical Committees and Members Forums program into the Situation Awareness and Infrastructure Security program, causing a net change of 0 FTEs between the two programs.
5. Within the General and Administrative program (1) the addition of a coordinator working with the regional entities; the costs associated with this FTE are evenly split among the regional entities; and (2) one (1) staff position was reclassified from the General & Administrative program into the Compliance Monitoring and Enforcement program, causing a net decrease of 1.0 FTE in General and Administrative and an increase of 1.0 FTE in Compliance and Enforcement, for a net change of 0 FTEs .

## 2013 Budget and Projection and 2014 Budget Comparisons

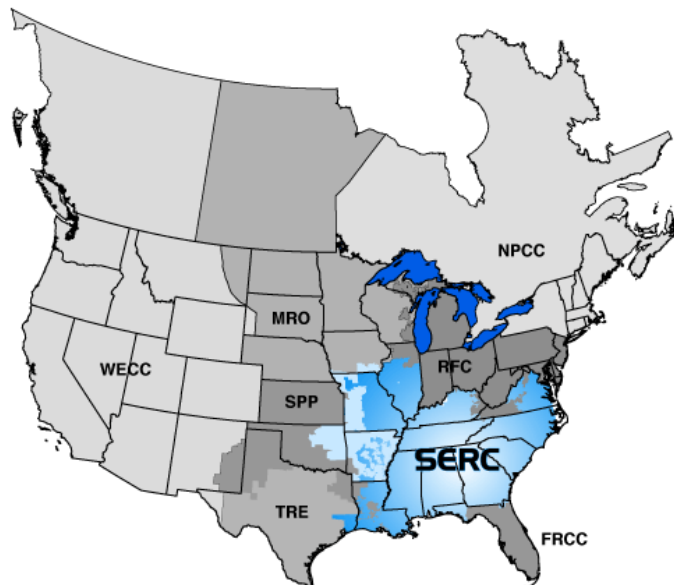
Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 13,829,878	\$ 13,829,878	\$ -	\$ 13,734,499	\$ (95,379)
Penalty Sanctions	51,000	51,000	-	554,500	503,500
<b>Total NERC Funding</b>	<b>\$ 13,880,878</b>	<b>\$ 13,880,878</b>	<b>\$ -</b>	<b>\$ 14,288,999</b>	<b>\$ 408,121</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	246,000	200,850	(45,150)	267,605	21,605
Interest	10,000	16,000	6,000	10,000	-
Miscellaneous	65,000	140,000	75,000	308,500	243,500
<b>Total Funding (A)</b>	<b>\$ 14,201,878</b>	<b>\$ 14,237,728</b>	<b>\$ 35,850</b>	<b>\$ 14,875,104</b>	<b>\$ 673,226</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 9,925,148	\$ 9,269,176	\$ (655,972)	\$ 10,187,444	\$ 262,296
Payroll Taxes	595,509	602,678	7,169	611,246	15,737
Benefits	916,100	828,958	(87,142)	941,806	25,706
Retirement Costs	1,353,524	1,266,992	(86,532)	1,394,422	40,898
<b>Total Personnel Expenses</b>	<b>\$ 12,790,281</b>	<b>\$ 11,967,804</b>	<b>\$ (822,477)</b>	<b>\$ 13,134,918</b>	<b>\$ 344,637</b>
<b>Meeting Expenses</b>					
Meetings	\$ 309,160	\$ 303,092	\$ (6,068)	\$ 317,195	\$ 8,035
Travel	595,023	606,629	11,606	605,484	10,461
Conference Calls	60,000	48,000	(12,000)	48,000	(12,000)
<b>Total Meeting Expenses</b>	<b>\$ 964,183</b>	<b>\$ 957,721</b>	<b>\$ (6,462)</b>	<b>\$ 970,679</b>	<b>\$ 6,496</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,166,947	\$ 1,064,720	\$ (102,227)	\$ 1,229,030	\$ 62,083
Office Rent	405,407	406,140	733	419,861	14,454
Office Costs	361,552	318,394	(43,158)	477,400	115,848
Professional Services	105,900	132,285	26,385	120,400	14,500
Miscellaneous	-	10,000	10,000	-	-
Depreciation	300,389	140,000	(160,389)	218,653	(81,736)
<b>Total Operating Expenses</b>	<b>\$ 2,340,195</b>	<b>\$ 2,071,539</b>	<b>\$ (268,656)</b>	<b>\$ 2,465,344</b>	<b>\$ 125,149</b>
<b>Total Direct Expenses</b>	<b>\$ 16,094,659</b>	<b>\$ 14,997,064</b>	<b>\$ (1,097,595)</b>	<b>\$ 16,570,941</b>	<b>\$ 476,282</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>
<b>Total Expenses (B)</b>	<b>\$ 16,094,659</b>	<b>\$ 14,997,064</b>	<b>\$ (1,097,595)</b>	<b>\$ 16,585,941</b>	<b>\$ 491,282</b>
<b>Change in Assets</b>	<b>\$ (1,892,781)</b>	<b>\$ (759,336)</b>	<b>\$ 1,133,445</b>	<b>\$ (1,710,837)</b>	<b>\$ 181,944</b>
<b>Fixed Assets</b>					
Depreciation	\$ (300,389)	\$ (140,000)	\$ 160,389	\$ (218,653)	\$ 81,736
Computer & Software CapEx	113,333	113,333	-	460,000	346,667
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	50,000	50,000
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(187,056)</b>	<b>(26,667)</b>	<b>160,389</b>	<b>291,347</b>	<b>478,403</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 15,907,603</b>	<b>\$ 14,970,397</b>	<b>\$ (937,206)</b>	<b>\$ 16,877,288</b>	<b>\$ 969,685</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,705,725)</b>	<b>\$ (732,669)</b>	<b>\$ 973,056</b>	<b>\$ (2,002,184)</b>	<b>\$ (296,459)</b>
<b>FTEs</b>	77.45	72.58	(4.87)	79.20	1.75

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## Section A – Statutory Programs

### 2014 Business Plan and Budget

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## Section A — 2014 Business Plan

### Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.66	2.31	(0.35)
Direct Expenses	\$ 448,546	\$ 302,921	\$ (145,625)
Indirect Expenses	\$ 261,342	\$ 221,336	\$ (40,006)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,650)	\$ 11,336	\$ 19,986
Total Funding Requirement	\$ 701,238	\$ 535,593	\$ (165,646)

#### Program Scope and Functional Description

The SERC Reliability Standards program will develop regional reliability standards in accordance with Exhibit C to the Delegation Agreement as well as develop regional criteria. The program will also promote the development and maintenance of NERC reliability standards that enable NERC and regional entities to measure the reliability performance of bulk power system owners, operators, and users.

#### 2014 Key Assumptions

- SERC regional standards development activity will be limited
- SERC resources will support ERO initiatives in the areas of:
  - improvements in the timely and efficient development of clear, reasonable and technically sound mandatory reliability standards
  - standards guidance including related training activities.
- The ERO Regional Standards Development Plan goal to transition from the current set of reliability standards to a world class body of reliability standards that are clear, concise, and will ensure the reliability of the bulk power system in North America will require a significant increase in throughput.
  - The resource implications of facilitating collaboration to build consensus on the front end of standards development will be mitigated by increasing the efficiency of this collaboration using web-based tools.
- The ERO goal to implement a cost effectiveness analysis or assessment of proposed standards will require additional stakeholder review and input on developing standards.
- The resource implications of facilitating this collaboration will be mitigated by increasing the efficiency of industry time spent using web-based tools.

#### 2014 Goals and Key Deliverables

- The SERC Reliability Standards program will manage SERC's catalog of Regional Criteria and administer the SERC Regional Reliability Standards development procedure
- Additionally, the SERC Reliability Standards program will:
  - Support the ERO in development of clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The 2013 budget included an entry level engineer to provide for employee development and succession planning. The individual in this position will rotate over time through other SERC program areas in order to obtain a broad background in SERC's organization and to increase SERC's personnel related flexibility. This FTE had a staggered entry date in 2013. The increase in the 2014 budget represents this FTE at a full year.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.
- SERC reclassified a position as a Technical Writer, evenly split among Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, to support the program areas with report writing; meeting agendas and minutes; training materials and developing corporate process documents, causing a net decrease of 0.8 FTE in Reliability Standards and a 0.2 FTE, each, increase in the programs previously listed

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>RELIABILITY STANDARDS</b>					
	<b>2013 Budget</b>	<b>2013 Projection</b>	<b>Variance 2013 Projection v 2013 Budget Over(Under)</b>	<b>2014 Budget</b>	<b>Variance 2014 Budget v 2013 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 698,880	\$ 698,880	\$ -	\$ 514,018	\$ (184,862)
Penalty Sanctions	2,358	2,358	-	21,575	19,217
<b>Total NERC Funding</b>	<b>\$ 701,238</b>	<b>\$ 701,238</b>	<b>\$ -</b>	<b>\$ 535,593</b>	<b>\$ (165,645)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 701,238</b>	<b>\$ 701,238</b>	<b>\$ -</b>	<b>\$ 535,593</b>	<b>\$ (165,645)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 337,825	\$ 200,548	\$ (137,277)	\$ 221,774	\$ (116,051)
Payroll Taxes	20,270	13,040	(7,230)	13,306	(6,964)
Benefits	34,294	18,615	(15,679)	24,786	(9,508)
Retirement Costs	46,701	27,350	(19,351)	31,259	(15,442)
<b>Total Personnel Expenses</b>	<b>\$ 439,090</b>	<b>\$ 259,553</b>	<b>\$ (179,537)</b>	<b>\$ 291,125</b>	<b>\$ (147,965)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	9,101	7,900	(1,201)	11,696	2,595
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 9,101</b>	<b>\$ 7,900</b>	<b>\$ (1,201)</b>	<b>\$ 11,696</b>	<b>\$ 2,595</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	355	-	(355)	100	(255)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 355</b>	<b>\$ -</b>	<b>\$ (355)</b>	<b>\$ 100</b>	<b>\$ (255)</b>
<b>Total Direct Expenses</b>	<b>\$ 448,546</b>	<b>\$ 267,453</b>	<b>\$ (181,093)</b>	<b>\$ 302,921</b>	<b>\$ (145,625)</b>
<b>Indirect Expenses</b>	<b>\$ 261,342</b>	<b>\$ 163,635</b>	<b>\$ (97,707)</b>	<b>\$ 221,336</b>	<b>\$ (40,006)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 709,888</b>	<b>\$ 431,088</b>	<b>\$ (278,800)</b>	<b>\$ 524,257</b>	<b>\$ (185,631)</b>
<b>Change in Assets</b>	<b>\$ (8,650)</b>	<b>\$ 270,150</b>	<b>\$ 278,800</b>	<b>\$ 11,336</b>	<b>\$ 19,986</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,650)	(850)	7,800	11,336	19,986
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(8,650)</b>	<b>(850)</b>	<b>7,800</b>	<b>11,336</b>	<b>19,986</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 701,238</b>	<b>\$ 430,238</b>	<b>\$ (271,000)</b>	<b>\$ 535,593</b>	<b>\$ (165,645)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 271,000</b>	<b>\$ 271,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	2.66	1.74	(0.92)	2.31	(0.35)

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	41.50	42.50	1.0
Direct Expenses	\$ 7,310,081	\$ 7,389,556	\$ 79,476
Indirect Expenses	\$ 4,077,321	\$ 4,072,202	\$ (5,119)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (134,959)	\$ 208,560	\$ 343,519
Total Funding Requirement	\$ 11,252,443	\$ 11,670,318	\$ 417,876

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is implemented by SERC's Compliance and Enforcement staffs, which are independent of stakeholders and registered entities. To accomplish this objective, SERC's Compliance Monitoring and Enforcement and Organization Registration and Certification Program area is further divided into four areas: operations and planning compliance monitoring, CIP compliance monitoring, compliance programs, and enforcement.

