



SERC Reliability Corporation
3701 Arco Corporate Drive, Suite 300
Charlotte, NC 28273
704.357.7372 | Fax 704.357.7914 | www.serc1.org

SERC Reliability Corporation

2015 Business Plan and Budget

FINAL 1.0
July 4, 2014

TABLE OF CONTENTS

Introduction	3
Section A — Statutory Programs	14
Reliability Standards Program	14
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	17
Reliability Assessment and Performance Analysis Program.....	24
Training, Education, and Operator Certification Program	28
Situation Awareness and Infrastructure Security Program.....	32
Administrative Services.....	35
Technical Committees and Member Forums	36
General and Administrative.....	40
Legal and Regulatory.....	44
Information Technology	47
Human Resources	51
Finance and Accounting	54
Section B — Supplemental Financial Information	58
Reserve Balance.....	58
Breakdown by Statement of Activity Sections.....	59
Section C — 2015 Non-Statutory Activities	67
Section D – Additional Consolidated Financial Statements.....	69
2015 Consolidated Statement of Activities by Program, Statutory and Non-Statutory	69
Statement of Financial Position	70
Organizational Chart	71

Introduction

	TOTAL RESOURCES (in whole dollars)			
	2015 Budget	U.S.	Canada	Mexico
Statutory FTEs	78.70			
Non-statutory FTEs**	-			
Total FTEs	78.70			
Statutory Expenses	\$ 16,074,577			
Non-Statutory Expenses**	\$ -			
Total Expenses	\$ 16,074,577			
Statutory Inc(Dec) in Fixed Assets	\$ (78,737)			
Non-Statutory Inc(Dec) in Fixed Assets**	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (78,737)			
Statutory Working Capital Requirement*	\$ 76,549			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ 76,549			
Total Statutory Funding Requirement	\$ 16,072,389			
Total Non-Statutory Funding Requirement**	\$ -			
Total Funding Requirement	\$ 16,072,389			
Statutory Funding Assessments	\$ 13,731,034	\$ 13,731,034	\$ -	\$ -
Non-Statutory Fees**	\$ -	\$ -	\$ -	\$ -
NEL	1,009,060,489	1,009,060,489	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

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

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

Organizational Overview

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the BPSs (BPS) in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles. Electric systems in the Region serve approximately 25.5% of the net energy for load (NEL) in North America and 30.6% of the NEL in the Eastern Interconnection.

On May 2, 2007, SERC executed an agreement with the North American Electric Reliability Corporation (NERC) that delegated to SERC certain responsibilities and authorities of a Regional Entity as defined in these documents:

- 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 successfully promoted the reliability of the BPS

using an industry electric reliability organization (ERO) model that relies on reciprocity, peer influence, and the mutual reliability focus of BPS owners, operators, and users 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 is voluntary and free. SERC's 57 member companies participate in the technical activities and governance of the organization. SERC currently has 57 member companies.

A Board of Directors (Board), comprised of a representative from each member company governs SERC. The Board delegates operational oversight of the corporation to an Executive Committee of 12 directors. The Board has formed the following committees:

- Compliance Committee (BCC): Oversees the program that monitors and enforces compliance of Registered Entities in the Region to FERC-approved Reliability Standards;
- Human Resources and Compensation Committee (HRCC): Advises the President, Board officers, and the Board about employee compensation and human resources;
- Finance and Audit Committee (FAC): Advises the President, Board officers and Board about the organization's finances and internal controls.

Statutory Functional Scope

SERC provides statutory functions that support the ERO, in accordance with its delegation agreement between SERC and NERC. SERC's functions are the following:

- Analyze events to identify Lessons Learned that will improve reliability.
- Promote the BPS's reliability, adequacy, and security.
- Help develop Reliability Standards for the North American BPS and the SERC Region.
- Monitor and enforce approved Reliability Standards, to include registering and certifying responsible entities, as needed.
- Assess the BPS's past, present and future reliability, adequacy, and security.
- Train reliable personnel and assist in certifying 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. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.**
 - a. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - b. Enforce compliance of SERC Registered Entities with mandatory Reliability Standards in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent reviews.
 - c. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough and comprehensive manner to prevent recurrence.

- 2. Promote a culture of compliance that addresses reliability risks across the SERC Region and the ERO.**
 - a. Ensure that the industry understands the essential purpose of standards and compliance expectations.
 - b. Work with the industry to maintain effective risk control programs for compliance, reliability and security.
 - c. Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.

- 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. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform standards, compliance and other programs.
 - c. Ensure that the industry is well informed of emerging trends, risk analysis, Lessons Learned and expected actions.

