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SERC Reliability Corporation

2015 Business Plan and Budget

DRAFT 1.1
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Introduction

(in whole dollars)				
	2015 Budget	U.S.	Canada	Mexico
Statutory FTEs	78.70			
Non-statutory FTEs**	-			
Total FTEs	78.70			
Statutory Expenses	\$ 16,359,893			
Non-Statutory Expenses**	\$ -			
Total Expenses	\$ 16,359,893			
Statutory Inc(Dec) in Fixed Assets	\$ (112,071)			
Non-Statutory Inc(Dec) in Fixed Assets**	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (112,071)			
Statutory Working Capital Requirement*	\$ (217,861)			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ (217,861)			
Total Statutory Funding Requirement	\$ 16,029,961			
Total Non-Statutory Funding Requirement**	\$ -			
Total Funding Requirement	\$ 16,029,961			
Statutory Funding Assessments	\$ 13,733,606	\$ 13,733,606	\$ -	\$ -
Non-Statutory Fees**	\$ -	\$ -	\$ -	\$ -
NEL	-	-	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

*Refer to Table B-1 on page 55 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 25.8% of the net energy for load (NEL) in North America and 29.8% 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 2015 targeted staffing level of 78.7 Full-Time Equivalents (FTEs) (2015 total headcount of 79.7) comprised of power industry professionals and support personnel.

Membership and Governance

As part of its delegated duties, SERC monitors 236 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, 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.

2015 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 2015-2017 Shared Business Plan and Budget Assumptions document is located in Exhibit A of NERC's 2015 Business Plan and Budget.

NERC and the Regional Entities have worked to have joint coordination and collaboration to develop the multi-year ERO Enterprise Strategic Plan and metrics.

2015 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.

2015 Overview of Cost Impacts

SERC proposes to decrease its operating budget from \$16,877,288 to \$16,247,822 in 2015, a decrease of \$629,466 or 3.73%. The proposed 2015 assessment of \$13,733,606 is a decrease of 0.007% from the 2014 assessment of \$13,734,499. SERC believes that in 2015 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-1.

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 2015 budget compared to the 2014 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. \$7,000 is included in the 2015 Business Plan and Budget under Other Funding and various expense accounts for the performance of these services. Additionally, the costs associated with the regional entity coordinator position will be shared equally with the other regional entities and included in Contracts and Consultant Expense in each of the regional entity's respective budgets, \$41,000 each, and the related offset of \$287,000 is included in SERC's Miscellaneous Income.

The most significant changes to the budget are in personnel, which is described as two components:

- **Staff changes proposed in 2015** – The targeted staffing level for 2015 is 78.7 Full-time Equivalent (FTEs), a decrease of 0.5 FTEs (no change in headcount) as compared to the 2014 budget, due to staggering the hire dates for 2 FTEs. In 2014, 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.
- **Cost decrease for maintaining staff budgeted in 2015** – The net decrease in personnel costs of \$332,547 compared to 2014 reflects a decrease of 0.5 FTEs, offset by a budgeted average increase in salary for existing staff of 3.0%, and an overall increase in costs associated with employee benefits. Additionally, a 3% vacancy rate has been applied to all personnel expenses, causing further reduction.

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

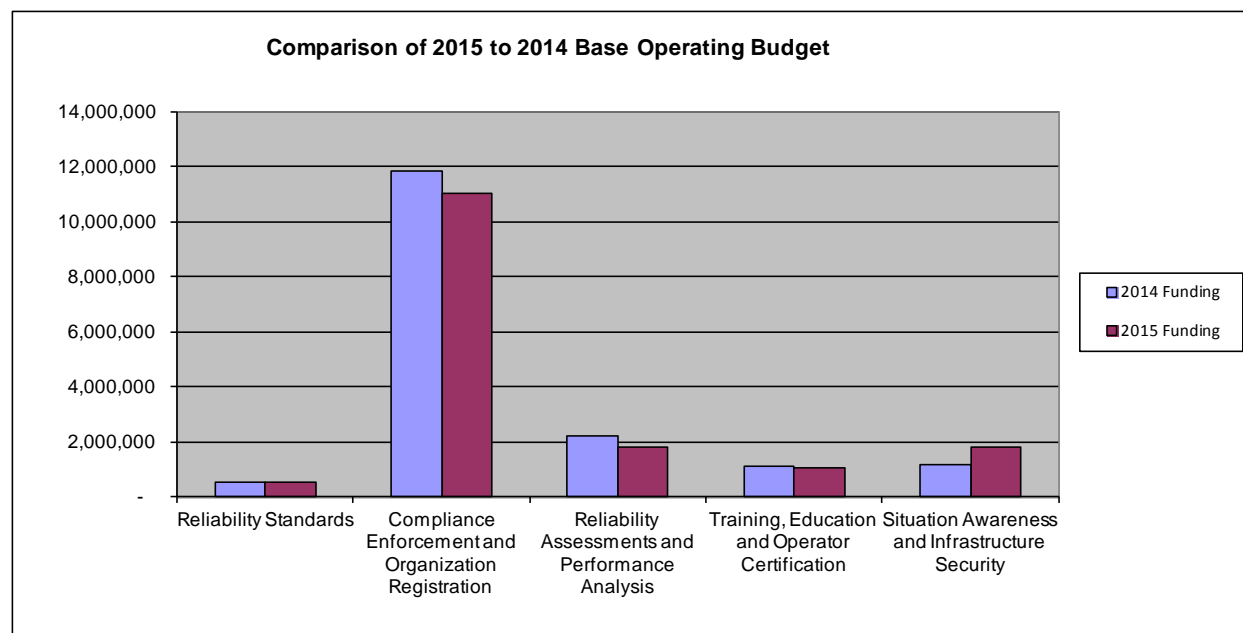
- **Office Rent** – An increase of \$44,948 or 10.7% is due to the relocation of the SERC offices, which includes an increase of square footage.
- **Depreciation** – An increase of \$232,751 or 106.4% is due to an increase in the capital assets purchased in previous years which would now incur a full year of depreciation.

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 2014	Projection 2014	Budget 2015	Change	
				2015 Budget v 2014 Budget	% Change
Reliability Standards	546,740	504,649	527,360	(19,380)	-3.5%
Compliance Enforcement and Organization Registration	11,875,409	11,057,380	11,050,266	(825,143)	-6.9%
Reliability Assessments and Performance Analysis	2,201,059	1,484,227	1,797,791	(403,268)	-18.3%
Training, Education and Operator Certification	1,107,144	1,089,814	1,065,198	(41,946)	-3.8%
Situation Awareness and Infrastructure Security	1,146,936	1,929,257	1,807,207	660,271	57.6%
Total	16,877,288	16,065,327	16,247,822	(629,466)	-3.7%
Working Capital Reserve	(502,184)	278,832	(217,861)	284,323	
Total Funding	16,375,104	16,344,159	16,029,961	(345,143)	-2.1%

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 3.5% decrease in total funding from \$546,740 budgeted in 2014 to \$527,360 budgeted in 2015 is primarily attributable to changes in personnel. SERC reclassified an FTE out of the Reliability Standards program, as described below in the Total FTEs by Program Area schedule, as well as applied an overall 3% vacancy rate to personnel costs, based on historical data. The increase in indirect expenses being allocated to the Reliability Standards program is due to the increase of FTEs in General & Administrative.

Compliance Enforcement and Organization Registration – The 6.9% decrease in total funding from \$11,875,409 budgeted in 2014 to \$11,050,266 budgeted in 2015 is primarily due to the decrease of 4.0 FTEs as described below in the Total FTEs by Program Area schedule, as well as the 3% vacancy rate applied to personnel costs, based on historical data. The increase in indirect expenses being allocated to the Compliance Enforcement and Organization Registration program is due to the increase of FTEs in General & Administrative.

Reliability Assessments and Performance Analysis – The 18.3% decrease in total funding from \$2,201,059 budgeted in 2014 to \$1,797,791 budgeted in 2015 is due to the decrease of 1.7 FTEs as described below in the Total FTEs by Program Area schedule, as well as the 3% vacancy rate applied to personnel costs, based on historical data. Additionally, there is a decrease in meetings and travel. The decrease is offset by an increase in Consultants and Contracts to perform a benchmarking system wide stability study. The decrease in indirect expenses being allocated to the Reliability Assessments program is due to the decrease of FTEs.

Training, Education and Operator Certification – The 3.8% decrease in total funding from \$1,107,144 budgeted in 2014 to \$1,065,198 budgeted in 2015 is primarily due to a decrease in meetings expense due to bringing several SERC meeting in-house. Additionally, SERC applied an overall 3% vacancy rate to personnel costs, based on historical data, causing a decrease in Personnel Expenses. The increase in indirect expenses being allocated to the Training, Education and Operator Certification program is due to the addition of FTEs in General & Administrative.