#### **Compliance**

SERC's Compliance staff is responsible for implementing the Compliance Monitoring processes and Organization and Registration activities pursuant to the Delegation Agreement and Uniform Compliance Monitoring and Enforcement Program (CMEP).

The Compliance Program consists of three primary functional areas: Operations and Planning Audits, responsible for conducting compliance audits and spot checks for, and serving as subject matter experts for, the operating and planning related standards; CIP Compliance Monitoring, responsible for conducting compliance audits and spot checks for, and serving as subject matter experts for, CIP related standards, and for implementing the process for Technical Feasibility Exceptions to the CIP standards; and Compliance Programs, responsible for Organization Registration and Certification, and Compliance Investigations, as well as compliance-related outreach to registered entities.

#### **Enforcement**

SERC's Enforcement staff evaluates all possible violations of reliability standards and conducts a thorough assessment to determine whether there is a sufficient basis to allege a violation. This evaluation includes determining the complete scope of the violation and the actual and potential risk to the reliability of the bulk power system. The Enforcement staff will notify the Registered Entity of its findings regarding the violation and any applicable penalties or sanctions. Enforcement staff reviews the Registered Entity's mitigation plan to ensure it corrects the issue and prevents recurrence. The Enforcement staff may also engage in settlement negotiations with the Registered Entity. The proposed enforcement action, along with any proposed penalty or sanctions, is submitted to NERC for its review and approval, and subsequent submittal to FERC. If a Registered Entity challenges the findings of the violation and/or penalty, the Enforcement staff would prosecute the case before the Board Compliance



Committee, a balanced committee of the SERC Board of Directors, which acts as SERC's hearing body.

## 2014 Key Assumptions

### *Compliance*

- Primary compliance monitoring processes (audits, spot check and self-certification) will continue to follow traditional processes and scheduling, based on the three-year and six-year audit schedules applicable to function types.
- SERC estimates it will perform 6 onsite CIP audits and 8 offsite CIP audits or spot checks and 21 onsite Operations and Planning audits and 25 offsite Operations and Planning audits or spot checks.
- Implementation of proposed changes to Technical Feasibility Exception processes will have insignificant change in resources required for implementation of the process.
- Implementation of Version 4 or 5 of the CIP standards will not have an appreciable impact on resource requirements.
- SERC Compliance staff will conduct workshops focused on upcoming enforceable standards. During audits, time permitting, SERC audit staff will review registered entities' progress towards compliance with upcoming standards.
- SERC will employ risk principles in compliance monitoring processes throughout 2014 including in the development of the annual monitoring plan, and through execution of monitoring programs, with limited impact on resources.
- SERC anticipates conducting one or more Reliability Assurance Initiative pilots during 2014, as well as staff and registered entity training activities.
- Training of Compliance staff on risk principles and implementation of enhanced audit practices will continue through 2014 and beyond. It is expected that ongoing training activity may have an impact on staffing needs and costs (e.g., travel, lodging, and labor) to participate and attend relevant training.
- Implementation of improved data systems and audit processes will result in an overall reduction in on-site time for CIP audits of larger registered entities for evidence collection and review.
- The numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration (MRRE) documents are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance. This increase will have a direct impact on the workload associated with registration and compliance monitoring within the Region.
- The level of resources to support cross-regional monitoring activities will be lower than 2013 with only follow up compliance monitoring activities anticipated for SPP and FRCC registered entities.

### *Enforcement*

- The rate of incoming Possible Violations will remain steady.
- Actions to process or dismiss Possible Violations are timely and transparent to industry.
- As the Reliability Assurance Initiative is defined and implemented, appropriate training will be provided to ensure that staff has the necessary skills required to implement the Reliability Assurance Initiative.
- Travel for Enforcement staff to follow-up with processing Possible Violations and Mitigation Plan validation will remain steady.
- No BCC hearings will be held to resolve contested findings of a violation or penalty.

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**2014 Goals and Key Deliverables*****Compliance***

- Conduct scheduled compliance monitoring activities pursuant to the 2014 Implementation Plan and in conformance with current 3 and 6 year audit intervals.
- Facilitate smooth transition of new standards through workshops focused on upcoming enforceable standards and review of registered entities' progress towards compliance with upcoming standards.
- Continue to implement improvements to compliance monitoring processes to incorporate risk principles.
- Actively participate in Reliability Assurance Initiative development and implementation activities.
- Seamless implementation of CIP Version 4-5 transition.
- Promote strong compliance programs, internal control environments, and risk based compliance monitoring through day to day interactions with other regions and registered entities, and through outreach activities.
- Improve transparency, consistency, quality and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness by working with other SERC staff and with interregional working groups and NERC staff in a collaborative process to identify commonalities, best practices, correctable inconsistencies, and efficiency and cost effectiveness improvement opportunities.
- Provide appropriate training for Compliance staff consistent with the Reliability Assurance Initiative.

***Enforcement***

- Process all issues and penalties in a fair, consistent, timely, and unbiased manner.
- Focus attention, resources and actions on issues most important to bulk power system reliability and process those issues to FERC within a 12 month cycle time.
- Review mitigation plans for effective corrective action and acceptance.
- Validate the completion of mitigation plans to ensure the Registered Entity has returned to compliance.
- Continue to expand use of the Find, Fix, and Track filing mechanism.
- Develop and implement enforcement strategies based on the Reliability Assurance Initiative.
- Develop and implement violation processing management tools and training to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
- Identify trends in violations and their causes and provide lessons learned and outreach to registered entities, including CIP V4 and V5 implementation training.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation. Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contracts between SERC and the other Regional Entities.

## Personnel Expenses

- The 2013 budget included a registration engineer and an entry level engineer to provide for employee development and succession planning. These FTEs had a staggered entry date in 2013. The increase in the 2014 budget represents these FTEs at a full year.

## Meeting Expenses

- Decrease in travel is due to less offsite meetings.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 11,150,647	\$ 11,150,647	\$ -	\$ 11,241,380	\$ 90,733
Penalty Sanctions	36,796	36,796	-	396,938	360,142
<b>Total NERC Funding</b>	<b>\$ 11,187,443</b>	<b>\$ 11,187,443</b>	<b>\$ -</b>	<b>\$ 11,638,318</b>	<b>\$ 450,875</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	65,000	140,000	75,000	32,000	(33,000)
<b>Total Funding (A)</b>	<b>\$ 11,252,443</b>	<b>\$ 11,327,443</b>	<b>\$ 75,000</b>	<b>\$ 11,670,318</b>	<b>\$ 417,875</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,125,600	\$ 4,743,255	\$ (382,345)	\$ 5,224,607	\$ 99,007
Payroll Taxes	307,536	308,404	868	313,476	5,940
Benefits	483,978	430,028	(53,950)	523,055	39,077
Retirement Costs	705,346	657,677	(47,669)	716,689	11,343
<b>Total Personnel Expenses</b>	<b>\$ 6,622,460</b>	<b>\$ 6,139,364</b>	<b>\$ (483,096)</b>	<b>\$ 6,777,827</b>	<b>\$ 155,367</b>
<b>Meeting Expenses</b>					
Meetings	\$ 17,910	\$ 17,662	\$ (248)	\$ 14,010	\$ (3,900)
Travel	392,966	407,903	14,937	323,862	(69,104)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 410,876</b>	<b>\$ 425,565</b>	<b>\$ 14,689</b>	<b>\$ 337,872</b>	<b>\$ (73,004)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 249,167	\$ 220,800	\$ (28,367)	\$ 245,000	\$ (4,167)
Office Rent	-	-	-	-	-
Office Costs	12,578	-	(12,578)	13,857	1,279
Professional Services	15,000	15,000	-	15,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 276,745</b>	<b>\$ 235,800</b>	<b>\$ (40,945)</b>	<b>\$ 273,857</b>	<b>\$ (2,888)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,310,081</b>	<b>\$ 6,800,729</b>	<b>\$ (509,352)</b>	<b>\$ 7,389,556</b>	<b>\$ 79,475</b>
<b>Indirect Expenses</b>	<b>\$ 4,077,321</b>	<b>\$ 3,663,913</b>	<b>\$ (413,408)</b>	<b>\$ 4,072,202</b>	<b>\$ (5,119)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,387,402</b>	<b>\$ 10,464,642</b>	<b>\$ (922,760)</b>	<b>\$ 11,461,758</b>	<b>\$ 74,356</b>
<b>Change in Assets</b>	<b>\$ (134,959)</b>	<b>\$ 862,801</b>	<b>\$ 997,760</b>	<b>\$ 208,560</b>	<b>\$ 343,519</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (134,959)	\$ (19,036)	115,923	208,560	343,519
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (134,959)</b>	<b>\$ (19,036)</b>	<b>\$ 115,923</b>	<b>\$ 208,560</b>	<b>\$ 343,519</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,252,443</b>	<b>\$ 10,445,606</b>	<b>\$ (806,837)</b>	<b>\$ 11,670,318</b>	<b>\$ 417,875</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 881,837</b>	<b>\$ 881,837</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>41.50</b>	<b>38.96</b>	<b>(2.54)</b>	<b>42.50</b>	<b>1.00</b>

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	7.20	7.60	0.40
Direct Expenses	\$ 1,260,164	\$ 1,398,882	\$ 138,718
Indirect Expenses	\$ 707,391	\$ 728,206	\$ 20,815
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (23,415)	\$ 37,296	\$ 60,711
Total Funding Requirement	\$ 1,944,140	\$ 2,164,384	\$ 220,243

### Program Scope and Functional Description

SERC's Reliability Assessment and Performance Analysis (RAPA) program provides bulk electric system (BES) analysis, data gathering, and analysis of events in order to identify bulk electric system reliability risks in the SERC footprint in accordance with the Delegation Agreement and NERC's Rules of Procedure. The mission of this program is to produce measurable reliability improvement within the SERC BES through the identification and prioritization of significant risks to reliability, and to facilitate a culture of reliability excellence.

SERC conducts data gathering and analysis to perform an independent reliability assessment of the BES within the SERC region. The program utilizes information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), and Demand Response Availability Data System (DADS) programs. SERC conducts and reports the results of its independent assessments of the overall reliability and adequacy of the SERC region in support of the NERC obligation to perform similar analysis of the interconnected North American bulk power systems.

