



# **2015 Business Plan and Budget Draft 1**

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## 2015 Budget Overview

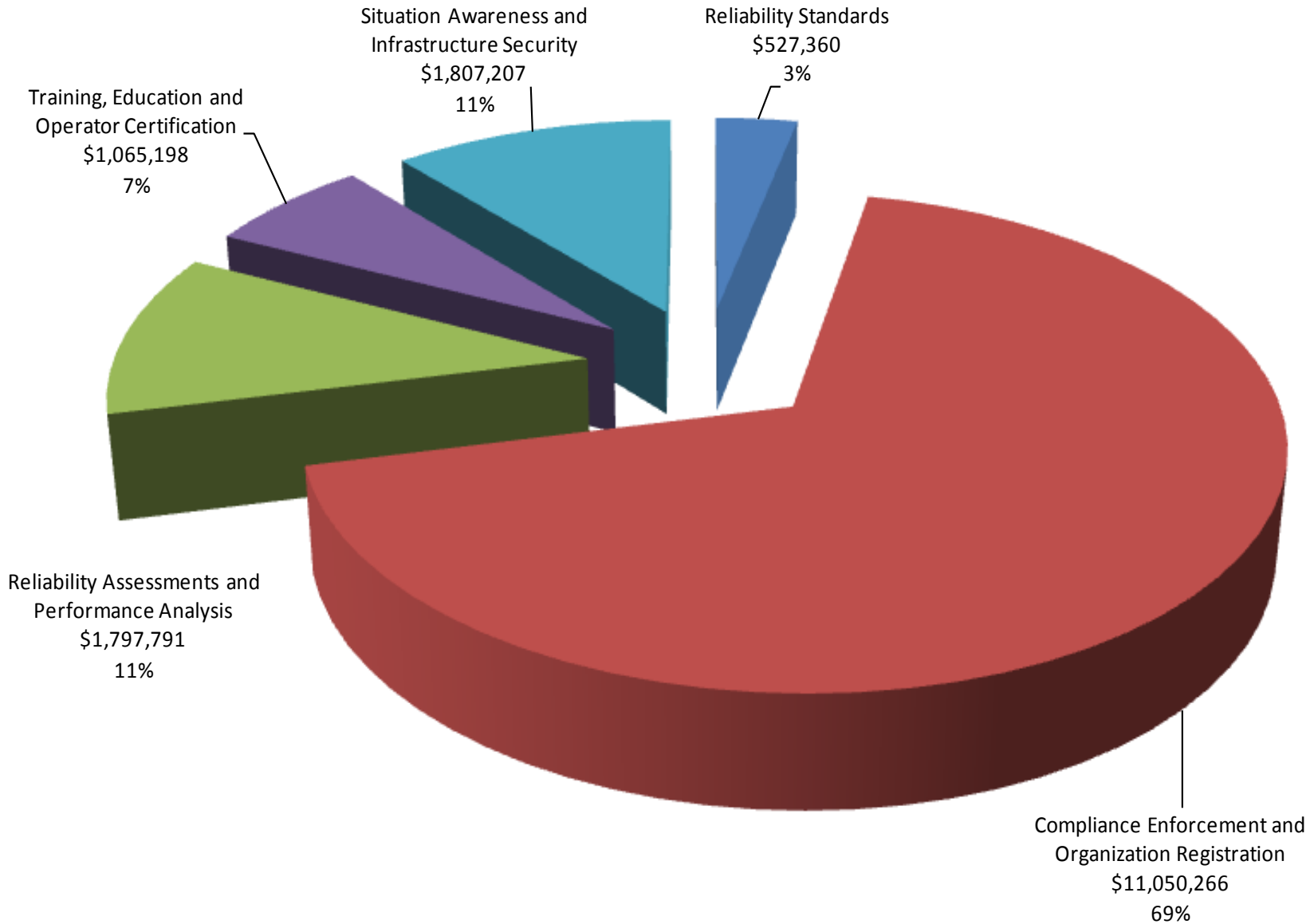
- Assessments held flat (decrease of 0.007% or \$893)
- Operating expenses decreased 3.73%
- Staffing
  - Reduction of .5 FTE compared to 2014 budget (headcount remaining flat)
  - Continue funding 3 entry level engineering positions budgeted in 2014 to assist in information transfer and succession planning.
- Budget assumptions
  - 3% merit increase
  - 3% vacancy rate applied to personnel costs
  - Increases for insurance premiums