Situation Awareness and Infrastructure Security – The 57.6% increase in total funding from \$1,146,936 budgeted in 2014 to \$1,807,207 budgeted in 2015 is due to the addition of 2.3 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. This is offset by an overall 3% vacancy rate applied to personnel costs, based on historical data. The increase in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the addition of FTEs, as well as the increase of FTEs in General & Administrative.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2014	2014	2015 Budget	FTEs ¹ 2015 Budget	2015 Budget	from 2014 Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.31	1.86	2.11	-	2.11	(0.20)
Compliance Monitoring and Enforcement and Organization Registration and Certification	42.50	35.96	38.50	-	38.50	(4.00)
Reliability Assessment and Performance Analysis	7.60	4.67	5.90	-	5.90	(1.70)
Training and Education	2.81	2.61	2.61	-	2.61	(0.20)
Situation Awareness and Infrastructure Security	4.15	6.45	6.45	-	6.45	2.30
Total FTEs Operational Programs	59.37	51.55	55.57	-	55.57	(3.80)
Administrative Programs						
Technical Committees and Member Forums	4.83	3.63	4.13	-	4.13	(0.70)
General & Administrative	15.00	19.00	19.00	-	19.00	4.00
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
Total FTEs Administrative Programs	19.83	22.63	23.13	-	23.13	3.30
Total FTEs	79.20	74.18	78.70	-	78.70	(0.50)

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

This chart reflects the following changes:

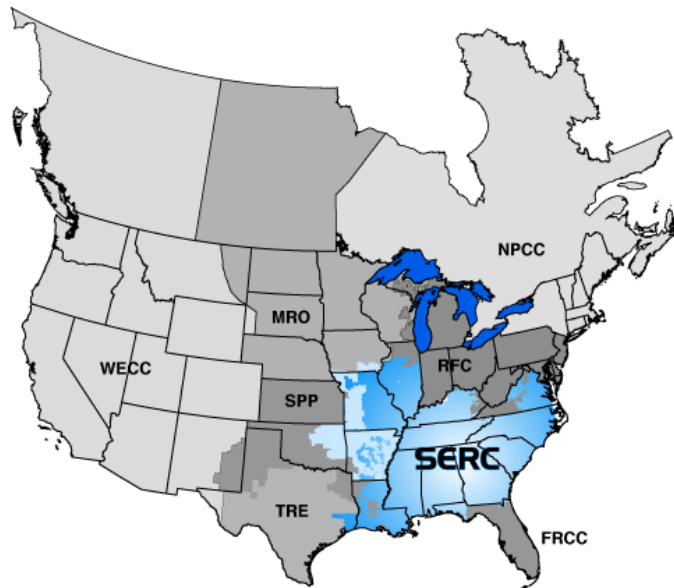
1. A decrease of 2.5 FTEs in the Reliability Assessments and a corresponding increase of 2.5 FTEs in Situation Awareness and Infrastructure Security programs is due to a reclassification of positions to provide better alignment of Events Analysis work.
2. An increase of 1 FTE in the Reliability Assessment program is for an analyst to perform seasonal assessments review and accuracy, performance analysis, quantification, increased support in models validation and model benchmarking, along with an increased effort to track and report events data. This is offset by a corresponding decrease of 1.0 FTE in Compliance.
3. SERC reclassified four existing positions previously recorded in Compliance, Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, into General and Administrative. Two of the four positions, Executive Assistant to the President and Technical Writer, were reclassified between program areas, causing a decrease of 0.2 FTE in Reliability Standards, Training and Education, Reliability Assessments, Situation Awareness and Technical Committees and a decrease of 1.0 FTE in Compliance. The other two positions were repurposed from an existing position. The Communications and Outreach Specialist will provide communication services to help SERC programs, projects and business units effectively develop and deliver useful, accurate and relevant information to their audiences, and the Internal Training Coordinator will coordinate and provide training programs for SERC staff. This caused a decrease of 1.0 FTE in Compliance and 1.0 FTE in Technical Committees and Member Forums.
4. An increase of 0.5 FTE in Technical Committees and Member Forums relates to a position to assist with the CIP uncertainty. This is offset by a corresponding decrease of 1.0 FTE in Compliance. Due to the staggered entry of the position, there is an overall net decrease in FTEs of 0.5.

2014 Budget and Projection and 2015 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget					
STATUTORY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,734,499	\$ 13,734,499	\$ -	\$ 13,733,606	\$ (893)
Penalty Sanctions	2,054,500	2,054,500	-	1,742,000	(312,500)
Total NERC Funding	\$ 15,788,999	\$ 15,788,999	\$ -	\$ 15,475,606	\$ (313,393)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	267,605	220,160	(47,445)	259,355	(8,250)
Interest	10,000	1,500	(8,500)	1,000	(9,000)
Miscellaneous	308,500	345,000	36,500	294,000	(14,500)
Total Funding (A)	\$ 16,375,104	\$ 16,355,659	\$ (19,445)	\$ 16,029,961	\$ (345,143)
Expenses					
Personnel Expenses					
Salaries	\$ 10,187,444	\$ 9,484,545	\$ (702,899)	\$ 9,917,409	\$ (270,035)
Payroll Taxes	611,246	569,071	(42,175)	595,045	(16,201)
Benefits	941,806	1,053,407	111,601	936,874	(4,932)
Retirement Costs	1,394,422	1,291,529	(102,893)	1,353,043	(41,379)
Total Personnel Expenses	\$ 13,134,918	\$ 12,398,552	\$ (736,366)	\$ 12,802,371	\$ (332,547)
Meeting Expenses					
Meetings	\$ 317,195	\$ 280,475	\$ (36,720)	\$ 273,110	\$ (44,085)
Travel	605,484	533,819	(71,665)	585,639	(19,845)
Conference Calls	48,000	48,000	-	48,000	-
Total Meeting Expenses	\$ 970,679	\$ 862,294	\$ (108,385)	\$ 906,749	\$ (63,930)
Operating Expenses					
Consultants & Contracts	\$ 1,229,030	\$ 1,184,230	\$ (44,800)	\$ 1,192,609	\$ (36,421)
Office Rent	419,861	378,855	(41,006)	464,809	44,948
Office Costs	477,400	519,411	42,011	430,551	(46,849)
Professional Services	120,400	108,360	(12,040)	111,400	(9,000)
Miscellaneous	-	-	-	-	-
Depreciation	218,653	260,000	41,347	451,404	232,751
Total Operating Expenses	\$ 2,465,344	\$ 2,450,856	\$ (14,488)	\$ 2,650,773	\$ 185,429
Total Direct Expenses	\$ 16,570,941	\$ 15,711,702	\$ (859,239)	\$ 16,359,893	\$ (211,048)
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ 15,000	\$ 10,000	\$ (5,000)	\$ -	\$ (15,000)
Total Expenses (B)	\$ 16,585,941	\$ 15,721,702	\$ (864,239)	\$ 16,359,893	\$ (226,048)
Change in Assets	\$ (210,837)	\$ 633,957	\$ 844,794	\$ (329,932)	\$ (119,095)
Fixed Assets					
Depreciation	\$ (218,653)	\$ (260,000)	\$ (41,347)	\$ (451,404)	\$ (232,751)
Computer & Software CapEx	460,000	460,000	-	309,333	(150,667)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	30,000	30,000
Leasehold Improvements	50,000	155,125	105,125	-	(50,000)
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	291,347	355,125	63,778	(112,071)	(403,418)
TOTAL BUDGET (=B + C)	\$ 16,877,288	\$ 16,076,827	\$ (800,461)	\$ 16,247,822	\$ (629,466)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (502,184)	\$ 278,832	\$ 781,016	\$ (217,861)	\$ 284,323
FTEs	79.20	74.18	(5.02)	78.70	(0.50)

Section A – Statutory Programs

2015 Business Plan and Budget



Section A — 2015 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.31	2.11	(0.20)
Direct Expenses	\$ 302,921	\$ 288,287	\$ (14,634)
Indirect Expenses	\$ 232,483	\$ 243,328	\$ 10,845
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 11,336	\$ (4,255)	\$ (15,591)
Total Funding Requirement	\$ 546,740	\$ 527,360	\$ (19,381)

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.

2015 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.

2015 Goals and Key Deliverables

- Manage SERC's catalog of Regional Criteria and administer the SERC Regional Reliability Standards development procedure
- Support the ERO in development of clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- During 2014, SERC reclassified the Technical Writer position out of Reliability Standards, into General and Administrative, causing a decrease. Additionally, SERC applied an overall 3% vacancy rate to personnel costs, further reducing Personnel Expenses. This decrease is offset by the increase in salaries and benefits for existing FTEs.

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 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
RELIABILITY STANDARDS					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 466,802	\$ 466,802	\$ -	\$ 461,216	\$ (5,586)
Penalty Sanctions	79,938	79,938	-	66,144	(13,794)
Total NERC Funding	\$ 546,740	\$ 546,740	\$ -	\$ 527,360	\$ (19,380)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 546,740	\$ 546,740	\$ -	\$ 527,360	\$ (19,380)
Expenses					
Personnel Expenses					
Salaries	\$ 221,774	\$ 197,623	\$ (24,151)	\$ 215,330	\$ (6,444)
Payroll Taxes	13,306	11,857	(1,449)	12,920	(386)
Benefits	24,786	24,366	(420)	22,389	(2,397)
Retirement Costs	31,259	27,818	(3,441)	30,319	(940)
Total Personnel Expenses	\$ 291,125	\$ 261,664	\$ (29,461)	\$ 280,958	\$ (10,167)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	11,696	6,000	(5,696)	7,329	(4,367)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 11,696	\$ 6,000	\$ (5,696)	\$ 7,329	\$ (4,367)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	100	-	(100)	-	(100)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 100	\$ -	\$ (100)	\$ -	\$ (100)
Total Direct Expenses	\$ 302,921	\$ 267,664	\$ (35,257)	\$ 288,287	\$ (14,634)
Indirect Expenses	\$ 232,483	\$ 224,172	\$ (8,311)	\$ 243,328	\$ 10,845
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 535,404	\$ 491,836	\$ (43,568)	\$ 531,615	\$ (3,789)
Change in Assets	\$ 11,336	\$ 54,904	\$ 43,568	\$ (4,255)	\$ (15,591)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 11,336	12,813	1,477	(4,255)	(15,591)
Inc(Dec) in Fixed Assets (C)	11,336	12,813	1,477	(4,255)	(15,591)
TOTAL BUDGET (=B + C)	\$ 546,740	\$ 504,649	\$ (42,091)	\$ 527,360	\$ (19,380)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 42,091	\$ 42,091	\$ -	\$ -
FTEs	2.31	1.86	(0.45)	2.11	(0.20)

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	42.50	38.50	(4.0)
Direct Expenses	\$ 7,389,556	\$ 6,688,035	\$ (701,520)
Indirect Expenses	\$ 4,277,293	\$ 4,439,876	\$ 162,583
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 208,560	\$ (77,645)	\$ (286,205)
Total Funding Requirement	\$ 11,875,409	\$ 11,050,266	\$ (825,142)

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 three areas: 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: Monitoring area, responsible for conducting compliance audits, spot checks, and investigations, and serving as subject matter experts for all standards and for implementing the process for Technical Feasibility Exceptions to the CIP standards; Compliance Programs and Services area, responsible for implementing and deploying Entity risk assessment, CMEP-related analytics, and Compliance assessments; and Organization Registration and Certification area, responsible registering owners, operators, and users of the Bulk Power System for compliance with Reliability Standards and certifying applicable entities.