- 4. Mitigate reliability risks.**
 - a. Ensure that the industry understands security threats and addresses them effectively.
 - b. Facilitate information sharing among industry, Regions, ERO, and government.
 - c. Work with the ERO to track industry accountability for critical reliability and security recommendations.

- 5. Promote a culture of reliability excellence.**
 - a. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among reliability entities.
 - b. Serve as a leading resource to industry and policy makers to supply reliability information.

- 6. Improve transparency, consistency, quality and timeliness of results; collaborate 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 continually improving.

2015 Overview of Cost Impacts

SERC proposes to decrease its operating budget from \$16,877,288 to \$15,995,840 in 2015, a decrease of \$881,448 or 5.22%. The proposed 2015 assessment of \$13,731,035 is a decrease of 0.025% 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 promotes consistent delivery of excellent results at a cost that respects 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 *2015 Business Plan and Budget* (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 Regional Entity that contracts with SERC for its services will pay the costs in accordance with the contract. \$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 includes two components:

- **Staff changes proposed in 2015** – The targeted staffing level for 2015 is 78.7 Full-time Equivalents (FTEs), a decrease of 0.5 FTEs (no change in headcount) as compared to the 2014 budget, due to staggering the hire dates for two FTEs. In 2014, SERC budgeted for three 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 \$569,529 compared to 2014 reflects a decrease of 0.5 FTEs and a change in personnel structure. This decrease is offset by a budgeted average increase in salary of 3% for existing staff, and an overall increase in employee benefits costs. Additionally, a 3% vacancy rate has been applied to all Personnel Expenses, further reducing costs.

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

- **Consultants & Contracts** – A decrease of \$51,421 or 4.2% is primarily due to a reduction in anticipated participation in the schedule checkout tool.
- **Depreciation** – An increase of \$199,417 or 91.2% is due to an increase in the capital assets purchased in previous years which would now incur a full year of depreciation.

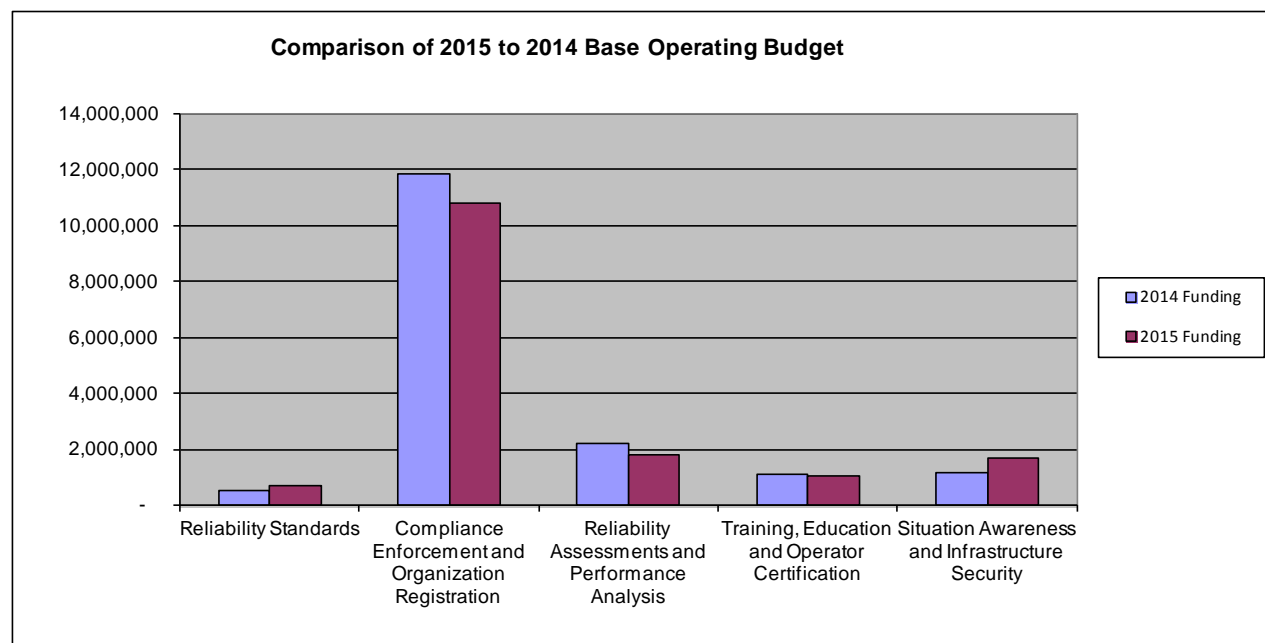
SERC's budget is defined and approved by the Board of Directors in aggregate. SERC works within the total budget to perform its delegated duties. Any variances will be explained in the quarterly variance reports.