### 2014 Key Assumptions

- Work-loads will increase to support the development of data and information necessary to drive the necessary analyses. However, the increases in work-load will be mitigated by development and application of project management and matrix management procedures which will improve the utilization of existing resources.
- Workloads are increasing to meet risk identification and mitigation requirements. Project management software will be utilized in 2014 to balance work and resources.

### 2014 Goals and Key Deliverables

- Identify Model improvements to support reliability/risk management and performance analysis reporting systems
- Implement annual portal improvements to support RAPA information analysis and reporting requirements
- Complete quarterly TADS, DADs, GADS data submittals.
- Complete reliability assessment studies and support through the NERC RAS and regional planning requirements, according to agreed upon metrics

- Complete FERC form 715 and EIA submittals on behalf of SERC entities within specified time frames.
- Implement scenario analyses to support SERC RAPA studies in accordance with agreed upon performance metrics between NERC and the regions.
- Update Subject Matter Expert teams and enhance analysis of 2014 risk identification process
- Correlate Events and Analysis information to identify risk trends
- Determine risk control initiatives and required mitigation actions
- Publish reports and notices of SERC primary reliability risks from 2014 process

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The 2013 budget included an assessment engineer and an entry level engineer to provide for employee development and succession planning. These FTEs had a staggered entry date in 2013. The increase in the 2014 budget represents these FTEs at a full year.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- Increase in Travel Expense is due to an increase in the meetings located off-site.

## Operating Expenses

- Consultants and contracts expenses increased by \$29,500 from the 2013 budget due to the ERAG Assessments for enhancements to the modeling process.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,937,756	\$ 1,937,756	\$ -	\$ 2,093,402	\$ 155,646
Penalty Sanctions	6,384	6,384	-	70,982	64,598
<b>Total NERC Funding</b>	<b>\$ 1,944,140</b>	<b>\$ 1,944,140</b>	<b>\$ -</b>	<b>\$ 2,164,384</b>	<b>\$ 220,244</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 1,944,140</b>	<b>\$ 1,944,140</b>	<b>\$ -</b>	<b>\$ 2,164,384</b>	<b>\$ 220,244</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 743,697	\$ 1,046,564	\$ 302,867	\$ 818,555	\$ 74,858
Payroll Taxes	44,622	68,047	23,425	49,113	4,491
Benefits	99,594	122,880	23,286	95,406	(4,188)
Retirement Costs	103,868	130,401	26,533	115,313	11,445
<b>Total Personnel Expenses</b>	<b>\$ 991,781</b>	<b>\$ 1,367,892</b>	<b>\$ 376,111</b>	<b>\$ 1,078,387</b>	<b>\$ 86,606</b>
<b>Meeting Expenses</b>					
Meetings	\$ 32,285	\$ 28,350	\$ (3,935)	\$ 39,990	\$ 7,705
Travel	30,667	33,826	3,159	45,487	14,820
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 62,952</b>	<b>\$ 62,176</b>	<b>\$ (776)</b>	<b>\$ 85,477</b>	<b>\$ 22,525</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 203,000	\$ 215,200	\$ 12,200	\$ 232,500	\$ 29,500
Office Rent	-	-	-	-	-
Office Costs	2,431	-	(2,431)	2,518	87
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 205,431</b>	<b>\$ 215,200</b>	<b>\$ 9,769</b>	<b>\$ 235,018</b>	<b>\$ 29,587</b>
<b>Total Direct Expenses</b>	<b>\$ 1,260,164</b>	<b>\$ 1,645,268</b>	<b>\$ 385,104</b>	<b>\$ 1,398,882</b>	<b>\$ 138,718</b>
<b>Indirect Expenses</b>	<b>\$ 707,391</b>	<b>\$ 846,387</b>	<b>\$ 138,996</b>	<b>\$ 728,206</b>	<b>\$ 20,815</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,967,555</b>	<b>\$ 2,491,655</b>	<b>\$ 524,100</b>	<b>\$ 2,127,088</b>	<b>\$ 159,533</b>
<b>Change in Assets</b>	<b>\$ (23,415)</b>	<b>\$ (547,515)</b>	<b>\$ (524,100)</b>	<b>\$ 37,296</b>	<b>\$ 60,711</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (23,415)	\$ (4,397)	\$ 19,018	37,296	60,711
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ (23,415)</b>	<b>\$ (4,397)</b>	<b>\$ 19,018</b>	<b>\$ 37,296</b>	<b>\$ 60,711</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,944,140</b>	<b>\$ 2,487,258</b>	<b>\$ 543,118</b>	<b>\$ 2,164,384</b>	<b>\$ 220,244</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (543,118)</b>	<b>\$ (543,118)</b>	<b>\$ -</b>	<b>\$ -</b>



## Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.41	2.81	0.40
Direct Expenses	\$ 720,595	\$ 810,549	\$ 89,954
Indirect Expenses	\$ 236,779	\$ 269,244	\$ 32,465
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,837)	\$ 13,790	\$ 21,627
Total Funding Requirement	\$ 949,537	\$ 1,093,583	\$ 144,046

### Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program provides education and training necessary to understand and operate the bulk power system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports SERC staff training and development as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

### 2014 Key Assumption

- The ERO goal to implement Reliability Assurance Initiative changes that enhance the effectiveness and reflect the attributes of a mature compliance monitoring program by 2016 will require a robust training component of the human capital management function.
  - The resource implications of supporting the development of qualifications requirements (competencies, etc.) for auditors and other key staff positions across the ERO and implementing training as needed will be addressed through contract support and shared, common ERO training for these positions.
- The ERO goal to transition from the current set of reliability standards to a world class body of reliability standards that are clear, concise, and will ensure the reliability of the bulk power system in North America will generate a large volume of change.
  - The resource implications of supporting the communication to and understanding by bulk power system operating personnel of these changes will be mitigated by continuing to provide education and training necessary to understand and reliably operate the bulk power system within the context of changes to ERO procedures and programs that monitor, detect, correct, report, and prevent compliance, reliability, and security issues.

### 2014 Goals and Key Deliverables

- The SERC Training program will maintain SERC's status as a NERC-certified Continuing Education Provider.
- Additionally, the SERC Training program will support the:
  - Development and delivery of shared, common training on required knowledge, skills and abilities for auditors and other key staff positions across the ERO.
  - Delivery of 4 System Operator Conferences to assure that real-time operating personnel have the competencies required to operate the BES with the highest degree of reliability.

- Delivery of 1 Wide Area Restoration Drill to assure that restoration plans and real-time operating personnel have the resources and competencies required to recover the BES, and restore available resources and load to a stable interconnected operating state expeditiously after a major system Disturbance.
- Delivery of Standards Focused Workshops to promote bulk power system operating personnel (including system operations personnel, operations support personnel, supervisors and managers, and training personnel) understanding of changed expectations within new or revised Reliability Standards and related procedures and programs.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- Workshop revenue increased \$21,605 due to an increase in costs related to the System Operator Conferences, which is a self-funded conference.

## Personnel Expenses

- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Increase in Consultants and Contracts expense is due to an anticipated change in the tools used for the System Operator Conferences.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 701,400	\$ 701,400	\$ -	\$ 799,733	\$ 98,333
Penalty Sanctions	2,137	2,137	-	26,245	24,108
<b>Total NERC Funding</b>	<b>\$ 703,537</b>	<b>\$ 703,537</b>	<b>\$ -</b>	<b>\$ 825,978</b>	<b>\$ 122,441</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	246,000	200,850	(45,150)	267,605	21,605
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 949,537</b>	<b>\$ 904,387</b>	<b>\$ (45,150)</b>	<b>\$ 1,093,583</b>	<b>\$ 144,046</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 334,005	\$ 275,400	\$ (58,605)	\$ 374,069	\$ 40,064
Payroll Taxes	20,040	17,906	(2,134)	22,444	2,404
Benefits	26,612	19,355	(7,257)	28,459	1,847
Retirement Costs	41,864	37,870	(3,994)	52,656	10,792
<b>Total Personnel Expenses</b>	<b>\$ 422,521</b>	<b>\$ 350,531</b>	<b>\$ (71,990)</b>	<b>\$ 477,628</b>	<b>\$ 55,107</b>
<b>Meeting Expenses</b>					
Meetings	\$ 192,975	\$ 194,317	\$ 1,342	\$ 183,360	\$ (9,615)
Travel	22,781	11,000	(11,781)	19,241	(3,540)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 215,756</b>	<b>\$ 205,317</b>	<b>\$ (10,439)</b>	<b>\$ 202,601</b>	<b>\$ (13,155)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 82,000	\$ 84,000	\$ 2,000	\$ 130,000	\$ 48,000
Office Rent	-	-	-	-	-
Office Costs	318	-	(318)	320	2
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 82,318</b>	<b>\$ 84,000</b>	<b>\$ 1,682</b>	<b>\$ 130,320</b>	<b>\$ 48,002</b>
<b>Total Direct Expenses</b>	<b>\$ 720,595</b>	<b>\$ 639,848</b>	<b>\$ (80,747)</b>	<b>\$ 810,549</b>	<b>\$ 89,954</b>
<b>Indirect Expenses</b>	<b>\$ 236,779</b>	<b>\$ 188,086</b>	<b>\$ (48,693)</b>	<b>\$ 269,244</b>	<b>\$ 32,465</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 957,374</b>	<b>\$ 827,934</b>	<b>\$ (129,440)</b>	<b>\$ 1,079,793</b>	<b>\$ 122,419</b>
<b>Change in Assets</b>	<b>\$ (7,837)</b>	<b>\$ 76,453</b>	<b>\$ 84,290</b>	<b>\$ 13,790</b>	<b>\$ 21,627</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (7,837)	\$ (977)	6,860	13,790	\$ 21,627
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (7,837)</b>	<b>\$ (977)</b>	<b>\$ 6,860</b>	<b>\$ 13,790</b>	<b>\$ 21,627</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 949,537</b>	<b>\$ 826,957</b>	<b>\$ (122,580)</b>	<b>\$ 1,093,583</b>	<b>\$ 144,046</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 77,430</b>	<b>\$ 77,430</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>2.41</b>	<b>2.00</b>	<b>(0.41)</b>	<b>2.81</b>	<b>0.40</b>

## Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.75	4.15	0.40
Direct Expenses	\$ 694,007	\$ 708,906	\$ 14,899
Indirect Expenses	\$ 368,433	\$ 397,639	\$ 29,206
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	(12,195)	20,365	32,560
Total Funding Requirement	\$ 1,050,245	\$ 1,126,910	\$ 76,665

### Program Scope and Functional Description

Situation Awareness and Events Analysis activities are performed with the objective that conditions that impact or have the potential to impact reliable operations are recognized and understood. The SERC Situation Awareness and Infrastructure Security program accomplishes this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. Mitigating reliability improvement initiatives are identified through the process of analyzing significant bulk electric system (BES) events and existing technical reliability guidance for risks and vulnerabilities that could recur elsewhere within the bulk power system (BPS).