Enforcement

Enforcement staff evaluates all Possible Violations of Reliability Standards and conducts a thorough assessment to determine whether there is 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 notifies the Registered Entity of its findings regarding the violation and any applicable penalties or sanctions. Enforcement staff reviews the Registered Entity's mitigating activities 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, who acts as SERC's hearing body.

2015 Key Assumptions

Compliance

- SERC will collaborate with NERC in the development of procedures, IT platforms, and tools
- SERC will address Complaints submitted to the regions that allege a violation of a Reliability Standard
- Risk-based monitoring activities are expected to increase and strong consideration will need to be given to modifying the current time-based audit cycles for registered entities
- SERC will utilize consistent audit practices and focus on higher target reliability risks to increase efficiency of compliance monitoring and mitigate overall compliance costs
- Training of Compliance staff on risk principles and implementation of enhanced audit practices, including credentialing and Reliability Assurance Initiative (RAI), will continue. SERC expects that ongoing training activity will have an impact on staffing needs and costs (e.g., travel, lodging, and labor)
- SERC will support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide. SERC will demonstrate the following:
 - Compliance guidance documents are socialized with compliance staff and other personnel, as necessary
 - An annual process is in place for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct
 - An annual assessment process is in place to evaluate audit team content and capability needs
 - A training program is in place that addresses initial and continuing training for capability and competency development
- The use of spots checks is expected to increase as risk-based monitoring is implemented, but should have little effect on overall resource requirements
- Non-CIP violations are expected to continue to decrease as most registered entities have been audited and the standards and RSAWs have matured
 - Dedicated CIP compliance personnel will need to be allocated to address the conversion from V3 to V5 and provide support to entities undergoing a CIP audit until stability in the standards is reached
- SERC estimates it will perform 7 onsite and 9 offsite CIP audits or spot checks and 12 onsite and 9 offsite Operations and Planning audits or spot checks
- The implementation will continue for Technical Feasibility Exception (TFE) processing and will likely include equipment class-based exceptions, audit sampling and a less onerous process for reporting and reviewing
- SERC will provide to NERC timely and accurate information relating to registrations.
- The plan developed for the 2014 registration assessment project will be implemented
- SERC will review the analyses of system events to confirm that all necessary entities are registered and registered entities initiate corrective actions as appropriate
- SERC will collaborate with NERC to determine if certification is appropriate or if a new certification is required to accommodate a change in a registered entity's status
- In certifying registered entities, SERC will collaborate with NERC and implement the NERC-approved certification process to assess a registered entity's capability for performing its registered function(s) and to use the tools provided by NERC

- SERC will document the information obtained during the certification process and make recommendations regarding certification to NERC
- SERC estimates that it will conduct 4 certification reviews
- The implementation of the BES definition may place additional resource demands on the registration area
- The numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration 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 SERC
- Consideration will be given to reallocating existing staff and/or contract resources or using available reserves to provide the resource support which is determined to be necessary by the SERC to support the successful implementation (or transition) of these major activities: RAI, Risk-Based Registration and CIP v5

Enforcement

- The rate of incoming Possible Violations will remain steady (approximately 370 violations/year)
- Actions to process or dismiss Possible Violations are timely and transparent to industry
- As the Reliability Assurance Initiative (RAI) is defined and implemented, appropriate training will be provided to ensure that staff has the necessary skills required to implement RAI
- The implementation of RAI and expansion of the Find-Fix-Track process will require the allocation of dedicated resources to complete the design and to begin developing the processes necessary to implement RAI for enforcement
- Staff professional credentials, such as industry certifications, NERC System Operator Certification, Critical Infrastructure Protection (CIP) certifications, Professional Engineering licenses, and certified auditor credentials, among others, will be maintained to ensure that staff skills remain up to date with respect to industry trends and standards
- There will be no significant increase in travel for Enforcement staff to follow-up with processing Possible Violations and Mitigation Plans
- No BCC hearings will be held to resolve contested findings of a violation or penalty
- Consideration will be given to reallocating existing staff and/or contract resources or using available reserves to provide the resource support which is determined to be necessary by the SERC to support the successful implementation (or transition) of these major activities: RAI, Risk-Based Registration and CIP v5

2015 Goals and Key Deliverables

Compliance

- Conduct scheduled compliance monitoring activities pursuant to the 2015 Implementation Plan and in conformance with current 3 and 6 year audit intervals
- Facilitate efficient and collaborative transition to new standards through workshops focused on upcoming enforceable standards and review of registered entities' progress towards compliance with upcoming standards
- Work with ERO to consolidate to a common set of RSAWs, or successors, for all standards
- Work with industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent compliance, reliability, and security issues

- Develop and implement compliance reform through the RAI and implement RAI techniques and principles consistently
- Encourage effective internal controls models by continuing to collaborate with industry regarding best practices
- Initiate compliance phase-in learning periods for new standards
- Monitor registered entities and standards requirements commensurate with the risk to reliability and role of each type of registered entity
- Training of Compliance staff on risk principles and implementation of enhanced audit practices, including credentialing for audit team leads and other audit team members, as appropriate, to manage employee development
- Continued outreach to Registered Entities for implementation of CIP Version 5 transition
- Developing and delivering lessons learned from all aspects of the compliance monitoring processes and corrective action activities resulting from entity performance
- Continue implementing the BES exception process
- Evaluate the certification program for sufficiency and effectiveness, modify as needed.
- Implementation plan developed and possible deployment of plan for registration based on risk to the bulk power system
- Work with ERO to develop common and consistent registration processes, information systems and methods among regions
- Register entities commensurate with risk to the bulk power system
- All key reliability entities are certified to have essential capabilities

Enforcement

- Manage all Enforcement activities in an unbiased, fair, and consistent manner affording all Registered Entities appropriate due process
- Develop and implement the enforcement reform through RAI. This includes improving the efficiency and effectiveness of SERC operations by focusing on serious risk violations, reducing unnecessary costs of compliance on Registered Entities while, in each case, ensuring reliability objectives are achieved
- Hold industry accountable for violations that create a serious risk to the Bulk Power System (BPS). Ensure resulting actions are timely and transparent to industry; this includes the appropriate exercise of discretion, FFT, SNOP, and Full NOP. This can be achieved by:
 - An increased percentage of self-identified non-compliances (self-reports and self-certifications)
 - Decreasing Caseload Index and violation aging
 - Allocating a higher percentage of lower and moderate risk violations to the BPS to be processed through discretion, FFT or SNOP
 - Continue to expand use of enforcement discretion
- Reviewing and accepting Mitigation Plans that contain effective corrective actions
- Ensure mitigation of all violations occurs in a timely period to restore compliance and prevent recurrence thereby maintaining the reliability of the BPS
 - Mitigation aging curve improving and trending favorably
- Develop and implement violation processing management tools and training based on Reliability Assurance Initiative 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 V5 implementation training

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation. Miscellaneous 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 FTEs included in the 2015 Compliance Monitoring and Enforcement budget decreased by 4.0. The 2014 budget included an Enforcement Engineer, a Manager of Audit Programs, a Program Coordinator and a Program Support Assistant, which were reclassified to Technical Committees, Reliability Assessments and General & Administrative, respectively, during 2014, to fill emerging needs.
- SERC applied an overall 3% vacancy rate to personnel costs, further reducing Personnel Expenses, which is offset by the increase in salaries and benefits for existing FTEs.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and Contracts decreased \$110,667 from 2014. The 2014 budget included contractor support in lieu of FTEs for Enforcement of \$80,000, which was eliminated in the 2015 budget. The remaining decrease of \$30,667 is due to more software development projects in 2015 are being capitalized and included in fixed assets.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,372,696	\$ 10,372,696	\$ -	\$ 9,836,374	\$ (536,322)
Penalty Sanctions	1,470,713	1,470,713	-	1,206,892	(263,821)
Total NERC Funding	\$ 11,843,409	\$ 11,843,409	\$ -	\$ 11,043,266	\$ (800,143)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	32,000	45,500	13,500	7,000	(25,000)
Total Funding (A)	\$ 11,875,409	\$ 11,888,909	\$ 13,500	\$ 11,050,266	\$ (825,143)
Expenses					
Personnel Expenses					
Salaries	\$ 5,224,607	\$ 4,463,054	\$ (761,553)	\$ 4,769,980	\$ (454,627)
Payroll Taxes	313,476	267,783	(45,693)	286,199	(27,277)
Benefits	523,055	524,610	1,555	473,946	(49,109)
Retirement Costs	716,689	609,552	(107,137)	656,623	(60,066)
Total Personnel Expenses	\$ 6,777,827	\$ 5,864,999	\$ (912,828)	\$ 6,186,748	\$ (591,079)
Meeting Expenses					
Meetings	\$ 14,010	\$ 19,990	\$ 5,980	\$ 21,700	\$ 7,690
Travel	323,862	319,776	(4,086)	319,455	(4,407)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 337,872	\$ 339,766	\$ 1,894	\$ 341,155	\$ 3,283
Operating Expenses					
Consultants & Contracts	\$ 245,000	\$ 245,000	\$ -	\$ 134,333	\$ (110,667)
Office Rent	-	-	-	-	-
Office Costs	13,857	15,800	1,943	15,799	1,942
Professional Services	15,000	10,000	(5,000)	10,000	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 273,857	\$ 270,800	\$ (3,057)	\$ 160,132	\$ (113,725)
Total Direct Expenses	\$ 7,389,556	\$ 6,475,565	\$ (913,991)	\$ 6,688,035	\$ (701,521)
Indirect Expenses	\$ 4,277,293	\$ 4,334,091	\$ 56,798	\$ 4,439,876	\$ 162,583
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,666,849	\$ 10,809,656	\$ (857,193)	\$ 11,127,911	\$ (538,938)
Change in Assets	\$ 208,560	\$ 1,079,253	\$ 870,693	\$ (77,645)	\$ (286,205)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	208,560	247,724	39,164	(77,645)	(286,205)
Inc(Dec) in Fixed Assets (C)	\$ 208,560	\$ 247,724	\$ 39,164	\$ (77,645)	\$ (286,205)
TOTAL BUDGET (=B + C)	\$ 11,875,409	\$ 11,057,380	\$ (818,029)	\$ 11,050,266	\$ (825,143)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 831,529	\$ 831,529	\$ -	\$ -
FTEs	42.50	35.96	(6.54)	38.50	(4.00)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	7.60	5.90	(1.70)
Direct Expenses	\$ 1,398,882	\$ 1,129,294	\$ (269,588)
Indirect Expenses	\$ 764,881	\$ 680,396	\$ (84,485)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 37,296	\$ (11,899)	\$ (49,195)
Total Funding Requirement	\$ 2,201,059	\$ 1,797,791	\$ (403,269)

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, performance analysis 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, performance and adequacy of the SERC region in support of the NERC obligation to perform similar analysis of the interconnected North American bulk power systems.