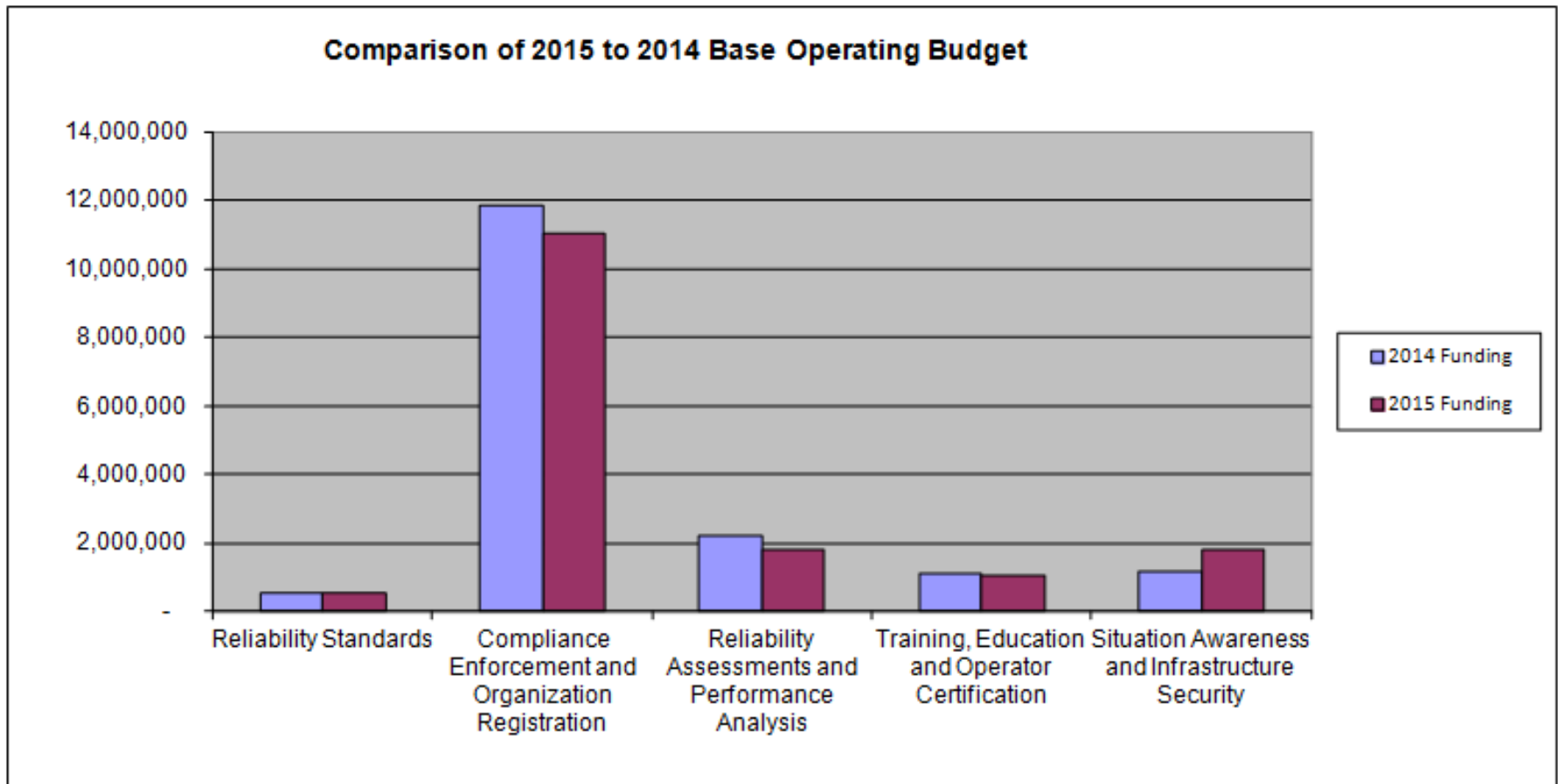
## Other Key Factors/Assumptions

- Cross Regional Monitoring – budgeted \$7,000
  - No planned audits or spot checks of FRCC and SPP
  - No anticipated enforcement activities
  - SERC will continue to perform all necessary duties related to the compliance monitoring
- Staffing
  - SERC reduced Compliance staffing by 4 FTEs
    - The 2012 budget included an increase of 10 FTEs in Compliance to enable staff to timely process the large volume of active violations
    - SERC will be current in processing violations in 2014