### 2014 Key Assumptions

- SERC will continue to work with other Regional Situation Awareness Events Analysis groups to identify conditions or practices that may result in or contribute to reliability events within the BES.
- SERC will work to share mitigating measures and other improvements to the BES with SERC entities and the ERO.
- The number of events requiring review and analysis are expected to increase but not materially impact resource requirements.

### 2014 Goals and Key Deliverables

- Complete 2014 Events Analysis Situation assessment and process improvements plan
- Develop SAEA 2013 Lessons learned and process improvements report
- Implement cause codes team review process and improvements plan
- Provide ERO events analysis and situation awareness reports to regions and NERC in support of engagement objectives
- Complete 2014 Compiled Report on SERC Causal Analysis and Lessons Learned
- Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources and emerging issues

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The increase in personnel expenses is due to the reclassification of 0.5 FTEs in 2013 from the Technical Committees and Members Forums program into the Situation Awareness and Infrastructure Security program, causing a net change of 0 FTEs.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,046,920	\$ 1,046,920	\$ -	\$ 1,088,150	\$ 41,230
Penalty Sanctions	3,325	3,325	-	38,760	35,435
<b>Total NERC Funding</b>	<b>\$ 1,050,245</b>	<b>\$ 1,050,245</b>	<b>\$ -</b>	<b>\$ 1,126,910</b>	<b>\$ 76,665</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 1,050,245</b>	<b>\$ 1,050,245</b>	<b>\$ -</b>	<b>\$ 1,126,910</b>	<b>\$ 76,665</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 500,945	\$ 354,335	\$ (146,610)	\$ 505,718	\$ 4,773
Payroll Taxes	30,057	23,039	(7,018)	30,343	286
Benefits	45,882	39,667	(6,215)	52,881	6,999
Retirement Costs	57,116	44,535	(12,581)	61,798	4,682
<b>Total Personnel Expenses</b>	<b>\$ 634,000</b>	<b>\$ 461,576</b>	<b>\$ (172,424)</b>	<b>\$ 650,740</b>	<b>\$ 16,740</b>
<b>Meeting Expenses</b>					
Meetings	\$ 16,575	\$ 5,325	\$ (11,250)	\$ 10,350	\$ (6,225)
Travel	43,172	28,000	(15,172)	47,556	4,384
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 59,747</b>	<b>\$ 33,325</b>	<b>\$ (26,422)</b>	<b>\$ 57,906</b>	<b>\$ (1,841)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	260	-	(260)	260	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 260</b>	<b>\$ -</b>	<b>\$ (260)</b>	<b>\$ 260</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 694,007</b>	<b>\$ 494,901</b>	<b>\$ (199,106)</b>	<b>\$ 708,906</b>	<b>\$ 14,899</b>
<b>Indirect Expenses</b>	<b>\$ 368,433</b>	<b>\$ 270,844</b>	<b>\$ (97,589)</b>	<b>\$ 397,639</b>	<b>\$ 29,206</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,062,440</b>	<b>\$ 765,745</b>	<b>\$ (296,695)</b>	<b>\$ 1,106,545</b>	<b>\$ 44,105</b>
<b>Change in Assets</b>	<b>\$ (12,195)</b>	<b>\$ 284,500</b>	<b>\$ 296,695</b>	<b>\$ 20,365</b>	<b>\$ 32,560</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (12,195)	\$ (1,407)	10,788	20,365	32,560
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (12,195)</b>	<b>\$ (1,407)</b>	<b>\$ 10,788</b>	<b>\$ 20,365</b>	<b>\$ 32,560</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,050,245</b>	<b>\$ 764,338</b>	<b>\$ (285,907)</b>	<b>\$ 1,126,910</b>	<b>\$ 76,665</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 285,907</b>	<b>\$ 285,907</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>3.75</b>	<b>2.88</b>	<b>(0.87)</b>	<b>4.15</b>	<b>0.40</b>

## Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	19.93	19.83	(0.10)
Total Direct Expenses	\$ 5,661,266	\$ 5,960,127	\$ 298,861
Inc(Dec) in Fixed Assets	\$ (187,056)	\$ 291,347	\$ 478,403
Less: Other Funding Sources	\$ (10,000)	\$ (10,000)	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 5,464,210	\$ 6,241,474	\$ 777,264
Funding Requirement for Working Capital	\$ (306,828)	\$ (2,002,184)	\$ (1,695,356)

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

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.



## Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	4.93	4.83	(0.10)
Total Direct Expenses	\$ 1,020,640	\$ 988,258	\$ (32,382)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Technical Committees and Members' Forums serve to strengthen capabilities within the region to plan and operate bulk electric systems reliably and in compliance with reliability standards. The success of SERC's reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence.

### 2014 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2014 with each committee maintaining a three-year work plan of committee activities
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability
- The ERO goal to identify the most significant risks to reliability, prioritize them, facilitate effective solutions and interventions, and monitor results will continue to build the efficacy of an expanded toolkit used to address reliability issues.
  - The resource implications (industry and ERO staff) of appropriately deploying the most appropriate tool for the issue in order to increase the credibility of an expanded available toolkit will be mitigated by focusing the management of the three-year work plans to produce outcomes that address reliability risks.

### 2014 Goals and Key Deliverables

- The SERC Technical Committees and Members' Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees*.
- Additionally, the SERC Technical Committees and Members' Forums programs will support increased credibility of an expanded available toolkit that fully understands reliability risks through:
  - Convening regular meetings of the standing committees each year and of the subordinate groups as necessary;
  - Providing input to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning and engineering of electric systems and the advancement of the physical and cyber security of the BPS;
  - Providing a forum for representatives to share experience and provide input on operating, planning and engineering, and physical and cyber security issues;
  - Special projects at the request of the SERC Board of Directors;
  - Participation in the establishment of Reliability Standards;
  - Participation in the measurement of performance relative to Reliability Standards;
  - Promotion of compliance with Reliability Standards through review and discussion of compliance statistics;

- Development and exchange of information with respect to operating, planning and engineering, and physical and cyber security matters relating to the reliability and adequacy of the Bulk Power System;
- Reviewing as necessary activities within the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- Performing technical functions through the assignment of specific tasks to subordinate groups.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The decrease in personnel expenses is due to the reclassification of 0.5 FTEs in 2013 from the Technical Committees and Members Forums program into the Situation Awareness and Infrastructure Security program, causing a net change of 0 FTEs.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- An increase in travel is due to a significant increase in NERC and regional meetings.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>TECHNICAL COMMITTEES and MEMBER FORUMS</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 751,690	\$ 439,327	\$ (312,363)	\$ 700,576	\$ (51,114)
Payroll Taxes	45,101	28,565	(16,536)	42,035	(3,066)
Benefits	61,616	36,355	(25,261)	53,772	(7,844)
Retirement Costs	99,754	60,985	(38,769)	94,071	(5,683)
<b>Total Personnel Expenses</b>	<u>\$ 958,161</u>	<u>\$ 565,232</u>	<u>\$ (392,929)</u>	<u>\$ 890,454</u>	<u>\$ (67,707)</u>
<b>Meeting Expenses</b>					
Meetings	\$ 26,125	\$ 23,588	\$ (2,537)	\$ 22,300	\$ (3,825)
Travel	34,849	53,000	18,151	75,139	40,290
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 60,974</u>	<u>\$ 76,588</u>	<u>\$ 15,614</u>	<u>\$ 97,439</u>	<u>\$ 36,465</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,505	-	(1,505)	365	(1,140)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 1,505</u>	<u>\$ -</u>	<u>\$ (1,505)</u>	<u>\$ 365</u>	<u>\$ (1,140)</u>
<b>Total Direct Expenses</b>	<u>\$ 1,020,640</u>	<u>\$ 641,820</u>	<u>\$ (378,820)</u>	<u>\$ 988,258</u>	<u>\$ (32,382)</u>
<b>Indirect Expenses</b>	<u>\$ (1,020,640)</u>	<u>\$ (641,820)</u>	<u>\$ 378,820</u>	<u>\$ (988,258)</u>	<u>\$ 32,382</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	4.93	3.00	-1.93	4.83	-0.1

## General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	15.00	15.00	-
Total Direct Expenses	\$ 3,781,902	\$ 4,240,339	\$ 458,437
Inc(Dec) in Fixed Assets	\$ (187,056)	\$ 291,347	\$ 478,403
Working Capital Requirement	\$ (306,828)	\$ (2,002,184)	\$ (1,695,356)

### Program Scope and Functional Description

The SERC general and administrative function provides executive management of the corporation, management of the SERC office and other administrative support programs, and provides coordinated and consistent outreach to stakeholders and members.

### 2014 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Continued focus will be placed on facilitating reliability enhancing activities.
- Consolidate SERC offices into a single location.
- Increase outreach and communication with members/stakeholders in order to ensure the effectiveness of SERC.

### 2014 Goals and Key Deliverables

- Continue high quality performance of delegated functions while levelizing resource requirements.
- Provide training and education to members/stakeholders to improve efficiency of interactions with SERC staff.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

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**Funding Sources (Other than ERO Assessments)**

- Other Funding includes reimbursement from the other regional entities for the costs associated with the coordinator position.

**Personnel Expenses**

- The 2014 budget reflects the following: (1) a new position for a coordinator working with the regional entities; the costs associated with this FTE are evenly split among the regional entities and included in the respective regional entity's Consultant and Contractor Expense and SERC's Other Funding, as described above; and (2) a staff position was reclassified from the General & Administrative program into the Compliance Monitoring and Enforcement program.
- All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative to protect the confidentiality of individual compensation information of employees in these programs.

**Meeting Expenses**

- SERC increased the budgeted 2014 meetings expense by \$23,895, as the amount budgeted historically has been low as compared to actual expenses incurred.
- Increase in travel by \$21,016 due to additional off-site meetings, and travel related to the coordinator position.
- Decrease in conference calls expense by \$12,000. While SERC has seen an increase in remote participation, total costs have not increased because participants are using lower voice cost methods. As a result, SERC has reduced the 2014 budgeted amount.

**Operating Expenses**

- Consultants and contractors increased by \$180,000 for ongoing training and development of SERC's management team and development of a communications plan.
- Office costs increased by \$61,139. The 2014 budget includes funds to purchase furniture and equipment to outfit the new office space.
- Depreciation expense decreased \$81,736 due to an increase in the capital assets purchased in previous years now fully depreciated. Additionally, there has been a decrease in the assets capitalized over the past budget year which would now incur a full year of depreciation.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

**Other Non-Operating Expenses**

- Other Non-Operating expense increased by \$15,000 due to one-time costs related to the relocation of office space, for a moving company.

**Fixed Asset Additions**

- Increase in Computer and Software capital expenditures is due to the development of the Committees portal, SERC website redesign, and enhancements to the Compliance portal.
- Increase in Leasehold Improvements is due to tenant improvement costs associated with the new office space.