Summary by Program

The following table and figure summarize and illustrate SERC's budget by program area.

Base Operating Budget	Budget 2014	Projection 2014	Budget 2015	Change 2015 Budget v 2014 Budget	% Change
Reliability Standards	546,740	809,350	681,119	134,379	24.6%
Compliance Enforcement and Organization Registration	11,875,409	10,817,881	10,779,635	(1,095,774)	-9.2%
Reliability Assessments and Performance Analysis	2,201,059	1,487,068	1,809,522	(391,537)	-17.8%
Training, Education and Operator Certification	1,107,144	1,113,549	1,055,419	(51,725)	-4.7%
Situation Awareness and Infrastructure Security	1,146,936	1,375,039	1,670,145	523,209	45.6%
Total	16,877,288	15,602,887	15,995,840	(881,448)	-5.2%
Working Capital Reserve	(502,184)	712,922	76,549	578,733	
Total Funding	16,375,104	16,315,809	16,072,389	(302,715)	-1.8%

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 – Changes in personnel accounted for the 24.6% increase in total funding from \$546,740 budgeted in 2014 to \$681,119 budgeted in 2015. SERC reclassified a net 0.3 FTE into the Reliability Standards program, 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 increase is offset by 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 addition of FTEs, as well as the increase of FTEs in General and Administrative.

Compliance Enforcement and Organization Registration – The 9.2% decrease in total funding from \$11,875,409 budgeted in 2014 to \$10,779,635 budgeted in 2015 results from the decrease of 5.0 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 and Administrative.

Reliability Assessments and Performance Analysis – The 17.8% decrease in total funding from \$2,201,059 budgeted in 2014 to \$1,809,522 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 in FTEs.

Training, Education and Operator Certification – The 4.7% decrease in total funding, from \$1,107,144 budgeted in 2014 to \$1,055,419 budgeted in 2015, is a cost savings in Meetings Expense by bringing some external meetings in-house. Additionally, SERC applied an overall 3% vacancy rate to Personnel costs, based on historical data, thus decreasing 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 and Administrative.

Situation Awareness and Infrastructure Security – The 45.6% increase in total funding from \$1,146,936 budgeted in 2014 to \$1,670,145 budgeted in 2015 is due to the addition of 1.8 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 increase 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 and Administrative.

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2014	2014	2015	FTEs ¹ 2015	2015	from 2014
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.31	2.80	2.61	-	2.61	0.30
Compliance Monitoring and Enforcement and Organization Registration and Certification	42.50	33.88	37.50	-	37.50	(5.00)
Reliability Assessment and Performance Analysis	7.60	4.67	5.90	-	5.90	(1.70)
Training and Education	2.81	2.85	2.61	-	2.61	(0.20)
Situation Awareness and Infrastructure Security	4.15	4.45	5.95	-	5.95	1.80
Total FTEs Operational Programs	59.37	48.65	54.57	-	54.57	(4.80)
Administrative Programs						
Technical Committees and Member Forums	4.83	4.46	5.13	-	5.13	0.30
General & Administrative	15.00	15.12	19.00	-	19.00	4.00
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
Total FTEs Administrative Programs	19.83	19.58	24.13	-	24.13	4.30
Total FTEs	79.20	68.22	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 are 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 cost increase is offset by a corresponding decrease of 1.0 FTE in Compliance.
3. SERC reclassified four existing positions into General and Administrative that were previously recorded in Compliance, Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, as follows:
 - Two 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.
 - Two positions, Communications and Outreach Specialist and Internal Training Coordinator, were repurposed from an existing position, causing a decrease of 1.0 FTE in Compliance and 1.0 FTE in Technical Committees and Member Forums.
 - 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.

- The Internal Training Coordinator will coordinate and provide training programs for SERC staff.
4. An increase of 0.5 FTE in Technical Committees and Member Forums relates to a position to assist with the CIP uncertainty. This increase 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.
 5. An increase of 1.0 FTE in Technical Committees and Member Forums relates to additional CIP committee support. This increase is offset by a corresponding decrease of 1.0 FTE in Compliance.
 6. An increase of 0.5 FTE in Reliability Standards and a corresponding decrease of 0.5 FTE in Situation Awareness and Infrastructure Security is due to a reclassification of a pro-rated position to provide better alignment of Standards work.