2015 Key Assumptions

- Work-loads will increase to support the development of processes, data and information necessary to drive increasing analytical efforts across the organization. Adjustments to increases will be alleviated by additional resources and the continued application of project and matrix management procedures, which will also improve the utilization of existing resources.
- Additionally, workloads are increasing to support the implementation of risk identification and mitigation requirements. Project management software tools will be utilized to effectively collaborate, balance workloads and manage resources.

2015 Goals and Key Deliverables

- Implement and continue to identify model and data management improvements to support reliability risk management and performance analysis reporting
- Analyze projected, historical and operational data to observe seasonal system performance
- Implement new Reliability Assessment Portal improvements to support RAPA information analysis and reporting requirements

- Complete quarterly TADS, GADS, and DADS data submittals
- Complete reliability assessment studies and support through the NERC RAS (Summer, Winter, Post-Seasonal, Long-Term, Scenario and Probabilistic Reliability Assessments) and regional planning requirements (SERC seasonal and long-term operational, scenario studies)
- Complete FERC form 715 and EIA submittals on behalf of SERC entities within specified time frames.
- Continue the development of the reliability risk identification process to determine risk control initiatives and required mitigation actions
- Publish reports and notices of 2015 SERC primary reliability risks and 2014 mitigation efforts to stakeholders.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- During 2014, SERC reallocated 2.5 FTE positions between the Reliability Assessments and Situation Awareness programs for better alignment, causing a decrease in personnel costs. SERC further repurposed an existing budgeted position for an analyst to perform seasonal assessments review and accuracy, performance analysis, quantification, increased support in models validation and model benchmarking, along with an increased effort to track and report events data. Finally, SERC reclassified the Technical Writer position that was allocated among the Reliability program areas into General & Administrative, a decrease of 0.2 FTE. These changes caused a net decrease of 1.7 FTEs.
- SERC applied an overall 3% vacancy rate to personnel costs, further reducing Personnel Expenses, which is offset by the increase in salaries and benefits for existing FTEs.

Meeting Expenses

- SERC's new office location has a large meeting space and will be scheduling most meetings in-house or at a Member's facilities, substantially reducing the hotel hosting costs causing a decrease in Meetings Expense.

Operating Expenses

- Consultants and contracts expenses increased by \$90,000 from the 2014 budget. Of this increase, SERC has budgeted \$100,000 for a benchmarking system wide stability study. This increase is offset by a \$10,000 decrease for the Dynamic Reduction Study to more align with historical costs.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,938,061	\$ 1,938,061	\$ -	\$ 1,612,839	\$ (325,222)
Penalty Sanctions	262,998	262,998	-	184,952	(78,046)
Total NERC Funding	\$ 2,201,059	\$ 2,201,059	\$ -	\$ 1,797,791	\$ (403,268)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,201,059	\$ 2,201,059	\$ -	\$ 1,797,791	\$ (403,268)
Expenses					
Personnel Expenses					
Salaries	\$ 818,555	\$ 470,723	\$ (347,832)	\$ 553,482	\$ (265,073)
Payroll Taxes	49,113	28,243	(20,870)	33,209	(15,904)
Benefits	95,406	75,879	(19,527)	76,022	(19,384)
Retirement Costs	115,313	66,188	(49,125)	77,407	(37,906)
Total Personnel Expenses	\$ 1,078,387	\$ 641,033	\$ (437,354)	\$ 740,120	\$ (338,267)
Meeting Expenses					
Meetings	\$ 39,990	\$ 39,990	\$ -	\$ 21,030	\$ (18,960)
Travel	45,487	45,487	-	43,032	(2,455)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 85,477	\$ 85,477	\$ -	\$ 64,062	\$ (21,415)
Operating Expenses					
Consultants & Contracts	\$ 232,500	\$ 160,000	\$ (72,500)	\$ 322,500	\$ 90,000
Office Rent	-	-	-	-	-
Office Costs	2,518	2,600	82	2,612	94
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 235,018	\$ 162,600	\$ (72,418)	\$ 325,112	\$ 90,094
Total Direct Expenses	\$ 1,398,882	\$ 889,110	\$ (509,772)	\$ 1,129,294	\$ (269,588)
Indirect Expenses	\$ 764,881	\$ 562,941	\$ (201,940)	\$ 680,396	\$ (84,485)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,163,763	\$ 1,452,051	\$ (711,712)	\$ 1,809,690	\$ (354,073)
Change in Assets	\$ 37,296	\$ 749,008	\$ 711,712	\$ (11,899)	\$ (49,195)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 37,296	\$ 32,176	\$ (5,120)	(11,899)	\$ (49,195)
Inc(Dec) in Fixed Assets (C)	\$ 37,296	\$ 32,176	\$ (5,120)	\$ (11,899)	\$ (49,195)
TOTAL BUDGET (=B + C)	\$ 2,201,059	\$ 1,484,227	\$ (716,832)	\$ 1,797,791	\$ (403,268)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 716,832	\$ 716,832	\$ -	\$ -
FTEs	7.60	4.67	(2.93)	5.90	(1.70)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.81	2.61	(0.20)
Direct Expenses	\$ 810,549	\$ 769,473	\$ (41,076)
Indirect Expenses	\$ 282,805	\$ 300,989	\$ 18,184
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 13,790	\$ (5,264)	\$ (19,054)
Total Funding Requirement	\$ 1,107,144	\$ 1,065,198	\$ (41,946)

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.

2015 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.

2015 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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- During 2014, SERC reclassified the Technical Writer position out of Training and Education, into General and Administrative, causing a decrease. Additionally, SERC applied an overall 3% vacancy rate to personnel costs, further reducing Personnel Expenses. This decrease is offset by the increase in salaries and benefits for existing FTEs.

Meeting Expenses

- SERC's new office location has a large meeting space and will be scheduling most meetings in-house or at a Member's facilities, substantially reducing the hotel hosting costs causing a decrease in Meetings Expense.

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 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 742,299	\$ 742,299	\$ -	\$ 724,025	\$ (18,274)
Penalty Sanctions	97,240	97,240	-	81,818	(15,422)
Total NERC Funding	\$ 839,539	\$ 839,539	\$ -	\$ 805,843	\$ (33,696)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	267,605	220,160	(47,445)	259,355	(8,250)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,107,144	\$ 1,059,699	\$ (47,445)	\$ 1,065,198	\$ (41,946)
Expenses					
Personnel Expenses					
Salaries	\$ 374,069	\$ 369,141	\$ (4,928)	\$ 368,797	\$ (5,272)
Payroll Taxes	22,444	22,148	(296)	22,128	(316)
Benefits	28,459	30,870	2,411	26,079	(2,380)
Retirement Costs	52,656	51,951	(705)	51,470	(1,186)
Total Personnel Expenses	\$ 477,628	\$ 474,110	\$ (3,518)	\$ 468,474	\$ (9,154)
Meeting Expenses					
Meetings	\$ 183,360	\$ 136,160	\$ (47,200)	\$ 144,100	\$ (39,260)
Travel	19,241	15,000	(4,241)	18,875	(366)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 202,601	\$ 151,160	\$ (51,441)	\$ 162,975	\$ (39,626)
Operating Expenses					
Consultants & Contracts	\$ 130,000	\$ 130,000	\$ -	\$ 136,000	\$ 6,000
Office Rent	-	-	-	-	-
Office Costs	320	2,000	1,680	2,024	1,704
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 130,320	\$ 132,000	\$ 1,680	\$ 138,024	\$ 7,704
Total Direct Expenses	\$ 810,549	\$ 757,270	\$ (53,279)	\$ 769,473	\$ (41,076)
Indirect Expenses	\$ 282,805	\$ 314,564	\$ 31,759	\$ 300,989	\$ 18,184
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,093,354	\$ 1,071,834	\$ (21,520)	\$ 1,070,462	\$ (22,892)
Change in Assets	\$ 13,790	\$ (12,135)	\$ (25,925)	\$ (5,264)	\$ (19,054)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 13,790	\$ 17,980	4,190	(5,264)	(19,054)
Inc(Dec) in Fixed Assets (C)	\$ 13,790	\$ 17,980	\$ 4,190	\$ (5,264)	\$ (19,054)
TOTAL BUDGET (=B + C)	\$ 1,107,144	\$ 1,089,814	\$ (17,330)	\$ 1,065,198	\$ (41,946)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (30,115)	\$ (30,115)	\$ -	\$ -
FTEs	2.81	2.61	(0.20)	2.61	(0.20)

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	4.15	6.45	2.30
Direct Expenses	\$ 708,906	\$ 1,076,392	\$ 367,486
Indirect Expenses	\$ 417,665	\$ 743,823	\$ 326,158
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	20,365	(13,008)	(33,373)
Total Funding Requirement	\$ 1,146,936	\$ 1,807,207	\$ 660,271

Program Scope and Functional Description

Situation Awareness and Events Analysis (SAEA) 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).