**General and Administrative**

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>GENERAL and ADMINISTRATIVE</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (1,705,725)	\$ (1,705,725)	\$ -	\$ (2,002,184)	\$ (296,459)
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ (306,828)</u>	<u>\$ (1,705,725)</u>	<u>\$ -</u>	<u>\$ (2,002,184)</u>	<u>\$ (296,459)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	276,500	276,500
<b>Total Funding (A)</b>	<u>\$ (306,828)</u>	<u>\$ (1,705,725)</u>	<u>\$ -</u>	<u>\$ (1,725,684)</u>	<u>\$ (19,959)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,131,386	\$ 2,209,747	\$ 78,361	\$ 2,342,145	\$ 210,759
Payroll Taxes	127,883	143,677	15,794	140,529	12,646
Benefits	164,124	162,058	(2,066)	163,447	(677)
Retirement Costs	298,875	308,174	9,299	322,636	23,761
<b>Total Personnel Expenses</b>	<u>\$ 2,722,268</u>	<u>\$ 2,823,656</u>	<u>\$ 101,388</u>	<u>\$ 2,968,757</u>	<u>\$ 246,489</u>
<b>Meeting Expenses</b>					
Meetings	\$ 23,290	\$ 33,850	\$ 10,560	\$ 47,185	\$ 23,895
Travel	61,487	65,000	3,513	82,503	21,016
Conference Calls	60,000	48,000	(12,000)	48,000	(12,000)
<b>Total Meeting Expenses</b>	<u>\$ 144,777</u>	<u>\$ 146,850</u>	<u>\$ 2,073</u>	<u>\$ 177,688</u>	<u>\$ 32,911</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 105,100	\$ 105,100	\$ 180,000	\$ 180,000
Office Rent	405,407	406,140	733	419,861	14,454
Office Costs	189,061	215,694	26,633	250,380	61,319
Professional Services	20,000	26,000	6,000	25,000	5,000
Miscellaneous	-	10,000	10,000	-	-
Depreciation	300,389	140,000	(160,389)	218,653	(81,736)
<b>Total Operating Expenses</b>	<u>\$ 914,857</u>	<u>\$ 902,934</u>	<u>\$ (11,923)</u>	<u>\$ 1,093,894</u>	<u>\$ 179,037</u>
<b>Total Direct Expenses</b>	<u>\$ 3,781,902</u>	<u>\$ 3,873,440</u>	<u>\$ 91,538</u>	<u>\$ 4,240,339</u>	<u>\$ 458,437</u>
<b>Indirect Expenses</b>	<u>\$ (3,781,902)</u>	<u>\$ (3,873,440)</u>	<u>\$ (91,538)</u>	<u>\$ (3,978,839)</u>	<u>\$ (196,937)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,500</u>	<u>\$ 276,500</u>
<b>Change in Assets</b>	<u>\$ (306,828)</u>	<u>\$ (1,705,725)</u>	<u>\$ -</u>	<u>\$ (2,002,184)</u>	<u>\$ (296,459)</u>
<b>Fixed Assets</b>					
Depreciation	(300,389)	(140,000)	160,389	(218,653)	81,736
Computer & Software CapEx	113,333	113,333	-	460,000	346,667
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	50,000	50,000
Allocation of Fixed Assets	\$ 187,056	\$ 26,667	(160,389)	(291,347)	(478,403)
<b>Inc(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,500</u>	<u>\$ 276,500</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ (306,828)</u>	<u>\$ (1,705,725)</u>	<u>\$ -</u>	<u>\$ (2,002,184)</u>	<u>\$ (296,459)</u>
<b>FTEs</b>	15.00	15.00	-	15.00	-

**Legal and Regulatory**

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	-	-
Total Direct Expenses	\$ 31,768	\$ 36,900	\$ 5,132
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Program Scope and Functional Description**

SERC maintains legal counsel in house and has outside legal consultants to provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters affecting SERC; review items filed with governmental agencies for legal sufficiency; and review contracts and corporate documents as needed. The objectives are to provide legal services, such as the following:

- Ensure continuing recognition of SERC as a regional entity.
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis.
- Review legal documents, including notices of penalty, required to be filed with FERC
- Provide legal support for contested compliance actions, and other assistance as needed.
- Provide legal counsel as needed during compliance and enforcement proceedings.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.
- Coordinate outside legal support.

**2014 Key Assumptions**

- Support enforcement action cycle time of twelve months or less
- The number of incoming violations will remain steady
- No hearings are conducted

**2014 Goals and Key Deliverables**

- Work with Enforcement to support processing violations
- Support corporate legal needs



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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. There are no FTEs included in the Legal and Regulatory program. All in-house attorneys are recorded under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>LEGAL and REGULATORY</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,768	-	(1,768)	1,900	132
Professional Services	30,000	45,000	15,000	35,000	5,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 31,768</u>	<u>\$ 45,000</u>	<u>\$ 13,232</u>	<u>\$ 36,900</u>	<u>\$ 5,132</u>
<b>Total Direct Expenses</b>	<u>\$ 31,768</u>	<u>\$ 45,000</u>	<u>\$ 13,232</u>	<u>\$ 36,900</u>	<u>\$ 5,132</u>
<b>Indirect Expenses</b>	<u>\$ (31,768)</u>	<u>\$ (45,000)</u>	<u>\$ (13,232)</u>	<u>\$ (36,900)</u>	<u>\$ (5,132)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	-	-	-	-	-

## Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 777,696	\$ 638,870	\$ (138,826)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Information Technology (IT) department of SERC offers network services including design and maintenance for the SERC IT infrastructure, as well as project and vendor management for all current technology related contracts. The IT group at SERC supports other staff and SERC members with the portal systems and core technology infrastructure. Current SERC projects include:

- Hosting, development and maintenance for SERC Portals and Compliance Issues Tracking System (CITS).
- Maintaining equipment for the Operating Committee hot line.
- Telecommunication circuits, including SERC's internal conference bridge and the Operating Committee hotline service.
- Coordination of region wide scheduling checkout tool for Operating Committee.
- Providing and maintaining web based meeting and collaboration solution.
- Maintaining document management system.
- Maintaining data storage and back-up system through Storage Area Network (SAN).

Several years ago, NERC and the eight (8) Regional Entities formed an executive management group (known as the ERO EMG) which has, among other things, concentrated on developing enterprise-wide IT applications; thus, improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the bulk electric system (BES) exception project and developed an application that is a single interface for NERC and the Regional Entities, promoting consistency and reducing cost duplications.

The NERC IT budget does not supplant SERC's need for IT expenditures for specific regional projects, but to the extent that agreed –upon ERO Enterprise applications provide greater efficiencies, there is no unnecessary, redundant expenditures contained in SERC's business plan and budget.

### 2014 Key Assumptions

- FRCC, NPCC and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total costs of maintenance and development.
- The Committees and Meetings Portal will be developed.
- The ERO Project Management Office (PMO) will deliver necessary IT tools for key business processes, for which SERC will be expected to pay a pro-rata share.

### **2014 Goals and Key Deliverables**

- Further development of the SERC intranet that will allow departmental dashboards in order to display department's Key Performance Indicators (KPIs).
- Redesign of the SERC web site and committees area of the portal.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Information Technology are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Consultants and contracts are decreasing by \$191,250. Of this, approximately \$80,000 is due to the reduced need of outside consultants for in-house support and approximately \$103,600 is a reduction of the expected development provided by the outside consultant to be more in line with historical usage.
- Office costs are increasing by \$52,424, mainly for upgraded Microsoft Office software and networking supplies needed for the new office.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Information Technology

Funding sources and related expenses for the information technology section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 632,780	\$ 439,620	\$ (193,160)	\$ 441,530	\$ (191,250)
Office Rent	-	-	-	-	-
Office Costs	144,916	93,700	(51,216)	197,340	52,424
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 777,696</u>	<u>\$ 533,320</u>	<u>\$ (244,376)</u>	<u>\$ 638,870</u>	<u>\$ (138,826)</u>
<b>Total Direct Expenses</b>	<u>\$ 777,696</u>	<u>\$ 533,320</u>	<u>\$ (244,376)</u>	<u>\$ 638,870</u>	<u>\$ (138,826)</u>
<b>Indirect Expenses</b>	<u>\$ (777,696)</u>	<u>\$ (533,320)</u>	<u>\$ 244,376</u>	<u>\$ (638,870)</u>	<u>\$ 138,826</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	-	-	-	-	-

## Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 10,360	\$ 10,360	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The SERC human resources function is responsible for recruiting stellar employees, maintaining appropriate salaries and benefits based on industry data, providing for employee training programs and updating the employee handbook.

### 2014 Key Assumptions

- Provide competitive compensation and benefits.
- Average salary increase of 2.5%. This assumption is reflected in the salary expense budget for all program areas.
- Increased expectation for staff training.
- SERC will ensure that Staff develops and maintains the appropriate professional credentials to remain up to date with industry standards and trends.

### 2014 Goals and Key Deliverables

- Attract, develop and retain highly competent and motivated staff.
- Continuously review compensation and benefits in targeted classifications.
- Increase employee retention.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Human Resources are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.



## Human Resources

Funding sources and related expenses for the human resources section of the 2014 business plan are shown in the table below

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
HUMAN RESOURCES					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	360	-	(360)	360	-
Professional Services	10,000	10,000	-	10,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 10,360</u>	<u>\$ 10,000</u>	<u>\$ (360)</u>	<u>\$ 10,360</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ 10,360</u>	<u>\$ 10,000</u>	<u>\$ (360)</u>	<u>\$ 10,360</u>	<u>\$ -</u>
<b>Indirect Expenses</b>	<u>\$ (10,360)</u>	<u>\$ (10,000)</u>	<u>\$ 360</u>	<u>\$ (10,360)</u>	<u>\$ -</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	-	-	-	-	-

## Finance and Accounting

Accounting and Finance (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 38,900	\$ 45,400	\$ 6,500
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC through:

- Providing payroll and expense administration.
- Preparing quarterly financial statements.
- Developing SERC's Business Plan and Budget.
- Filing federal and state tax and other forms required of non-profit corporations.
- Reviewing and improving fiscal controls and complete a year-end external audit.

### 2014 Key Assumptions

- Current accounting systems and controls are adequate.
- No major changes in accounting regulations.

### 2014 Goals and Key Deliverables

- Prepare and review monthly, quarterly and annual financial statements.
- Exercise budgetary controls.
- Process payroll and expense reports.
- Maintain necessary internal controls.
- Continue improvements in the annual business planning process within SERC and the ERO.

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**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Finance and Accounting are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2014 business plan are shown in the table below.