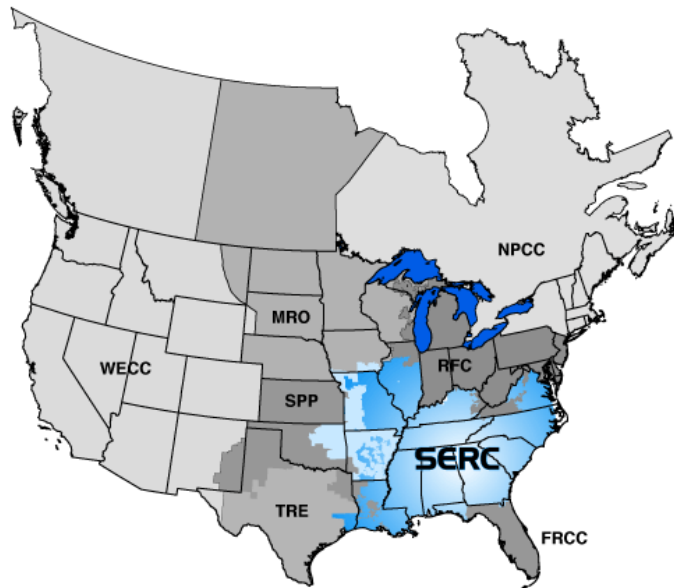
2014 Budget and Projection and 2015 Budget Comparisons

The following table lists the 2014 budget and projection compared to the 2015 budget.

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	\$ -	\$ 13,731,034	\$ (3,465)
Penalty Sanctions	2,054,500	2,054,500	-	1,787,000	(267,500)
Total NERC Funding	\$ 15,788,999	\$ 15,788,999	\$ -	\$ 15,518,034	\$ (270,965)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	267,605	211,060	(56,545)	259,355	(8,250)
Interest	10,000	4,000	(6,000)	1,000	(9,000)
Miscellaneous	308,500	322,750	14,250	294,000	(14,500)
Total Funding (A)	\$ 16,375,104	\$ 16,326,809	\$ (48,295)	\$ 16,072,389	\$ (302,715)
Expenses					
Personnel Expenses					
Salaries	\$ 10,187,444	\$ 9,162,486	\$ (1,024,958)	\$ 9,717,873	\$ (469,571)
Payroll Taxes	611,246	549,749	(61,497)	583,072	(28,174)
Benefits	941,806	958,793	16,987	938,825	(2,981)
Retirement Costs	1,394,422	1,198,071	(196,351)	1,325,619	(68,803)
Total Personnel Expenses	\$ 13,134,918	\$ 11,869,099	\$ (1,265,819)	\$ 12,565,389	\$ (569,529)
Meeting Expenses					
Meetings	\$ 317,195	\$ 263,164	\$ (54,031)	\$ 273,110	\$ (44,085)
Travel	605,484	477,000	(128,484)	585,639	(19,845)
Conference Calls	48,000	48,000	-	48,000	-
Total Meeting Expenses	\$ 970,679	\$ 788,164	\$ (182,515)	\$ 906,749	\$ (63,930)
Operating Expenses					
Consultants & Contracts	\$ 1,229,030	\$ 1,223,261	\$ (5,769)	\$ 1,177,609	\$ (51,421)
Office Rent	419,861	412,224	(7,637)	464,809	44,948
Office Costs	477,400	563,154	85,754	430,551	(46,849)
Professional Services	120,400	125,860	5,460	111,400	(9,000)
Miscellaneous	-	10,000	10,000	-	-
Depreciation	218,653	275,000	56,347	418,070	199,417
Total Operating Expenses	\$ 2,465,344	\$ 2,609,499	\$ 144,155	\$ 2,602,439	\$ 137,095
Total Direct Expenses	\$ 16,570,941	\$ 15,266,762	\$ (1,304,179)	\$ 16,074,577	\$ (496,364)
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ 15,000	\$ 7,000	\$ (8,000)	\$ -	\$ (15,000)
Total Expenses (B)	\$ 16,585,941	\$ 15,273,762	\$ (1,312,179)	\$ 16,074,577	\$ (511,364)
Change in Assets	\$ (210,837)	\$ 1,053,047	\$ 1,263,884	\$ (2,188)	\$ 208,649
Fixed Assets					
Depreciation	\$ (218,653)	\$ (275,000)	\$ (56,347)	\$ (418,070)	\$ (199,417)
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	340,125	48,778	(78,737)	(370,084)
TOTAL BUDGET (=B + C)	\$ 16,877,288	\$ 15,613,887	\$ (1,263,401)	\$ 15,995,840	\$ (881,448)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (502,184)	\$ 712,922	\$ 1,215,106	\$ 76,549	\$ 578,733
FTEs	79.20	68.22	(10.98)	78.70	(0.50)

Section A – Statutory Programs

2015 Business Plan and Budget



Section A — Statutory Programs

Reliability Standards Program

The following table lists the 2015 budget for the Reliability Standards program.