2015 Key Assumptions

- SERC will continue to work with other Regional SAEA groups to identify conditions or best practices that may result in or contribute to reliability improvements within the BES
- SERC will continue outreach efforts to communicate Events Analysis (EA) and Compliance Assessment (CA) reporting importance
- SERC will share mitigating measures and other improvements to the BES with SERC entities and the ERO
- SERC will continue to review and analyze reliability events with the intent to reduce events that affect the reliability of the BES

2015 Goals and Key Deliverables

- Complete process improvements and metric activities
- Develop Reliability Bulletins and support NERC Lessons Learned initiatives
- Continue stakeholder outreach efforts that support the program
- Continue post-event reporting initiatives that promote entity and regulatory organization awareness
- Evaluate events information to identify risk trends and benchmarking efforts
- Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources and emerging issues
- Complete annual report on SERC Causal Analysis and Lessons Learned
- Provide annual report to SERC entities, other regions, and NERC in support of engagement objectives

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 2.5 FTEs in 2014 from the Reliability Assessments program into the Situation Awareness and Infrastructure Security program for Events Analysis work, as well as the increase in salary and benefits for existing FTEs. SERC further reclassified the Technical Writer position out of Situation Awareness, into General and Administrative, causing a decrease of 0.2 FTE.
- As an offset, SERC applied an overall 3% attrition rate to personnel costs, further reducing Personnel Expenses.

Meeting Expenses

- SERC's new office location has a large meeting space and will be scheduling most meetings in-house or at a Member's facilities, substantially reducing the hotel hosting costs causing a decrease in Meetings Expense.

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 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,003,325	\$ 1,003,325	\$ -	\$ 1,605,013	\$ 601,688
Penalty Sanctions	143,611	143,611	-	202,194	58,583
Total NERC Funding	\$ 1,146,936	\$ 1,146,936	\$ -	\$ 1,807,207	\$ 660,271
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,146,936	\$ 1,146,936	\$ -	\$ 1,807,207	\$ 660,271
Expenses					
Personnel Expenses					
Salaries	\$ 505,718	\$ 794,726	\$ 289,008	\$ 793,986	\$ 288,268
Payroll Taxes	30,343	47,684	17,341	47,639	17,296
Benefits	52,881	103,545	50,664	80,208	27,327
Retirement Costs	61,798	102,693	40,895	100,903	39,105
Total Personnel Expenses	\$ 650,740	\$ 1,048,648	\$ 397,908	\$ 1,022,736	\$ 371,996
Meeting Expenses					
Meetings	\$ 10,350	\$ 10,350	\$ -	\$ -	\$ (10,350)
Travel	47,556	47,556	-	52,766	5,210
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 57,906	\$ 57,906	\$ -	\$ 52,766	\$ (5,140)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	260	900	640	890	630
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 260	\$ 900	\$ 640	\$ 890	\$ 630
Total Direct Expenses	\$ 708,906	\$ 1,107,454	\$ 398,548	\$ 1,076,392	\$ 367,486
Indirect Expenses	\$ 417,665	\$ 777,371	\$ 359,706	\$ 743,823	\$ 326,158
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,126,571	\$ 1,884,825	\$ 758,254	\$ 1,820,215	\$ 693,644
Change in Assets	\$ 20,365	\$ (737,889)	\$ (758,254)	\$ (13,008)	\$ (33,373)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 20,365	\$ 44,432	24,067	(13,008)	(33,373)
Inc(Dec) in Fixed Assets (C)	\$ 20,365	\$ 44,432	\$ 24,067	\$ (13,008)	\$ (33,373)
TOTAL BUDGET (=B + C)	\$ 1,146,936	\$ 1,929,257	\$ 782,321	\$ 1,807,207	\$ 660,271
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (782,321)	\$ (782,321)	\$ -	\$ -
FTEs	4.15	6.45	2.30	6.45	2.30

Administrative Services

Administrative Services (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	19.83	23.13	3.30
Total Direct Expenses	\$ 5,960,127	\$ 6,408,412	\$ 448,285
Inc(Dec) in Fixed Assets	\$ 291,347	\$ (112,071)	\$ (403,418)
Less: Other Funding Sources	\$ (10,000)	\$ (1,000)	\$ 9,000
Total Allocation to Statutory Programs as Indirect Expenses	\$ 6,241,474	\$ 6,295,341	\$ 53,867
Funding Requirement for Working Capital	\$ (502,184)	\$ (217,861)	\$ 284,323

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2015 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	4.83	4.13	(0.70)
Total Direct Expenses	\$ 988,258	\$ 795,692	\$ (192,566)
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.

2015 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2015 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.

2015 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.

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 the Technical Writer position from the Technical Committees and Members Forums program into the General and Administrative program, causing a decrease of 0.2 FTE. This is offset by the addition of 0.5 FTE, with a staggered hire date, to assist with CIP uncertainty.
- SERC applied an overall 3% vacancy rate to personnel costs, further reducing Personnel Expenses, which is offset by the increase in salaries and benefits for existing FTEs.

Meeting Expenses

- SERC's new office location has a large meeting space and will be scheduling most meetings in-house or at a Member's facilities, substantially reducing staff travel costs causing a decrease in Travel Expense.

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 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 700,576	\$ 520,206	\$ (180,370)	\$ 574,404	\$ (126,172)
Payroll Taxes	42,035	31,212	(10,823)	34,464	(7,571)
Benefits	53,772	46,907	(6,865)	45,420	(8,352)
Retirement Costs	94,071	68,690	(25,381)	76,327	(17,744)
Total Personnel Expenses	<u>\$ 890,454</u>	<u>\$ 667,015</u>	<u>\$ (223,439)</u>	<u>\$ 730,615</u>	<u>\$ (159,839)</u>
Meeting Expenses					
Meetings	\$ 22,300	\$ 22,300	\$ -	\$ 25,750	\$ 3,450
Travel	75,139	30,000	(45,139)	38,383	(36,756)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 97,439</u>	<u>\$ 52,300</u>	<u>\$ (45,139)</u>	<u>\$ 64,133</u>	<u>\$ (33,306)</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	365	950	585	944	579
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 365</u>	<u>\$ 950</u>	<u>\$ 585</u>	<u>\$ 944</u>	<u>\$ 579</u>
Total Direct Expenses	<u>\$ 988,258</u>	<u>\$ 720,265</u>	<u>\$ (267,993)</u>	<u>\$ 795,692</u>	<u>\$ (192,566)</u>
Indirect Expenses	<u>\$ (988,258)</u>	<u>\$ (720,265)</u>	<u>\$ 267,993</u>	<u>\$ (795,692)</u>	<u>\$ 192,566</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	4.83	3.63	-1.2	4.13	-0.7

General and Administrative

General and Administrative (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	15.00	19.00	4.00
Total Direct Expenses	\$ 4,240,339	\$ 4,827,781	\$ 587,442
Inc(Dec) in Fixed Assets	\$ 291,347	\$ (112,071)	\$ (403,418)
Working Capital Requirement	\$ (512,184)	\$ (218,861)	\$ 293,323

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.

2015 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.
- Increase outreach and communication with members/stakeholders in order to ensure the effectiveness of SERC.

2015 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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- The 2015 budget reflects the following: (1) two new positions which were repurposed from previously budgeted positions for a Communications and Outreach Specialist and an Internal Training Coordinator; and (2) two staff positions were reclassified from the Reliability Standards, Compliance Monitoring and Enforcement, Reliability Assessments, Training and Education, and Technical Committees programs into the General & Administrative program.
- SERC applied an overall 3% vacancy rate to personnel costs, decreasing Personnel Expenses, which is offset by the increase in salaries and benefits for existing FTEs.
- 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 2015 meetings expense by \$13,345, as the amount budgeted historically has been low as compared to actual expenses incurred.
- Increase in travel by \$23,296 due to additional off-site meetings, and travel related to the coordinator position.

Operating Expenses

- Consultants and contractors decreased by \$95,000. The budget includes ongoing training and development of SERC's management team and development of a communications plan, at a reduced level.
- Office rent increased by \$44,948 due to the increase in square footage obtained in the new office space to accommodate additional in-house meetings
- In the 2014 budget, Office Costs included \$72,000 for the purchase of office furniture and equipment for the new office space, which was a one time cost, which caused the majority of the decrease of \$45,861. The off-setting increases or decreases are to better align the budget with historical costs for subscriptions, dues, postage, shipping, copying, equipment repairs, bank charges, property tax, and merchant credit card fees.
- Professional fees increased by \$10,000 for corporate insurance coverage to better align the budget with historical costs.
- Depreciation expense increased \$232,751 due to an increase in the capital assets purchased in previous years which will incur a full year of depreciation in 2015.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2015 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- Computer and Software capital expenditures includes enhancements to the Compliance portal. The 2014 budget included several large projects, causing the decrease of \$150,667.
- Increase in Equipment of \$30,000 is for the purchase of additional servers for data analysis systems.
- SERC incurred all expenses related to the relocation of the office space in 2014, causing a decrease in Leasehold Improvements of \$50,000.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
GENERAL and ADMINISTRATIVE					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (788,684)	\$ (788,684)	\$ -	\$ (505,861)	\$ 282,823
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (788,684)	\$ (788,684)	\$ -	\$ (505,861)	\$ 282,823
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	276,500	299,500	23,000	287,000	10,500
Total Funding (A)	\$ (512,184)	\$ (489,184)	\$ 23,000	\$ (218,861)	\$ 293,323
Expenses					
Personnel Expenses					
Salaries	\$ 2,342,145	\$ 2,669,072	\$ 326,927	\$ 2,641,430	\$ 299,285
Payroll Taxes	140,529	160,144	19,615	158,486	17,957
Benefits	163,447	247,230	83,783	212,810	49,363
Retirement Costs	322,636	364,637	42,001	359,994	37,358
Total Personnel Expenses	\$ 2,968,757	\$ 3,441,083	\$ 472,326	\$ 3,372,720	\$ 403,963
Meeting Expenses					
Meetings	\$ 47,185	\$ 51,685	\$ 4,500	\$ 60,530	\$ 13,345
Travel	82,503	70,000	(12,503)	105,799	23,296
Conference Calls	48,000	48,000	-	48,000	-
Total Meeting Expenses	\$ 177,688	\$ 169,685	\$ (8,003)	\$ 214,329	\$ 36,641
Operating Expenses					
Consultants & Contracts	\$ 180,000	\$ 147,700	\$ (32,300)	\$ 85,000	\$ (95,000)
Office Rent	419,861	378,855	(41,006)	464,809	44,948
Office Costs	250,380	362,469	112,089	204,519	(45,861)
Professional Services	25,000	30,000	5,000	35,000	10,000
Miscellaneous	-	-	-	-	-
Depreciation	218,653	260,000	41,347	451,404	232,751
Total Operating Expenses	\$ 1,093,894	\$ 1,179,024	\$ 85,130	\$ 1,240,732	\$ 146,838
Total Direct Expenses	\$ 4,240,339	\$ 4,789,792	\$ 549,453	\$ 4,827,781	\$ 587,442
Indirect Expenses	\$ (4,255,339)	\$ (4,789,792)	\$ (534,453)	\$ (4,827,781)	\$ (572,442)
Other Non-Operating Expenses	\$ 15,000	\$ 10,000	\$ (5,000)	\$ -	\$ (15,000)
Total Expenses (B)	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ -
Change in Assets	\$ (512,184)	\$ (499,184)	\$ 13,000	\$ (218,861)	\$ 293,323
Fixed Assets					
Depreciation	(218,653)	(260,000)	(41,347)	(451,404)	(232,751)
Computer & Software CapEx	460,000	460,000	-	309,333	(150,667)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	30,000	30,000
Leasehold Improvements	50,000	155,125	105,125	-	(50,000)
Allocation of Fixed Assets	\$ (291,347)	\$ (355,125)	(63,778)	112,071	403,418
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (512,184)	\$ (499,184)	\$ 13,000	\$ (218,861)	\$ 293,323
FTEs	15.00	19.00	4.00	19.00	4.00

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 36,900	\$ 31,605	\$ (5,295)
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.