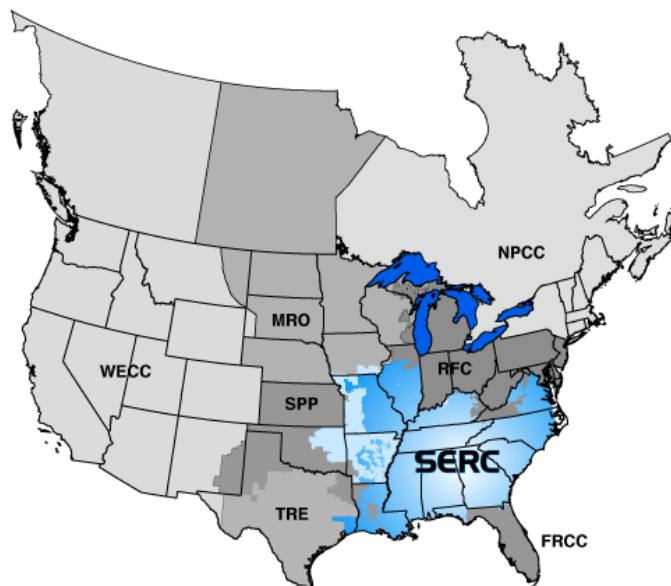
Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
FINANCE and ACCOUNTING					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	10,000	16,000	6,000	10,000	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ 10,000</u>	<u>\$ 16,000</u>	<u>\$ 6,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,000	9,000	1,000	10,000	2,000
Professional Services	30,900	36,285	5,385	35,400	4,500
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 38,900</u>	<u>\$ 45,285</u>	<u>\$ 6,385</u>	<u>\$ 45,400</u>	<u>\$ 6,500</u>
<b>Total Direct Expenses</b>	<u>\$ 38,900</u>	<u>\$ 45,285</u>	<u>\$ 6,385</u>	<u>\$ 45,400</u>	<u>\$ 6,500</u>
<b>Indirect Expenses</b>	<u>\$ (28,900)</u>	<u>\$ (29,285)</u>	<u>\$ (385)</u>	<u>\$ (35,400)</u>	<u>\$ (6,500)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ 10,000</u>	<u>\$ 16,000</u>	<u>\$ 6,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ 10,000</u>	<u>\$ 16,000</u>	<u>\$ 6,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	-	-	-	-	-

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## Section B – Supplemental Financial Information

### 2014 Business Plan and Budget

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## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2013-2014</b>	
<b>STATUTORY</b>	
Beginning Working Capital Reserve (Deficit), December 31, 2012	\$ 4,334,853
Plus: 2013 Funding (from LSEs or designees)	13,880,878
Plus: 2013 Other funding sources	356,850
Less: 2013 Projected expenses & capital expenditures	(14,970,397)
Projected Working Capital Reserve (Deficit), December 31, 2013	<u>\$ 3,602,184</u>
Desired Working Capital Reserve, December 31, 2014	<sup>1</sup> \$ 1,600,000
Minus: Projected Working Capital Reserve, December 31, 2013	3,602,184
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>\$ (2,002,184)</u>
2014 Expenses and Capital Expenditures	\$ 16,877,288
Less: Penalty Sanctions <sup>2</sup>	(554,500)
Less: Other Funding Sources	(586,105)
Adjustment to achieve desired Working Capital Reserve	(2,002,184)
<b>2014 ERO Assessment</b>	<u>\$ 13,734,499</u>

<sup>1</sup> As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to up to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors. The reserve was established for contingencies.

<sup>2</sup> Represents collections on or prior to June 30, 2013.

### Explanation of Changes in Reserve Policy from Prior Years

There has been no change in SERC's operating reserve policy. SERC's operating reserve policy states "up to" 10% of statutory operating costs. In 2014, SERC has increased the reserve to \$1,600,000 to fully fund the operating reserve.

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## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures, page 11, of the 2014 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

### Penalty Sanctions

Penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received prior to July 1, 2013 are detailed below, including the amount, and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

As detailed in Table B-2, SERC has received \$2,054,500 in penalties from July 1, 2012 through June 30, 2013. Of this, SERC has applied \$554,500 as a reduction in assessments for 2014 to maintain a levelized assessment over several years. SERC has projected expenses out through 2016 (Table B-10) and applied the remainder penalty funds over 2015 and 2016. The excess penalty funds not used in the 2014 budget will be maintained in SERC's operating cash account as a temporary increase to the Operating Reserve to be used for significant unexpected contingencies in the current year, subject to appropriate approval limits, or as an offset to future budget periods, in accordance with its working capital policy, as approved by the SERC Board. Any expenditures from the increased working capital will be explained in SERC's quarterly variance report.

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2013	Date Received	Amount Received
Penalty payment 1	7/3/2012	\$ 5,000
Penalty payment 2	7/3/2012	10,000
Penalty payment 3	7/3/2012	10,000
Penalty payment 4	7/27/2012	75,000
Penalty payment 5	7/27/2012	175,000
Penalty payment 6	7/27/2012	7,000
Penalty payment 7	7/27/2012	3,500
Penalty payment 8	10/3/2012	150,000
Penalty payment 9	10/3/2012	15,000
Penalty payment 10	11/30/2012	25,000
Penalty payment 11	12/31/2012	11,000
Penalty payment 12	12/31/2012	13,000
Penalty payment 13	12/31/2012	5,000
Penalty payment 14	12/31/2012	22,000
Penalty payment 15	12/31/2012	15,000
Penalty payment 16	1/31/2013	275,000
Penalty payment 17	1/31/2013	5,000
Penalty payment 18	1/31/2013	15,000
Penalty payment 19	1/31/2013	18,000
Penalty payment 20	1/31/2013	35,000
Penalty payment 21	1/31/2013	950,000
Penalty payment 22	1/31/2013	17,000
Penalty payment 23	3/4/2013	5,000
Penalty payment 24	3/4/2013	20,000
Penalty payment 25	3/4/2013	34,000
Penalty payment 26	4/26/2013	20,000
Penalty payment 27	4/26/2013	48,000
Penalty payment 28	5/31/2013	14,000
Penalty payment 29	5/31/2013	40,000
Penalty payment 30	6/14/2013	12,000
Penalty payment 31	6/14/2013	5,000
<b>Total Penalties Received</b>		<b>\$ 2,054,500</b>



**Table B-3 - Supplemental Funding**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Miscellaneous - CEA function in FRCC	\$ 15,000	\$ 80,000	\$ 16,000	\$ 1,000
Miscellaneous - CEA function in SPP	50,000	60,000	16,000	(34,000)
<b>Total</b>	<b>\$ 65,000</b>	<b>\$ 140,000</b>	<b>\$ 32,000</b>	<b>\$ (33,000)</b>
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Training and Education</b>				
Workshops	246,000	200,850	267,605	21,605
<b>Total</b>	<b>\$ 246,000</b>	<b>\$ 200,850</b>	<b>\$ 267,605</b>	<b>\$ 21,605</b>
<b>Situation Awareness and Infrastructure Security</b>				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General and Administrative</b>				
Interest Income	\$ 10,000	\$ 16,000	\$ 10,000	\$ -
Miscellaneous Income	-	-	276,500	276,500
<b>Total</b>	<b>\$ 10,000</b>	<b>\$ 16,000</b>	<b>\$ 286,500</b>	<b>\$ 276,500</b>
<b>Total Outside Funding</b>	<b>\$ 321,000</b>	<b>\$ 356,850</b>	<b>\$ 586,105</b>	<b>\$ 265,105</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Other Funding included in Compliance Monitoring, Enforcement and Organization Registration includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to affiliated Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entities. The 2014 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General & Administrative costs, as required by the contracts with FRCC and SPP.

Workshop funding increased by \$21,605 due to an increase in costs related to the System Operator Conferences, which is a self funded conference.

Other funding included in General and Administrative includes the reimbursement from the other regional entities for the costs associated with the coordinator position.

**Table B-4 - Personnel Expenses**

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 9,925,148	\$ 9,269,176	\$ 10,187,444	\$ 262,296	2.6%
Total Payroll Taxes	595,509	602,678	611,246	15,737	2.6%
Total Benefits	916,100	828,958	941,806	25,706	2.8%
Total Retirement	1,353,524	1,266,992	1,394,422	40,898	3.0%
<b>Total Personnel Costs</b>	<b>\$ 12,790,281</b>	<b>\$ 11,967,804</b>	<b>\$ 13,134,918</b>	<b>\$ 344,637</b>	<b>2.7%</b>
FTEs	77.45	72.58	79.20	1.75	2.3%
Cost per FTE					
Salaries	\$ 128,149	\$ 127,710	\$ 128,629	480	0.4%
Payroll Taxes	7,689	8,304	7,718	29	0.4%
Benefits	11,828	11,421	11,891	63	0.5%
Retirement	17,476	17,456	17,606	130	0.7%
<b>Total Cost per FTE</b>	<b>\$ 165,142</b>	<b>\$ 164,891</b>	<b>\$ 165,845</b>	<b>\$ 702</b>	<b>0.4%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

Salaries, payroll taxes and retirement costs increased \$262,296, \$15,737 and \$40,898, respectively, due to the addition of 1.75 FTEs compared to the 2013 budget. During 2013, 0.5 FTE was reclassified out of the Technical Committees and Member Forums program into the Situation Awareness and Infrastructure Security program; 1.0 FTE was reclassified out of General and Administrative program into the Compliance and Enforcement program; and 1.0 FTE was reclassified as a Technical Writer, evenly split among Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, to support the program areas with report writing; meeting agendas and minutes; training materials and developing corporate process documents, causing a net decrease of 0.8 FTE in Reliability Standards and a 0.2 FTE, each, increase in the programs previously listed. In addition, an increase of 0.75 FTE in the Reliability Standards, Compliance and Enforcement, and Reliability Assessment programs is due to a full year of staffing for the FTEs added at staggered points throughout the 2013 budget. The General and Administrative program added a coordinator to work with the regional entities. The budget reflects an increase in salary for existing staff of 2.5%.

Benefits increased \$25,706. Of this, approximately \$9,000 is due to a decrease in insurance premiums and \$35,000 is due to an increase in staff training and education.

**Table B-5 - Consultants and Contracts**

Consultants and Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	249,167	220,800	245,000	(4,167)	-2%
Reliability Assessment and Performance Analysis	203,000	215,200	232,500	29,500	15%
Training and Education	82,000	84,000	130,000	48,000	59%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums					
General and Administrative	-	105,100	180,000	180,000	
Legal and Regulatory	-	-	-	-	
Information Technology	632,780	439,620	441,530	(191,250)	-30%
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 1,166,947</b>	<b>\$ 1,064,720</b>	<b>\$ 1,229,030</b>	<b>\$ 62,083</b>	<b>5%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

An increase of \$29,500 in consultants in the Reliability Assessment program from the 2013 budget is due to enhancements to the modeling process for the ERAG Assessments.

An increase of \$48,000 in consultants and contracts in the Training and Education program is due to a change in the trainers and tools used for the System Operator Conference.

An increase of \$180,000 in General and Administrative program is for ongoing training and development of SERC's management team and development of a communications plan.

A decrease of \$191,250 in the Information Technology program is due to the reduced need for outside consultants for in-house support and a reduction of the expected development provided by the outside consultant to be more in line with historical usage.

**Table B-6 – Office Rent**

Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 405,407	\$ 406,140	\$ 419,861	\$ 14,454	3.57%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 405,407</b>	<b>\$ 406,140</b>	<b>\$ 419,861</b>	<b>\$ 14,454</b>	<b>3.57%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

Office rent increased by \$14,454 due to annual rate increases on SERC's office space.