Reliability Standards Program (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.31	2.61	0.30
Direct Expenses	\$ 302,921	\$ 380,205	\$ 77,284
Indirect Expenses	\$ 232,483	\$ 304,680	\$ 72,197
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 11,336	\$ (3,766)	\$ (15,102)
Total Funding Requirement	\$ 546,740	\$ 681,119	\$ 134,379

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 BPS owners, operators, and users.

2015 Key Assumptions

SERC's 2015 key assumptions are:

- 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 is to transition from the current set of Reliability Standards to a world class body of Reliability Standards. These clear, concise standards will ensure the reliability of the BPS in North America. They will also require a significant increase in throughput.
 - In developing these standards, web-based tools will facilitate collaboration and consensus.
- The ERO goal is to implement a cost effectiveness analysis or assessment of proposed standards. This goal will require additional stakeholder review and input on developing standards.
 - In developing these standards, web-based tools will facilitate collaboration and consensus.

2015 Goals and Key Deliverables

SERC's 2015 goals and key deliverables are the following:

- 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

- The FTEs included in the 2015 Reliability Standards budget increased by 0.3.
 - During 2014, SERC reclassified the Technical Writer position out of Reliability Standards, into General and Administrative, causing a decrease of 0.2 FTE.
 - An increase of 0.5 FTE in Reliability Standards and a corresponding decrease of 0.5 FTE in Situation Awareness and Infrastructure Security is due to a reclassification of a pro-rated position to provide better alignment of Standards work.
- 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 are 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

The following table shows funding sources and related expenses for the Reliability Standards section of the 2015 Business Plan and Budget.

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	\$ -	\$ 595,650	\$ 128,848
Penalty Sanctions	79,938	79,938	-	85,469	5,531
Total NERC Funding	\$ 546,740	\$ 546,740	\$ -	\$ 681,119	\$ 134,379
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 546,740	\$ 546,740	\$ -	\$ 681,119	\$ 134,379
Expenses					
Personnel Expenses					
Salaries	\$ 221,774	\$ 323,196	\$ 101,422	\$ 284,511	\$ 62,737
Payroll Taxes	13,306	19,392	6,086	17,071	3,765
Benefits	24,786	40,983	16,197	31,214	6,428
Retirement Costs	31,259	42,859	11,600	40,080	8,821
Total Personnel Expenses	\$ 291,125	\$ 426,430	\$ 135,305	\$ 372,876	\$ 81,751
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	\$ 432,430	\$ 129,509	\$ 380,205	\$ 77,284
Indirect Expenses	\$ 232,483	\$ 357,340	\$ 124,857	\$ 304,680	\$ 72,197
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 535,404	\$ 789,770	\$ 254,366	\$ 684,885	\$ 149,481
Change in Assets	\$ 11,336	\$ (243,030)	\$ (254,366)	\$ (3,766)	\$ (15,102)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 11,336	19,580	8,244	(3,766)	(15,102)
Inc(Dec) in Fixed Assets (C)	11,336	19,580	8,244	(3,766)	(15,102)
TOTAL BUDGET (=B + C)	\$ 546,740	\$ 809,350	\$ 262,610	\$ 681,119	\$ 134,379
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (262,610)	\$ (262,610)	\$ -	\$ -
FTEs	2.31	2.80	0.49	2.61	0.30

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

The following table lists the budget for the 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	37.50	(5.0)
Direct Expenses	\$ 7,389,556	\$ 6,456,152	\$ (933,404)
Indirect Expenses	\$ 4,277,293	\$ 4,377,590	\$ 100,297
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 208,560	\$ (54,107)	\$ (262,667)
Total Funding Requirement	\$ 11,875,409	\$ 10,779,635	\$ (1,095,774)

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is implemented by SERC's Compliance and Enforcement personnel, who 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 implements the Compliance Monitoring processes and organization and registration activities pursuant to the Delegation Agreement and Uniform CMEP. The Compliance Program consists of three functional areas:

- Monitoring
 - Conducts compliance audits, spot checks, and investigations.
 - Personnel serve as subject matter experts for all standards and for implementing the process for Technical Feasibility Exceptions to the CIP standards.
- Compliance Programs and Services
 - Implements and deploys Entity risk assessment, CMEP-related analytics, and Compliance assessments.
- Organization Registration and Certification
 - Registers owners, operators, and users of the BPS for compliance with Reliability Standards.
 - Certifies applicable entities.