# 2015 Preliminary Budget



# Program Comparison



# 2013-2014 Budget Comparison

	2015	2014	Variance	% Variance	Explanation
<b>Funding</b>					
Assessments	13,733,636	13,734,499	(863)	0.0%	
Penalties	1,742,000	2,054,500	(312,500)	-15.2%	Decrease in penalties applicable to 2015
Other Income	554,355	586,105	(31,750)	-5.4%	Decrease primarily related to the fees charged for conferences. SERC is able to host lower cost meetings, as most meetings will be held in SERC's office or at member facilities. Due to this, SERC is able to charge a lower registration fee. Additionally, the estimated cross regional monitoring costs are lower than 2014.
<b>Total Funding</b>	<b>16,029,991</b>	<b>16,375,104</b>	<b>(345,113)</b>		
<b>Expenses</b>					
Personnel Expenses	12,802,371	13,134,918	(332,547)	-2.5%	Decrease in FTES by 0.5: 2 FTES included in the 2015 budget are prorated to start mid-year, rather than the full/pro-rated amount included in the 2014 budget. Additionally, merit increase and projected increase in benefit costs, offset by an overall vacancy rate applied to personnel costs.
Meetings	273,110	317,195	(44,085)	-13.9%	SERC's new office space 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.
Travel	585,639	605,484	(19,845)	-3.3%	With more meetings in-house, reduction in corresponding travel costs.
Conference Calls	48,000	48,000	-	0.0%	
Consultants and Contracts	1,192,609	1,229,030	(36,421)	-3.0%	Decrease to be more in line with historical costs.
Rent & Improvements	464,809	419,861	44,948	10.7%	Increase in square footage obtained in the new office space to accommodate additional in-house meetings.
Office Costs	430,551	477,400	(46,849)	-9.8%	2014 budgt included one time costs related to the relocation of office space, including furnishings, equipment and software. These costs are not included in the 2015 budget.
Professional Services	111,400	120,400	(9,000)	-7.5%	Includes leadership training.
Miscellaneous	-	-	-	0.0%	
Depreciation	451,404	218,653	232,751	106.4%	Increase in the capital assets purchased in previous years which will incur a full year of depreciation in 2015.
Other Non-Operating Expenses	-	15,000	(15,000)	100.0%	2014 budget included office relocation expenses.
<b>Total Expenses</b>	<b>16,359,893</b>	<b>16,585,941</b>	<b>(226,048)</b>		
Increase(Decrease) in Fixed Assets	(112,071)	291,347	(403,418)	-138.5%	Less assets purchased. Additionally, see explanation under Depreciation
<b>Total Budget</b>	<b>16,247,822</b>	<b>16,877,288</b>	<b>(629,466)</b>	<b>-3.7%</b>	
<b>Change in Working Capital</b>	<b>(217,831)</b>	<b>(502,184)</b>	<b>284,353</b>	<b>-56.6%</b>	

# FTE Comparison

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2014	2014	2015	FTEs <sup>1</sup> 2015	2015	from 2014
	Budget	Budget	Budget	Budget	Budget	Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
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
<b>Total FTEs Operational Programs</b>	<b>59.37</b>	<b>51.55</b>	<b>55.57</b>	<b>-</b>	<b>55.57</b>	<b>(3.80)</b>
<b>Administrative Programs</b>						
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	-	-	-	-	-	-
<b>Total FTEs Administrative Programs</b>	<b>19.83</b>	<b>22.63</b>	<b>23.13</b>	<b>-</b>	<b>23.13</b>	<b>3.30</b>
<b>Total FTEs</b>	<b>79.20</b>	<b>74.18</b>	<b>78.70</b>	<b>-</b>	<b>78.70</b>	<b>(0.50)</b>

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



## Resource Adequacy

- SERC anticipates performing all delegated functions by using FTEs and contractors.
- Resource demands are unknown
  - Several key efforts including Reliability Assurance Initiative (RAI); CIP Version 5 and 14 (potentially); credentialing and competency
  - Will consider reallocating existing staff or use of contractors





## Process Improvements

- Utilize consistent audit practices and focus on higher target reliability risks to increase efficiency of compliance monitoring and mitigate overall compliance costs
- Implementation of risk based monitoring
- Use of project management software tools to effectively collaborate and manage resources
- Continue to work with others to identify best practices that may result in or contribute to reliability improvements within the BES
- Continue to invest in technology and innovation to allow efficient collaboration



## Alignment of RE and ERO

- SERC will continue to support the joint ERO Enterprise initiatives, to ensure successful implementation
- SERC will work collaboratively with NERC and the Regional Entities on the development, operation and maintenance of enterprise architecture, software and data systems



## Efficiency & Controlling Costs

- Vacancy rate applied to personnel costs
- SERC's new office location has a large meeting space
  - Most meetings will be scheduled in-house or at a Member's facilities, substantially reducing the hotel hosting costs
  - Continue use of webex
- Reduced 2015 budget based on historical actuals



## Working Capital & Operating Reserve

- Operating Reserve policy, approved by the BoD on April 23, 2008: equal to up to 10% of its budgeted annual statutory operating costs
  - Operating reserve remains flat at \$1.6M; Temporary increase to operating reserve decreases to \$1.21M
- SERC has a line of credit available to be used as a supplement to, and in conjunction with, the working capital
- 2014 excess operating reserves over and above 2014 budgeted levels applied as a reduction to 2015 Assessment
- Q1 variance report projected excess reserves at year-end
  - 1<sup>st</sup> quarter projection low for relocation and contracts/consultants



**Questions?**