**Table B-7 – Office Costs**

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 149,328	\$ 146,120	\$ 146,628	\$ (2,700)	-1.81%
Telephone Answering Srv	-	-	-	-	
Internet	7,380	7,000	7,608	228	3.09%
Office Supplies	33,930	27,580	84,580	50,650	149.28%
Computer Supplies and Maintenance					
Computers	82,000	82,000	61,500	(20,500)	
Computer Supplies	43,800	600	41,950	(1,850)	-4.22%
Maintenance & Service Agreements	-	-	-	-	
Software	11,100	11,100	77,150	66,050	-5.91%
Network Supplies	-	-	12,000	12,000	
Publications & Subscriptions	4,000	5,000	4,980	980	24.50%
Dues	4,771	4,771	5,316	545	11.42%
Postage	1,000	1,400	1,500	500	50.00%
Express Shipping	3,500	4,500	4,500	1,000	28.57%
Copying	4,500	10,000	10,000	5,500	122.22%
Reports	-	-	-	-	
Stationary/Forms	-	-	-	-	
Equipment Repair/Service Contracts	8,243	9,323	9,688	1,445	17.53%
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	8,000	9,000	10,000	2,000	25.00%
<b>Total Office Costs</b>	<b>\$ 361,552</b>	<b>\$ 318,394</b>	<b>\$ 477,400</b>	<b>\$ 115,848</b>	<b>32.04%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

Office supplies increased by \$50,650 from the 2013 budget, which includes office furnishings for the new office space.

A net increase in Computer, Supplies and Maintenance is comprised of the following: a decrease of \$20,500 in computers is due to a decrease in the number of computers purchased; an increase of \$66,050 in software is for upgraded Microsoft Office software for current staff; and an increase of \$12,000 is for networking supplies needed for the new office.

**Table B-8 – Professional Services**

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Candidate Search	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.00%
Outside Legal	45,000	60,000	50,000	5,000	11.11%
Accounting & Auditing Fees	30,900	36,285	35,400	4,500	14.56%
Insurance Commercial	20,000	26,000	25,000	5,000	25.00%
<b>Total Services</b>	<b>\$ 105,900</b>	<b>\$ 132,285</b>	<b>\$ 120,400</b>	<b>\$ 14,500</b>	<b>13.69%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

There are no significant variances requiring an explanation.

**Table B-9 – Other Non-operating Expenses**

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	-	-	15,000	15,000	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>100.00%</b>

**Explanation of Significant Variances – 2013 Budget versus 2012 Budget**

SERC has included \$15,000 for one-time costs related to the relocation of office space, for a moving company.

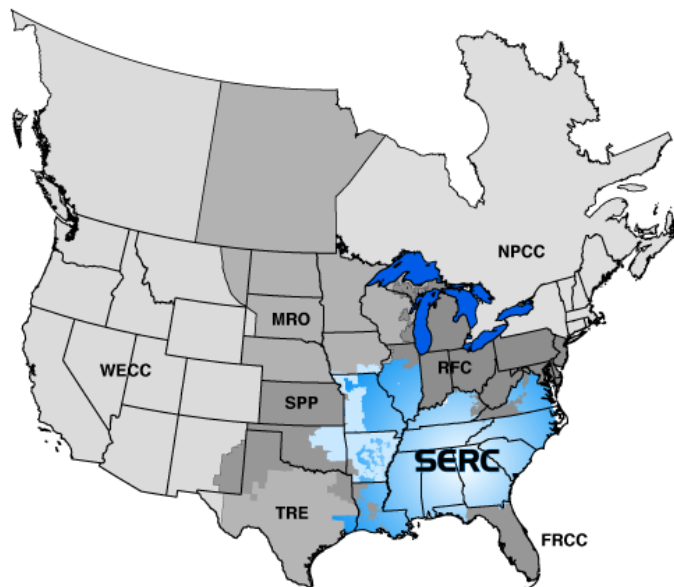
Table B-10 – 2014 Budget with 2015-2015 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital								
2014 Budget & Projected 2015 and 2016 Budgets								
	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15	
<b>Funding</b>								
<b>ERO Funding</b>								
NERC Assessments	\$ 13,734,499	\$ 14,730,228	\$ 995,729	7.25%	\$ 15,931,332	\$ 1,201,104	7.5%	
Penalty Sanctions	554,500	850,000	295,500	53.29%	650,000	(200,000)	-30.8%	
<b>Total NERC Funding</b>	<b>\$ 14,288,999</b>	<b>\$ 15,580,228</b>	<b>\$ 1,291,229</b>	<b>9.0%</b>	<b>\$ 16,581,332</b>	<b>\$ 1,001,104</b>	<b>6.0%</b>	
Membership Dues	-	-	-	-	-	-	-	
Testing Fees	-	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	-	
Workshops	267,605	267,605	-	0.00%	267,605	-	0.0%	
Interest	10,000	10,000	-	0.00%	10,000	-	0.0%	
Miscellaneous	308,500	308,500	-	0.00%	120,000	(188,500)	-61.1%	
<b>Total Funding (A)</b>	<b>\$ 14,875,104</b>	<b>\$ 16,166,333</b>	<b>\$ 1,291,229</b>	<b>8.7%</b>	<b>\$ 16,978,937</b>	<b>\$ 812,604</b>	<b>5.0%</b>	
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 10,187,444	\$ 10,442,130	\$ 254,686	2.5%	\$ 10,703,183	\$ 261,053	2.5%	
Payroll Taxes	611,246	626,528	15,282	2.5%	642,191	15,663	2.5%	
Benefits	941,806	988,896	47,090	5.0%	1,038,341	49,445	5.0%	
Retirement Costs	1,394,422	1,436,255	41,833	3.0%	1,479,342	43,088	3.0%	
<b>Total Personnel Expenses</b>	<b>\$ 13,134,918</b>	<b>\$ 13,493,809</b>	<b>\$ 358,891</b>	<b>2.7%</b>	<b>\$ 13,863,058</b>	<b>\$ 369,249</b>	<b>2.7%</b>	
<b>Meeting Expenses</b>								
Meetings	\$ 317,195	\$ 326,711	\$ 9,516	3.0%	\$ 336,512	\$ 9,801	3.0%	
Travel	605,484	623,649	18,165	3.0%	642,358	18,709	3.0%	
Conference Calls	48,000	49,440	1,440	3.0%	50,923	1,483	3.0%	
<b>Total Meeting Expenses</b>	<b>\$ 970,679</b>	<b>\$ 999,799</b>	<b>\$ 29,120</b>	<b>3.0%</b>	<b>\$ 1,029,793</b>	<b>\$ 29,994</b>	<b>3.0%</b>	
<b>Operating Expenses</b>								
Consultants & Contracts	\$ 1,229,030	\$ 862,668	(366,362)	-29.8%	\$ 911,770	49,102	5.7%	
Office Rent	419,861	553,996	134,135	31.9%	569,231	15,235	2.8%	
Office Costs	477,400	357,692	(119,709)	-25.1%	368,422	10,731	3.0%	
Professional Services	120,400	121,604	1,204	1.0%	125,252	3,648	3.0%	
Miscellaneous	-	-	-	-	-	-	-	
Depreciation	218,653	304,717	86,064	39.4%	267,323	(37,394)	-12.3%	
<b>Total Operating Expenses</b>	<b>\$ 2,465,344</b>	<b>\$ 2,200,677</b>	<b>\$ (264,668)</b>	<b>-10.7%</b>	<b>\$ 2,241,998</b>	<b>\$ 41,321</b>	<b>1.9%</b>	
<b>Total Direct Expenses</b>	<b>\$ 16,570,941</b>	<b>\$ 16,694,285</b>	<b>\$ 123,344</b>	<b>0.7%</b>	<b>\$ 17,134,849</b>	<b>\$ 440,564</b>	<b>2.6%</b>	
<b>Indirect Expenses</b>								
	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	
<b>Other Non-Operating Expenses</b>								
	\$ 15,000	\$ -	\$ (15,000)	-100.0%	-	-	-	
<b>Total Expenses (B)</b>	<b>\$ 16,585,941</b>	<b>\$ 16,694,285</b>	<b>\$ 108,344</b>	<b>0.7%</b>	<b>\$ 17,134,849</b>	<b>\$ 440,564</b>	<b>2.6%</b>	
<b>Change in Assets</b>	<b>\$ (1,710,837)</b>	<b>\$ (527,952)</b>	<b>\$ 1,182,885</b>	<b>-69.1%</b>	<b>\$ (155,912)</b>	<b>\$ 372,040</b>	<b>-70.5%</b>	
<b>Fixed Assets</b>								
Depreciation	\$ (218,653)	\$ (304,717)	\$ (86,064)	39.4%	\$ (267,323)	\$ 37,394	-12.3%	
Computer & Software CapEx	460,000	100,000	(360,000)	-78.3%	100,000	-	0.0%	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	-	
Leasehold Improvements	50,000	-	(50,000)	-100.0%	-	-	-	
Allocation of Fixed Assets	-	-	-	-	-	-	-	
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ 291,347</b>	<b>\$ (204,717)</b>	<b>\$ (496,064)</b>	<b>-170.3%</b>	<b>\$ (167,323)</b>	<b>\$ 372,040</b>	<b>0.0%</b>	
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 16,877,288</b>	<b>\$ 16,489,568</b>	<b>\$ (387,720)</b>	<b>-2.3%</b>	<b>\$ 16,967,526</b>	<b>\$ 440,564</b>	<b>2.7%</b>	
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (2,002,184)</b>	<b>\$ (323,235)</b>	<b>\$ 1,678,949</b>	<b>100.0%</b>	<b>\$ 11,411</b>	<b>\$ 334,646</b>	<b>-103.5%</b>	
<b>FTEs</b>	79.20	79.20	-	-	79.20	-	-	

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## Section C – Non-Statutory Activities 2014 Business Plan and Budget

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**Section C — 2014 Non-Statutory Business Plan and Budget**

Non-Statutory Activities (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	-	-	-
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	-	-	-

SERC does not provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Board and applicable statutes and regulations.