Enforcement

Enforcement personnel evaluate all Possible Violations of Reliability Standards and conduct a thorough assessment to determine if there is a violation. The Enforcement personnel follow these steps:

1. Determine the complete scope of the violation and the actual and potential risk to the BPS reliability.
2. Notify the Registered Entity of the findings regarding the violation and any applicable penalties or sanctions.

3. Review the Registered Entity's mitigating activities to ensure that the entity corrects the issue and prevents recurrence.
4. Negotiate settlement with the Registered Entity.
5. Submit the proposed Enforcement action, along with any proposed penalty or sanctions, to NERC for review, approval, and subsequent submittal to FERC.
6. If a Registered Entity challenges the findings of the violation and/or penalty, the Enforcement staff prosecutes the case before the Board Compliance Committee, which 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. SERC must consider whether to modify the current time-based audit cycles for Registered Entities.
- SERC will employ consistent audit practices and focus on higher target reliability risks to increase efficiency of Compliance Monitoring and mitigate overall compliance costs.
- SERC will continue training Compliance staff on risk principles and enhanced audit practices, including credentialing and Reliability Assurance Initiative (RAI). Training activity will affect 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 staff and other personnel, as necessary, understand guidance documents.
 - An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct.
 - An annual assessment process exists to evaluate audit team content and capability needs.
 - A training program exists that addresses initial and continuing training for capability and competency development.
- The use of spot checks is expected to increase as risk-based monitoring is implemented, but spot checks should have little effect on overall resource requirements.
- Non-Critical Infrastructure Protection (CIP) violations are expected to decrease as most Registered Entities have been audited and the standards and Reliability Standards Audit Worksheets (RSAWs) have matured.
 - Dedicated CIP compliance personnel must be allocated to address the conversion from V3 to V5 and to support entities undergoing a CIP audit, until the standards are stable.
- 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 Technical Feasibility Exception (TFE) processing implementation will continue. This implementation will probably include equipment class-based exceptions, audit sampling and a simpler process for reporting and reviewing
- SERC will provide to NERC timely and accurate information about 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 NERC provides.
- SERC will document the information obtained during the certification process and make recommendations to NERC regarding certification.
- SERC estimates that it will conduct four certification reviews.
- The implementation of the Bulk Electric System (BES) definition may place additional resource demands on the registration area.
- The volume of documents for Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration will increase as entities better delineate shared responsibilities and promote efficiency and effectiveness in compliance. This increase will affect the workload for 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 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 per year).
- Actions to process or dismiss Possible Violations will be timely and transparent to the industry
- As the RAI is defined and implemented, SERC will provide training to ensure that personnel have the necessary skills.
- SERC will require dedicated resources to design and implement RAI for Enforcement and to expand the Find-Fix-Track (FFT) process.
- Staff will maintain professional credentials, such as industry certifications, NERC System Operator Certification, CIP certifications, Professional Engineering licenses, and certified auditor credentials, to ensure that staff skills remain current on industry trends and standards.
- There will be no significant increase in travel for Enforcement staff to process Possible Violations and Mitigation Plans.
- No SERC 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 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 three and six year audit intervals.
- Facilitate efficient and collaborative transition to new standards through:
 - Workshops focused on upcoming enforceable standards
 - 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 the industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security.
 - Develop and implement compliance reform through the RAI.
 - Implement RAI techniques and principles consistently.
 - Collaborate with the industry regarding best practices to encourage effective internal controls models.
 - Initiate compliance phase-in learning periods for new standards
- Monitor each Registered Entity, by role, for its standards requirements commensurate with the reliability risk.
- Train 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.
- Continue outreach to Registered Entities for implementation of CIP Version 5 transition.
- Develop and deliver 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 the program, as needed.
- Develop the implementation plan
- Deploy the plan for registration commensurate with risk to the BPS.
- Work with ERO to develop common and consistent registration processes, information systems, and methods among Regions
- Register entities commensurate with risk to the BPS
- Ensure that all key reliability entities are certified to have essential capabilities.