2015 Key Assumptions

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

2015 Goals and Key Deliverables

- Work with Enforcement to support processing violations
- Support corporate legal needs
- Work with NERC and other Regions on revisions to Regional Delegation Agreements

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 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
LEGAL and REGULATORY					
	2014	2014	Variance	2015	Variance
Funding	Budget	Projection	2014 Projection	Budget	2015 Budget
			v 2014 Budget		v 2014 Budget
			Over(Under)		Over(Under)
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,900	1,600	(300)	1,605	(295)
Professional Services	35,000	30,000	(5,000)	30,000	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 36,900	\$ 31,600	\$ (5,300)	\$ 31,605	\$ (5,295)
Total Direct Expenses	\$ 36,900	\$ 31,600	\$ (5,300)	\$ 31,605	\$ (5,295)
Indirect Expenses	\$ (36,900)	\$ (31,600)	\$ 5,300	\$ (31,605)	\$ 5,295
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	-	-	-	-	-

Information Technology

Information Technology (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 638,870	\$ 632,626	\$ (6,244)
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 and future 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, Compliance Issues
- Tracking System (CITS) and Intranet SharePoint system.
- Maintaining equipment for the Operating Committee hot line.
- Telecommunication circuits, including SERC's internal conference bridge and the
- Operating Committee hotline service.
- 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. SERC will be a leading influence in the ITSG (IT Steering Group) working to further support the ERO EMG initiative to improving efficiency and consistency across NERC and the Regional Entities. SERC, NPCC and FRCC share development and maintenance of the Portal and CITS (Compliance Issues Tracking). This allows a common system and allows cost sharing.

SERC supports the NERC PMO in its efforts to provide IT tools across the ERO Enterprise. SERC's budget makes assumptions on the availability of existing and new IT tools from both the PMO and from other sources. To the extent that IT tools aren't available as planned, SERC could incur additional costs to ensure its core responsibilities are fulfilled.

NERC and the Regional Entities will collaboratively work to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting both NERC and Regional Entity operations. NERC's business plan and budget will include ongoing funding support for the development, operation and maintenance of NERC and Regional Entity

approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved business plan and budget.

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.

2015 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 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.
- The ERO will be working on design and development of an ERO wide Compliance Tool.

2015 Goals and Key Deliverables

- Coordinate with NERC ITSG on IT projects affecting the ERO.
- Maintain IT and telecommunications systems and resources for efficient utilization of SERC personnel.
- Implement updated communications tools and technologies.
- Continue to improve SERC's PEI infrastructure to allow data transfer to and from our Entities.
- Work with SERC internal areas to develop analytic tools.

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

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2015 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 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget					
INFORMATION TECHNOLOGY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ 441,530	\$ 441,530	\$ -	\$ 444,776	\$ 3,246
Office Rent	-	-	-	-	-
Office Costs	197,340	119,792	(77,548)	187,850	(9,490)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 638,870</u>	<u>\$ 561,322</u>	<u>\$ (77,548)</u>	<u>\$ 632,626</u>	<u>\$ (6,244)</u>
Total Direct Expenses	<u>\$ 638,870</u>	<u>\$ 561,322</u>	<u>\$ (77,548)</u>	<u>\$ 632,626</u>	<u>\$ (6,244)</u>
Indirect Expenses	<u>\$ (638,870)</u>	<u>\$ (561,322)</u>	<u>\$ 77,548</u>	<u>\$ (632,626)</u>	<u>\$ 6,244</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-

Human Resources

Human Resources (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 10,360	\$ 81,308	\$ 70,948
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.

2015 Key Assumptions

- Provide competitive compensation and benefits.
- Average salary increase of 3.0%. This assumption is reflected in the salary expense budget for all program areas.
- 3% attrition rate applied to total Personnel Expenses.
- 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.
- Job descriptions are maintained and updated to include all new requirements, such as the Compliance Auditor Capabilities and Competency Guide.

2015 Goals and Key Deliverables

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

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

- Increase in Consultants and Contracts is for a total cash value compensation and benefit study and an employee climate survey to be performed. SERC historically performs these studies every other year.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2015 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 2015 business plan are shown in the table below

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
HUMAN RESOURCES					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ 60,000	\$ 60,000	\$ 70,000	\$ 70,000
Office Rent	-	-	-	-	-
Office Costs	360	1,300	940	1,308	948
Professional Services	10,000	7,500	(2,500)	10,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 10,360</u>	<u>\$ 68,800</u>	<u>\$ 58,440</u>	<u>\$ 81,308</u>	<u>\$ 70,948</u>
Total Direct Expenses	<u>\$ 10,360</u>	<u>\$ 68,800</u>	<u>\$ 58,440</u>	<u>\$ 81,308</u>	<u>\$ 70,948</u>
Indirect Expenses	<u>\$ (10,360)</u>	<u>\$ (68,800)</u>	<u>\$ (58,440)</u>	<u>\$ (81,308)</u>	<u>\$ (70,948)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-		-	-

Finance and Accounting

Accounting and Finance (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 45,400	\$ 39,400	\$ (6,000)
Inc(Dec) in Fixed Assets	-	-	-
Working Capital Requirement	\$ 10,000	\$ 1,000	\$ (9,000)

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.

2015 Key Assumptions

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

2015 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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- A decrease of \$9,000 in interest is to better reflect historical earnings.

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 2015 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

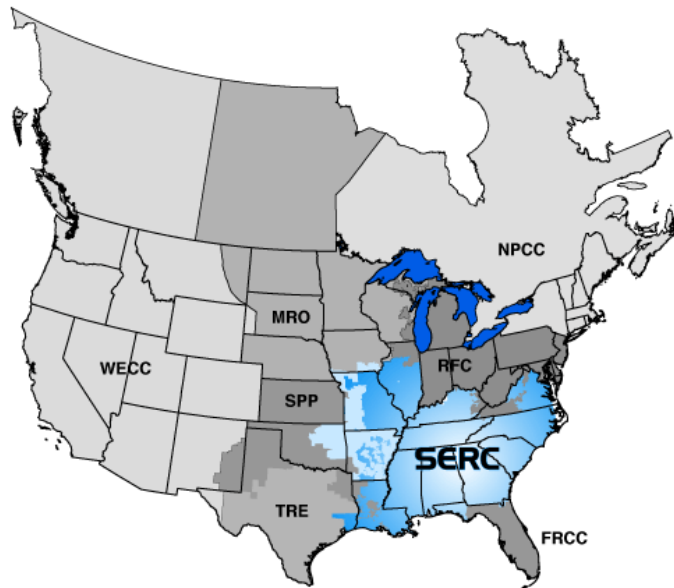
- There are no significant changes requiring an explanation.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
FINANCE and ACCOUNTING					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	10,000	1,500	(8,500)	1,000	(9,000)
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 10,000</u>	<u>\$ 1,500</u>	<u>\$ (8,500)</u>	<u>\$ 1,000</u>	<u>\$ (9,000)</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	10,000	12,000	2,000	13,000	3,000
Professional Services	35,400	30,860	(4,540)	26,400	(9,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 45,400</u>	<u>\$ 42,860</u>	<u>\$ (2,540)</u>	<u>\$ 39,400</u>	<u>\$ (6,000)</u>
Total Direct Expenses	<u>\$ 45,400</u>	<u>\$ 42,860</u>	<u>\$ (2,540)</u>	<u>\$ 39,400</u>	<u>\$ (6,000)</u>
Indirect Expenses	<u>\$ (45,400)</u>	<u>\$ (41,360)</u>	<u>\$ 4,040</u>	<u>\$ (39,400)</u>	<u>\$ 6,000</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 1,000</u>	<u>\$ (9,000)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 1,000</u>	<u>\$ (9,000)</u>
FTEs	-	-	-	-	-

Section B – Supplemental Financial Information 2015 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2014-2015	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2013	\$ 2,749,029
Plus: 2014 Funding (from LSEs or designees)	15,788,999
Plus: 2014 Other funding sources	566,660
Less: 2014 Projected expenses & capital expenditures	(16,076,827)
Projected Working Capital Reserve (Deficit), December 31, 2014	<u>\$ 3,027,861</u>
Desired Working Capital Reserve, December 31, 2015	¹ \$ 2,810,000
Minus: Projected Working Capital Reserve, December 31, 2014	3,027,861
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>\$ (217,861)</u>
2015 Expenses and Capital Expenditures	\$ 16,247,822
Less: Penalty Sanctions ²	(1,742,000)
Less: Other Funding Sources	(554,355)
Adjustment to achieve desired Working Capital Reserve	(217,861)
2015 ERO Assessment	<u>\$ 13,733,606</u>

¹ 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.

² Represents collections on or prior to June 30, 2014.