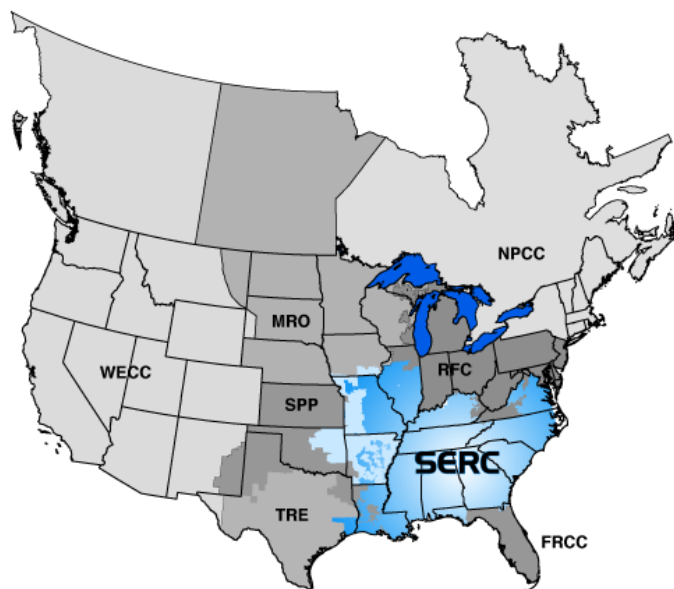


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## Section D – Additional Consolidated Financial Statements

### 2014 Business Plan and Budget

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## Section D

### 2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

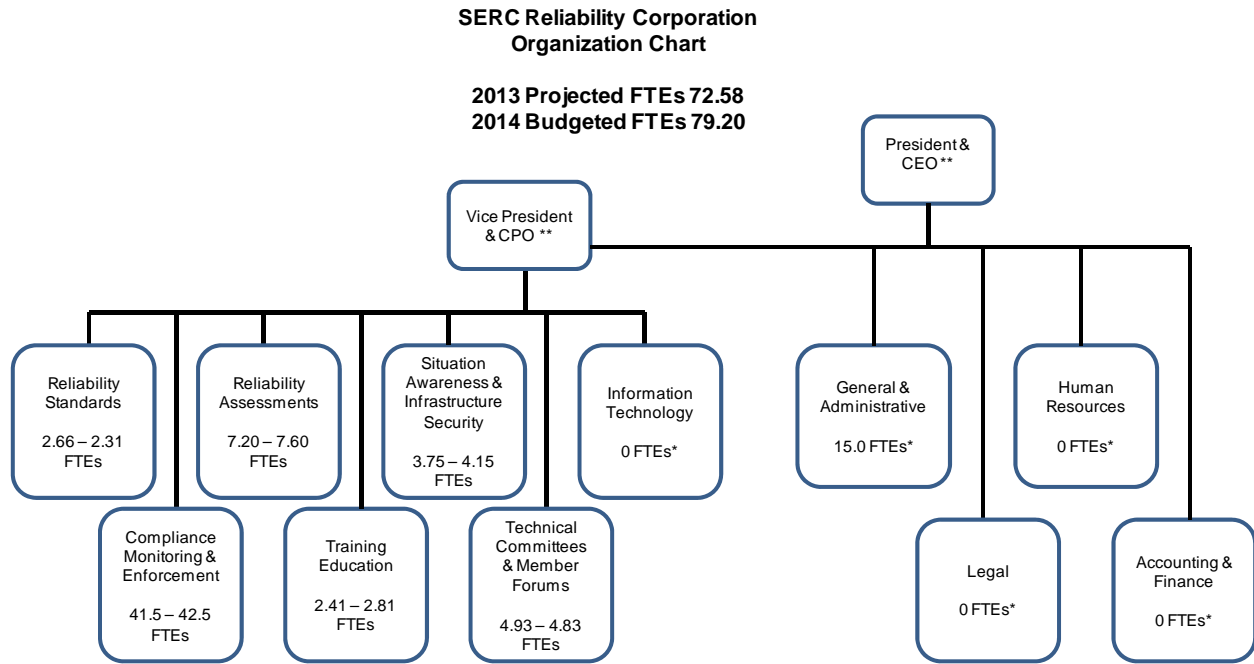
Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Functions		
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	
<b>Funding</b>																	
<b>ERO Funding</b>																	
NERC Assessments	13,734,499	13,734,499	-	13,734,499	514,018	11,241,380	2,093,402	799,733	1,088,150	-	(2,002,184)	-	-	-	-	-	-
Penalty Sanctions	554,500	554,500	-	554,500	21,575	396,938	70,982	26,245	38,760	-	-	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>14,288,999</b>	<b>14,288,999</b>	<b>-</b>	<b>14,288,999</b>	<b>535,593</b>	<b>11,638,318</b>	<b>2,164,384</b>	<b>825,978</b>	<b>1,126,910</b>	<b>-</b>	<b>(2,002,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	267,605	267,605	-	267,605	-	-	-	267,605	-	-	-	-	-	-	-	-	-
Interest	10,000	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000	-
Miscellaneous	308,500	308,500	-	308,500	-	32,000	-	-	-	-	-	276,500	-	-	-	-	-
<b>Total Funding (A)</b>	<b>14,875,104</b>	<b>14,875,104</b>	<b>-</b>	<b>14,875,104</b>	<b>535,593</b>	<b>11,670,318</b>	<b>2,164,384</b>	<b>1,093,583</b>	<b>1,126,910</b>	<b>-</b>	<b>(1,725,684)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Expenses</b>																	
<b>Personnel Expenses</b>																	
Salaries	10,187,444	10,187,444	-	10,187,444	221,774	5,224,607	818,555	374,069	505,718	700,576	2,342,145	-	-	-	-	-	-
Payroll Taxes	611,246	611,246	-	611,246	13,306	313,476	49,113	22,444	30,343	42,035	140,529	-	-	-	-	-	-
Benefits	941,806	941,806	-	941,806	24,786	523,055	95,406	28,459	52,881	53,772	163,447	-	-	-	-	-	-
Retirement Costs	1,394,422	1,394,422	-	1,394,422	31,259	716,689	115,313	52,656	61,798	94,071	322,636	-	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>13,134,918</b>	<b>13,134,918</b>	<b>-</b>	<b>13,134,918</b>	<b>291,125</b>	<b>6,777,827</b>	<b>1,078,387</b>	<b>477,628</b>	<b>650,740</b>	<b>890,454</b>	<b>2,968,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Meeting Expenses</b>																	
Meetings	317,195	317,195	-	317,195	-	14,010	39,990	183,360	10,350	22,300	47,185	-	-	-	-	-	-
Travel	605,484	605,484	-	605,484	11,696	323,862	45,487	19,241	47,556	75,139	82,503	-	-	-	-	-	-
Conference Calls	48,000	48,000	-	48,000	-	-	-	-	-	-	48,000	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>970,679</b>	<b>970,679</b>	<b>-</b>	<b>970,679</b>	<b>11,696</b>	<b>337,872</b>	<b>85,477</b>	<b>202,601</b>	<b>57,906</b>	<b>97,439</b>	<b>177,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>																	
Consultants & Contracts	1,229,030	1,229,030	-	1,229,030	-	245,000	232,500	130,000	-	-	180,000	-	441,530	-	-	-	-
Office Rent	419,861	419,861	-	419,861	-	-	-	-	-	-	419,861	-	-	-	-	-	-
Office Costs	477,400	477,400	-	477,400	100	13,857	2,518	320	260	365	250,380	1,900	197,340	360	10,000	-	-
Professional Services	120,400	120,400	-	120,400	-	15,000	-	-	-	-	25,000	35,000	-	10,000	-	35,400	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	218,653	218,653	-	218,653	-	-	-	-	-	-	218,653	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>2,465,344</b>	<b>2,465,344</b>	<b>-</b>	<b>2,465,344</b>	<b>100</b>	<b>273,857</b>	<b>235,018</b>	<b>130,320</b>	<b>260</b>	<b>365</b>	<b>1,093,894</b>	<b>36,900</b>	<b>638,870</b>	<b>10,360</b>	<b>45,400</b>	<b>-</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>16,570,941</b>	<b>16,570,941</b>	<b>-</b>	<b>16,570,941</b>	<b>302,921</b>	<b>7,389,556</b>	<b>1,398,882</b>	<b>810,549</b>	<b>708,906</b>	<b>988,258</b>	<b>4,240,339</b>	<b>36,900</b>	<b>638,870</b>	<b>10,360</b>	<b>45,400</b>	<b>-</b>	<b>-</b>
<b>Indirect Expenses</b>																	
	-	-	-	-	221,336	4,072,202	728,206	269,244	397,639	(988,258)	(3,978,839)	(36,900)	(638,870)	(10,360)	(35,400)	-	-
<b>Other Non-Operating Expenses</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>16,585,941</b>	<b>16,585,941</b>	<b>-</b>	<b>16,585,941</b>	<b>524,257</b>	<b>11,461,758</b>	<b>2,127,088</b>	<b>1,079,793</b>	<b>1,106,545</b>	<b>-</b>	<b>276,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(1,710,837)</b>	<b>(1,710,837)</b>	<b>-</b>	<b>(1,710,837)</b>	<b>11,336</b>	<b>208,560</b>	<b>37,296</b>	<b>13,790</b>	<b>20,365</b>	<b>-</b>	<b>(2,002,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																	
Depreciation	(218,653)	(218,653)	-	(218,653)	-	-	-	-	-	-	(218,653)	-	-	-	-	-	-
Computer & Software CapEx	460,000	460,000	-	460,000	-	-	-	-	-	-	460,000	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-	-	-	-	-	-	50,000	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	11,336	208,560	37,296	13,790	20,365	-	(291,347)	-	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>291,347</b>	<b>291,347</b>	<b>-</b>	<b>291,347</b>	<b>11,336</b>	<b>208,560</b>	<b>37,296</b>	<b>13,790</b>	<b>20,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>16,877,288</b>	<b>16,877,288</b>	<b>-</b>	<b>16,877,288</b>	<b>535,593</b>	<b>11,670,318</b>	<b>2,164,384</b>	<b>1,093,583</b>	<b>1,126,910</b>	<b>-</b>	<b>276,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>15,166,451</b>	<b>15,166,451</b>	<b>-</b>	<b>(2,002,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,002,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>79.20</b>	<b>79.20</b>	<b>-</b>	<b>79.20</b>	<b>2.31</b>	<b>42.50</b>	<b>7.60</b>	<b>2.81</b>	<b>4.15</b>	<b>4.83</b>	<b>15.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Statement of Financial Position

- As of December 31, 2012, per audit
- As of December 31, 2013, projected
- As of December 31, 2014, as budgeted

Statement of Financial Position 2012 Audited, 2013 Projection, and 2014 Budget			
STATUTORY			
	(Per Audit) 31-Dec-12	Projected 31-Dec-13	Budget 31-Dec-14
<b>ASSETS</b>			
Cash	7,192,908	6,686,905	7,146,905
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	18,487	18,487	18,487
Other Receivables	-	-	-
Prepaid expenses and other current assets	127,403	127,403	127,403
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	324,812	351,479	60,132
Total Assets	<b>7,663,610</b>	<b>7,184,274</b>	<b>7,352,927</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	942,117	942,117	942,117
Deferred income	29,845	29,845	29,845
Deferred penalty income	526,761	2,054,500	
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	342,637	376,901	496,726
Accrued incentive compensation	1,162,585	1,278,844	3,334,282
Total Liabilities	<b>3,003,945</b>	<b>4,682,206</b>	<b>4,802,970</b>
Net Assets - unrestricted	4,659,665	2,502,068	2,549,957
Total Liabilities and Net Assets	<b>7,663,610</b>	<b>7,184,274</b>	<b>7,352,927</b>

# Organizational Chart



\*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative  
\*\* Executive positions are recorded within General and Administrative