Enforcement

- Manage all Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all Registered Entities.
- Develop and implement the Enforcement reform through RAI, including the following:
 - Focus on serious risk violations to improve the effectiveness of SERC operations.
 - Reduce unnecessary costs of compliance on Registered Entities while, ensuring that reliability objectives are achieved.
- Hold the industry accountable for violations that create a serious risk to the BPS . Ensure resulting actions are timely and transparent to the industry, including appropriate

exercise of discretion, FFT, Spreadsheet Notice of Penalty (SNOP), and Full Notice of Penalty (NOP). To achieve this, SERC will do the following:

- Increase the percentage of self-identified non-compliances (self-reports and self-certifications).
- Decrease the Caseload Index and violation aging.
- Allocate a higher percentage of lower and moderate risk violations to the BPS to be processed through discretion, FFT or SNOP.
- Expand use of Enforcement discretion.
- Review and accept Mitigation Plans that contain effective corrective actions.
- Ensure timely mitigation of all violations to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS. Timely mitigation will cause the aging curve to trend positively.
- Develop and implement violation processing management tools and training based on the RAI to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
- Identify trends in violations and their causes.
- 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 costs for SERC conducting Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The Regional Entity contracting with SERC for such services will pay the costs according to the contract.

Personnel Expenses

- The FTEs included in the 2015 Compliance Monitoring and Enforcement budget decreased by 5.0. The 2014 budget included the following personnel to fill emerging needs:
 - Two Enforcement Engineer/Specialists, reclassified to Technical Committees
 - Manager of Audit Programs, reclassified to Reliability Assessments
 - Program Coordinator, reclassified to General and Administrative
 - Program Support Assistant, reclassified to General and Administrative
- SERC applied an overall 3% vacancy rate to Personnel costs, further reducing Personnel Expenses. The cost reduction 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 because more software development projects are being capitalized and included in fixed assets in 2015.

Indirect Expenses

- Expenses related to indirect programs are 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

The following table shows funding sources and related expenses for the Compliance Enforcement And Organization Registration and Certification section of the *2015 Business Plan and Budget*.

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	\$ -	\$ 9,544,624	\$ (828,072)
Penalty Sanctions	1,470,713	1,470,713	-	1,228,011	(242,702)
Total NERC Funding	\$ 11,843,409	\$ 11,843,409	\$ -	\$ 10,772,635	\$ (1,070,774)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	32,000	32,000	-	7,000	(25,000)
Total Funding (A)	\$ 11,875,409	\$ 11,875,409	\$ -	\$ 10,779,635	\$ (1,095,774)
Expenses					
Personnel Expenses					
Salaries	\$ 5,224,607	\$ 4,349,099	\$ (875,508)	\$ 4,592,037	\$ (632,570)
Payroll Taxes	313,476	260,946	(52,530)	275,522	(37,954)
Benefits	523,055	483,512	(39,543)	455,748	(67,307)
Retirement Costs	716,689	581,549	(135,140)	631,558	(85,131)
Total Personnel Expenses	\$ 6,777,827	\$ 5,675,106	\$ (1,102,721)	\$ 5,954,865	\$ (822,962)
Meeting Expenses					
Meetings	\$ 14,010	\$ 19,120	\$ 5,110	\$ 21,700	\$ 7,690
Travel	323,862	263,000	(60,862)	319,455	(4,407)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 337,872	\$ 282,120	\$ (55,752)	\$ 341,155	\$ 3,283
Operating Expenses					
Consultants & Contracts	\$ 245,000	\$ 275,000	\$ 30,000	\$ 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	\$ 300,800	\$ 26,943	\$ 160,132	\$ (113,725)
Total Direct Expenses	\$ 7,389,556	\$ 6,258,026	\$ (1,131,530)	\$ 6,456,152	\$ (933,404)
Indirect Expenses	\$ 4,277,293	\$ 4,322,977	\$ 45,684	\$ 4,377,590	\$ 100,297
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,666,849	\$ 10,581,003	\$ (1,085,846)	\$ 10,833,742	\$ (833,107)
Change in Assets	\$ 208,560	\$ 1,294,406	\$ 1,085,846	\$ (54,107)	\$ (262,667)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	208,560	236,878	28,318	(54,107)	(262,667)
Inc(Dec) in Fixed Assets (C)	\$ 208,560	\$ 236,878	\$ 28,318	\$ (54,107)	\$ (262,667)
TOTAL BUDGET (=B + C)	\$ 11,875,409	\$ 10,817,881	\$ (1,057,528)	\$ 10,779,635	\$ (1,095,774)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 1,057,528	\$ 1,057,528	\$ -	\$ -
FTEs	42.50	33.88	(8.62)	37.50	(5.00)

Reliability Assessment and Performance Analysis Program

The following table lists the budget for the Reliability Assessments and Performance Analysis program (RAPA).

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	\$ 688,741	\$ (76,140)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 37,296	\$ (8,513)	\$ (45,809)
Total Funding Requirement	\$ 2,201,059	\$ 1,809,522	\$ (391,537)

Program Scope and Functional Description

SERC's RAPA program provides BES analysis, data gathering, and analysis of events. RAPA identifies reliability risks to the BES in the SERC footprint, in accordance with the Delegation Agreement and NERC's Rules of Procedure. RAPA's mission is to promote a culture of reliability excellence within the SERC BES. The program accomplishes this mission by identifying risks to reliability, analyzing performance and prioritizing significant risks.