Explanation of Changes in Reserve Policy from Prior Years

In July 2013, the SERC Board approved the establishment of a working capital policy. Any excess income greater than two months of statutory operating costs will be treated as a temporary increase in SERC's operating reserve. Any expenditures from the increased working capital are subject to SERC's applicable policies and procedures, including approval limits, signature authorities, and disclosure in SERC's quarterly variance report.

Persuant to SERC's Working Capital and Operating Reserve policies, the \$2,810,000 desired working capital reserve included in the 2015 Business Plan and Budget is comprised of \$1,600,000 as an operating reserve and \$1,210,000 as a temporary increase to the operating reserve.

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 2015 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, 2014 are to be used to offset assessments in the 2015 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, 2014 through June 30, 2015 will be used to offset assessments in the 2016 Budget.

All penalties received prior to July 1, 2014 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.

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2014	Date Received	Amount Received
Penalty payment 1	7/1/2013	\$ 5,000
Penalty payment 2	8/6/2013	12,000
Penalty payment 3	9/6/2013	10,000
Penalty payment 4	9/6/2013	12,000
Penalty payment 5	9/6/2013	175,000
Penalty payment 6	10/2/2013	13,000
Penalty payment 7	12/2/2013	24,000
Penalty payment 8	12/2/2013	41,000
Penalty payment 9	12/2/2013	14,000
Penalty payment 10	1/3/2014	30,000
Penalty payment 11	1/31/2014	198,000
Penalty payment 12	1/31/2014	175,000
Penalty payment 13	1/31/2014	250,000
Penalty payment 14	1/31/2014	120,000
Penalty payment 15	1/31/2014	350,000
Penalty payment 16	1/31/2014	110,000
Penalty payment 17	1/31/2014	50,000
Penalty payment 18	1/31/2014	5,000
Penalty payment 19	1/31/2014	40,000
Penalty payment 20	1/31/2014	15,000
Penalty payment 21	1/31/2014	45,000
Penalty payment 22	3/5/2014	48,000
Total Penalties Received		\$ 1,742,000

Table B-3 - Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in FRCC	\$ 16,000	\$ 25,500	\$ 3,500	\$ (12,500)
Miscellaneous - CEA function in SPP	16,000	20,000	3,500	(12,500)
Total	\$ 32,000	\$ 45,500	\$ 7,000	\$ (25,000)
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	267,605	220,160	259,355	(8,250)
Total	\$ 267,605	\$ 220,160	\$ 259,355	\$ (8,250)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 10,000	\$ 1,500	\$ 1,000	\$ (9,000)
Miscellaneous Income	276,500	-	287,000	10,500
Total	\$ 286,500	\$ 1,500	\$ 288,000	\$ 1,500
Total Outside Funding	\$ 321,000	\$ 267,160	\$ 554,355	\$ (31,750)

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Miscellaneous 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 2015 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.

Miscellaneous 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 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Total Salaries	\$ 10,187,444	\$ 9,484,545	\$ 9,917,409	\$ (270,035)	-2.7%
Total Payroll Taxes	611,246	569,071	595,045	(16,201)	-2.7%
Total Benefits	941,806	1,053,407	936,874	(4,932)	-0.5%
Total Retirement	1,394,422	1,291,529	1,353,043	(41,379)	-3.0%
Total Personnel Costs	<u>\$ 13,134,918</u>	<u>\$ 12,398,552</u>	<u>\$ 12,802,371</u>	<u>\$ (332,547)</u>	<u>-2.5%</u>
FTEs	79.20	74.18	78.70	(0.50)	-0.6%
Cost per FTE					
Salaries	\$ 128,629	\$ 127,853	\$ 126,015	(2,614)	-2.0%
Payroll Taxes	7,718	7,671	7,561	(157)	-2.0%
Benefits	11,891	14,200	11,904	13	0.1%
Retirement	17,606	17,410	17,192	(414)	-2.4%
Total Cost per FTE	\$ 165,845	\$ 167,134	\$ 162,673	\$ (3,172)	-1.9%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Total Personnel Expenses decreased due to the reduction of 0.5 FTE compared to the 2014 budget, off-set by an increase in salaries of 3.0% and benefits for existing FTEs. The budget also reflects a 3.0% vacancy rate applied to all personnel costs.

Table B-5 - Consultants and Contracts

Consultants and Contracts	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	245,000	245,000	134,333	(110,667)	-45%
Reliability Assessment and Performance Analysis	232,500	160,000	322,500	90,000	39%
Training and Education	130,000	130,000	136,000	6,000	5%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums					
General and Administrative	180,000	147,700	85,000	(95,000)	-53%
Legal and Regulatory	-	-	-	-	
Information Technology	441,530	441,530	444,776	3,246	1%
Human Resources	-	60,000	70,000	70,000	100%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,229,030	\$ 1,184,230	\$ 1,192,609	\$ (36,421)	-3%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

A decrease of \$110,667 in Compliance is due to the 2014 budget included contractor support in lieu of FTEs for Enforcement of \$80,000, which was eliminated in the 2015 budget. The remaining decrease of \$30,667 is due to more software development projects in 2015 are being capitalized. Any development project over SERC's capitalization policy is included as a capitalized asset.

An increase of \$90,000 in the Reliability Assessments program is comprised of 1) SERC has budgeted \$100,000 for a benchmarking system wide stability study; and 2) a decreasing offset of \$10,000 decrease for the Dynamic Reduction Study to more align with historical costs.

An decrease of \$95,000 in General and Administrative program is for a reduction in the amount for ongoing training and development of SERC's management team and development of a communications plan.

An increase of \$70,000 in Human Resources program is for a compensation and benefit study and an employee climate survey, which are both performed every other year.

Table B-6 – Office Rent

Rent	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Office Rent	\$ 419,861	\$ 378,855	\$ 464,809	\$ 44,948	10.71%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 419,861	\$ 378,855	\$ 464,809	\$ 44,948	10.71%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Office rent increased by \$44,948 due to additional space obtained in the new office space.

Table B-7 – Office Costs

Office Costs	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Telephone	\$ 146,628	174,236	\$ 144,684	\$ (1,944)	-1.33%
Telephone Answering Srv	-	-	-	-	
Internet	7,608	7,000	6,588	(1,020)	-13.41%
Office Supplies	84,580	168,120	44,530	(40,050)	-47.35%
Computer Supplies and Maintenance					
Computers	61,500	61,500	95,800	34,300	55.77%
Computer Supplies	41,950	44,642	35,960	(5,990)	-14.28%
Maintenance & Service Agreements	-	-	-	-	
Software	77,150	13,650	50,850	(26,300)	-17.32%
Network Supplies	12,000	-	-	(12,000)	-100.00%
Publications & Subscriptions	4,980	10,000	10,657	5,677	114.00%
Dues	5,316	8,000	7,717	2,401	45.17%
Postage	1,500	600	500	(1,000)	-66.67%
Express Shipping	4,500	4,000	3,500	(1,000)	-22.22%
Copying	10,000	6,000	6,000	(4,000)	-40.00%
Reports	-	-	-	-	
Stationary/Forms	-	-	-	-	
Equipment Repair/Service Contracts	9,688	9,663	10,765	1,077	11.12%
Bank Charges	-	1,000	1,000	1,000	
Taxes	-	4,000	5,000	5,000	
Merchant Card Fees	10,000	7,000	7,000	(3,000)	-30.00%
Total Office Costs	\$ 477,400	519,411	\$ 430,551	\$ (46,849)	-9.81%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Office supplies decreased by \$40,050 from 2014. The 2014 budget included office furnishings for the new office space, which was a one time expense.

A net decrease in Computer, Supplies and Maintenance is comprised of the following: a increase of \$34,300 in computers is due to an increase in the number of computers purchased; and a decrease in computer supplies of \$5,990, a decrease in software of \$26,300, and a decrease in networking supplies of \$12,000 all for the new office in 2014, which were one time purchases.

Table B-8 – Professional Services

Professional Services	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Candidate Search	\$ 10,000	\$ 7,500	\$ 10,000	\$ -	0.00%
Outside Legal	50,000	40,000	40,000	(10,000)	-20.00%
Accounting & Auditing Fees	35,400	30,860	26,400	(9,000)	-25.42%
Insurance Commercial	25,000	30,000	35,000	10,000	40.00%
Total Services	\$ 120,400	\$ 108,360	\$ 111,400	\$ (9,000)	-7.48%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Decrease in Legal of \$10,000 and the increase in Insurance of \$10,000 is to better align with historical costs. The decrease in Accounting fees is due to a reduction in cost from a change in the expense reporting platform.

Table B-9 – Other Non-operating Expenses

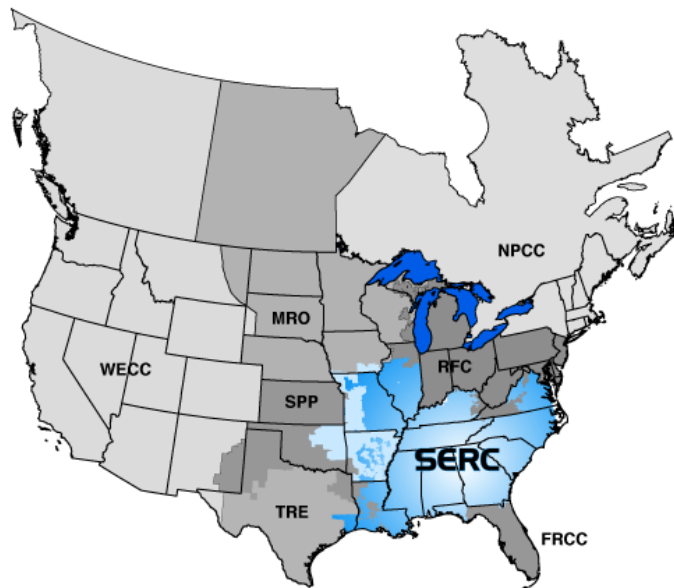
Other Non-Operating Expenses	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment	-	-	-	-	
Office Relocation	15,000	10,000	-	(15,000)	-100.00%
Total Non-Operating Expenses	\$ 15,000	\$ 10,000	\$ -	\$ (15,000)	100.00%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

In 2014, SERC included \$15,000 for one-time costs related to the relocation of office space, for a moving company.

Table B-10 – 2015 Budget with 2016-2017 Projection

Section C – Non-Statutory Activities 2015 Business Plan and Budget



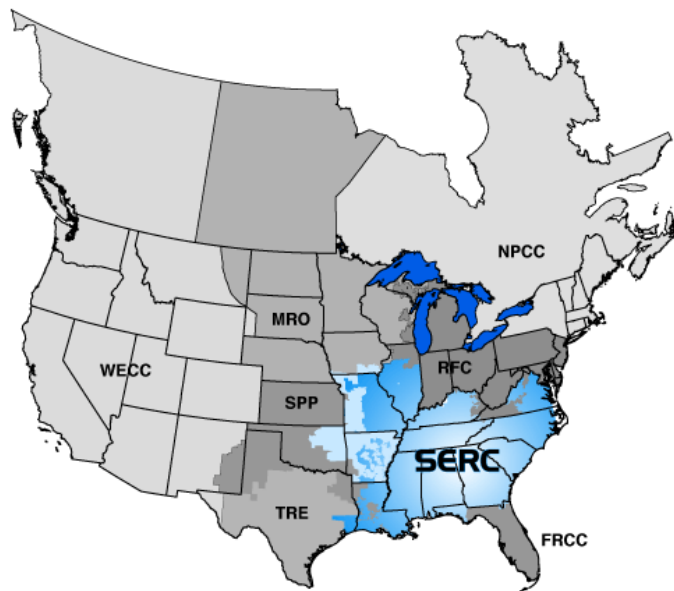
Section C — 2015 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	2014 Budget	2015 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.

Section D – Additional Consolidated Financial Statements

2015 Business Plan and Budget



Section D

2015 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

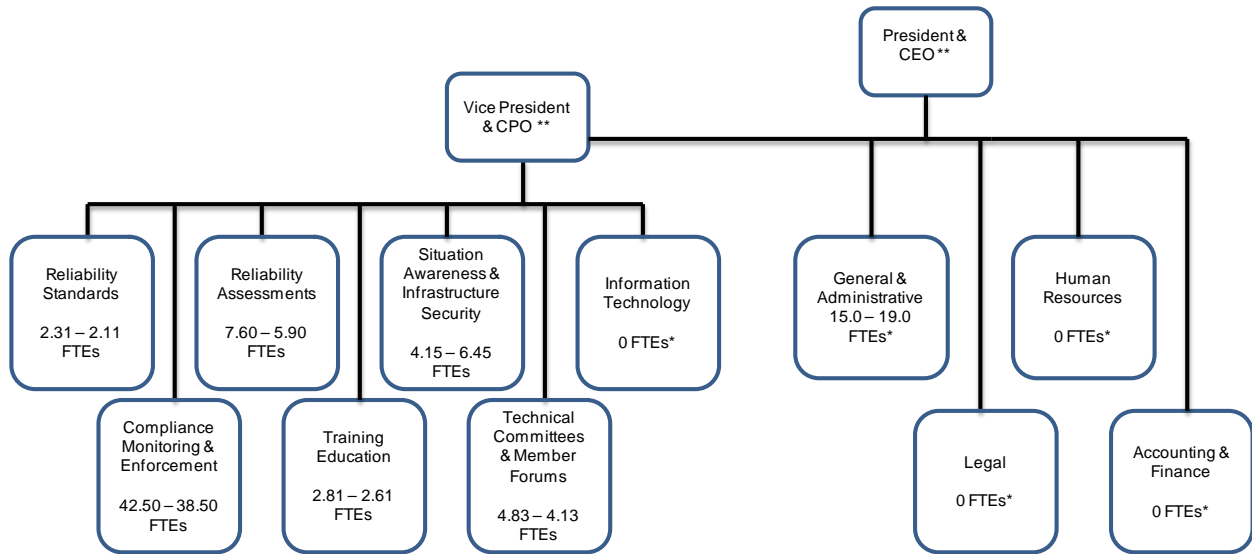
Statement of Activities and Capital Expenditures by Program 2015 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Functions	Non-Statutory Total		
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (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	
Funding																		
ERO Funding																		
NERC Assessments	13,733,606	13,733,606	-	13,733,606	461,216	9,836,374	1,612,839	724,025	1,605,013	-	(505,861)	-	-	-	-	-	-	-
Penalty Sanctions	1,742,000	1,742,000	-	1,742,000	66,144	1,206,892	184,952	81,818	202,194	-	-	-	-	-	-	-	-	-
Total NERC Funding	15,475,606	15,475,606	-	15,475,606	527,360	11,043,266	1,797,791	805,843	1,807,207	-	(505,861)	-	-	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	259,355	259,355	-	259,355	-	-	-	259,355	-	-	-	-	-	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Miscellaneous	294,000	294,000	-	294,000	-	7,000	-	-	-	-	287,000	-	-	-	-	-	-	-
Total Funding (A)	16,029,961	16,029,961	-	16,029,961	527,360	11,050,266	1,797,791	1,065,198	1,807,207	-	(218,861)	-	-	-	-	-	-	1,000
Expenses																		
Personnel Expenses																		
Salaries	9,917,409	9,917,409	-	9,917,409	215,330	4,769,980	553,482	368,797	793,986	574,404	2,641,430	-	-	-	-	-	-	-
Payroll Taxes	595,045	595,045	-	595,045	12,920	286,199	33,209	22,128	47,639	34,464	158,486	-	-	-	-	-	-	-
Benefits	936,874	936,874	-	936,874	22,389	473,946	76,022	26,079	80,208	45,420	212,810	-	-	-	-	-	-	-
Retirement Costs	1,353,043	1,353,043	-	1,353,043	30,319	656,623	77,407	51,470	100,903	76,327	359,994	-	-	-	-	-	-	-
Total Personnel Expenses	12,802,371	12,802,371	-	12,802,371	280,958	6,186,748	740,120	468,474	1,022,736	730,615	3,372,720	-	-	-	-	-	-	-
Meeting Expenses																		
Meetings	273,110	273,110	-	273,110	-	21,700	21,030	144,100	-	25,750	60,530	-	-	-	-	-	-	-
Travel	585,639	585,639	-	585,639	7,329	319,455	43,032	18,875	52,766	38,383	105,799	-	-	-	-	-	-	-
Conference Calls	48,000	48,000	-	48,000	-	-	-	-	-	-	48,000	-	-	-	-	-	-	-
Total Meeting Expenses	906,749	906,749	-	906,749	7,329	341,155	64,062	162,975	52,766	64,133	214,329	-	-	-	-	-	-	-
Operating Expenses																		
Consultants & Contracts	1,192,609	1,192,609	-	1,192,609	-	134,333	322,500	136,000	-	-	85,000	-	444,776	70,000	-	-	-	-
Office Rent	464,809	464,809	-	464,809	-	-	-	-	-	-	464,809	-	-	-	-	-	-	-
Office Costs	430,551	430,551	-	430,551	-	15,799	2,612	2,024	890	944	204,519	1,605	187,850	1,308	13,000	-	-	-
Professional Services	111,400	111,400	-	111,400	-	10,000	-	-	-	-	35,000	30,000	-	10,000	26,400	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	451,404	451,404	-	451,404	-	-	-	-	-	-	451,404	-	-	-	-	-	-	-
Total Operating Expenses	2,650,773	2,650,773	-	2,650,773	-	160,132	325,112	138,024	890	944	1,240,732	31,605	632,626	81,308	39,400	-	-	-
Total Direct Expenses	16,359,893	16,359,893	-	16,359,893	288,287	6,688,035	1,129,294	769,473	1,076,392	795,692	4,827,781	31,605	632,626	81,308	39,400	-	-	-
Indirect Expenses																		
	-	-	-	-	243,328	4,439,876	680,396	300,989	743,823	(795,692)	(4,827,781)	(31,605)	(632,626)	(81,308)	(39,400)	-	-	-
Other Non-Operating Expenses																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	16,359,893	16,359,893	-	16,359,893	531,615	11,127,911	1,809,690	1,070,462	1,820,215	-	-	-	-	-	-	-	-	-
Change in Assets	(329,932)	(329,932)	-	(329,932)	(4,255)	(77,645)	(11,899)	(5,264)	(13,008)	-	(218,861)	-	-	-	-	-	-	1,000
Fixed Assets																		
Depreciation	(451,404)	(451,404)	-	(451,404)	-	-	-	-	-	-	(451,404)	-	-	-	-	-	-	-
Computer & Software CapEx	309,333	309,333	-	309,333	-	-	-	-	-	-	309,333	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	30,000	30,000	-	30,000	-	-	-	-	-	-	30,000	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	(4,255)	(77,645)	(11,899)	(5,264)	(13,008)	-	112,071	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(112,071)	(112,071)	-	(112,071)	(4,255)	(77,645)	(11,899)	(5,264)	(13,008)	-	-	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	16,247,822	16,247,822	-	16,247,822	527,360	11,050,266	1,797,791	1,065,198	1,807,207	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(217,861)	(217,861)	-	(217,861)	-	-	-	-	-	-	(218,861)	-	-	-	-	-	-	1,000
FTEs	78.70	78.70	-	78.70	2.11	38.50	5.90	2.61	6.45	4.13	19.00	-	-	-	-	-	-	-

Statement of Financial Position

- As of December 31, 2013, per audit
- As of December 31, 2014, projected
- As of December 31, 2015, as budgeted

Statement of Financial Position			
2013 Audited, 2014 Projection, and 2015 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-13	31-Dec-14	31-Dec-15
ASSETS			
Cash	7,685,935	8,119,894	7,810,561
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	68,691	68,691	68,691
Other Receivables	-	-	-
Prepaid expenses and other current assets	172,214	172,214	172,214
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	662,477	307,352	419,423
Total Assets	8,589,317	8,668,151	8,470,889
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,019,185	1,019,185	1,019,185
Deferred income	11,610	11,610	11,610
Deferred penalty income	2,306,573	1,742,000	
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	412,321	461,596	509,228
Accrued incentive compensation	1,428,122	1,196,957	1,307,920
Total Liabilities	5,177,811	4,431,348	2,847,943
Net Assets - unrestricted	4,659,665	4,236,803	5,622,946
Total Liabilities and Net Assets	9,837,476	8,668,151	8,470,889

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