SERC conducts an independent reliability assessment of the BES within the SERC Region, including data gathering and analysis. The assessment program uses 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). SERC evaluates the overall reliability, performance, and adequacy of the SERC Region and reports its results to NERC. SERC's work supports NERC's obligation to perform similar analysis of the interconnected North American BPS.

2015 Key Assumptions

- Work-loads will increase to provide the processes, data, and information required to sustain SERC's analytical efforts. Additional resources and improved project and matrix management procedures will minimize workloads and maximize existing resources.
- Workloads will increase to support requirements for risk identification and mitigation. SERC will use project management software to collaborate, balance workloads, and manage resources effectively.

2015 Goals and Key Deliverables

- Improve model and data management 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 Reliability Assessment Subcommittee (RAS). These studies include Summer, Winter, Post-Seasonal, Long-Term, Scenario, and Probabilistic Reliability Assessments. Regional planning requirements include 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 to develop the reliability risk identification process to determine risk control initiatives and necessary mitigation actions.
- Publish to stakeholders the reports and notices of 2015 SERC primary reliability risks and 2014 mitigation efforts.

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 FTEs included in the 2015 RAPA budget decreased by 1.7.
 - 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 reclassified the Technical Writer position that was allocated among the Reliability program areas into General and Administrative, causing a decrease of 0.2 FTE.
 - SERC repurposed an existing budgeted position into RAPA for an analyst to do the following:
 - Review seasonal assessments for accuracy
 - Provide performance analysis and quantification.
 - Support model validation and benchmarking.
 - Track and report events data.
- SERC applied an overall 3% vacancy rate to Personnel costs, further reducing Personnel Expenses. The increase in salaries and benefits for existing FTEs offset this decrease.

Meeting Expenses

- SERC's new office location has a large meeting space. Most meetings will be held in-house or at a member's facilities, substantially reducing the hotel hosting costs and decreasing Meeting 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 align with historical costs.

Indirect Expenses

- Expenses related to indirect programs are 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

The following table lists the funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2015 Business Plan and Budget.

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	\$ -	\$ 1,616,315	\$ (321,746)
Penalty Sanctions	262,998	262,998	-	193,207	(69,791)
Total NERC Funding	\$ 2,201,059	\$ 2,201,059	\$ -	\$ 1,809,522	\$ (391,537)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,201,059	\$ 2,201,059	\$ -	\$ 1,809,522	\$ (391,537)
Expenses					
Personnel Expenses					
Salaries	\$ 818,555	\$ 459,618	\$ (358,937)	\$ 553,482	\$ (265,073)
Payroll Taxes	49,113	27,577	(21,536)	33,209	(15,904)
Benefits	95,406	68,737	(26,669)	76,022	(19,384)
Retirement Costs	115,313	64,121	(51,192)	77,407	(37,906)
Total Personnel Expenses	\$ 1,078,387	\$ 620,053	\$ (458,334)	\$ 740,120	\$ (338,267)
Meeting Expenses					
Meetings	\$ 39,990	\$ 30,260	\$ (9,730)	\$ 21,030	\$ (18,960)
Travel	45,487	45,500	13	43,032	(2,455)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 85,477	\$ 75,760	\$ (9,717)	\$ 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	\$ 858,413	\$ (540,469)	\$ 1,129,294	\$ (269,588)
Indirect Expenses	\$ 764,881	\$ 595,997	\$ (168,884)	\$ 688,741	\$ (76,140)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,163,763	\$ 1,454,410	\$ (709,353)	\$ 1,818,035	\$ (345,728)
Change in Assets	\$ 37,296	\$ 746,649	\$ 709,353	\$ (8,513)	\$ (45,809)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 37,296	\$ 32,658	\$ (4,638)	(8,513)	(45,809)
Inc(Dec) in Fixed Assets (C)	\$ 37,296	\$ 32,658	\$ (4,638)	\$ (8,513)	\$ (45,809)
TOTAL BUDGET (=B + C)	\$ 2,201,059	\$ 1,487,068	\$ (713,991)	\$ 1,809,522	\$ (391,537)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 713,991	\$ 713,991	\$ -	\$ -
FTEs	7.60	4.67	(2.93)	5.90	(1.70)

Training, Education, and Operator Certification Program

The following table summarizes the budget for Training, Education, and Operator Certification.

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	\$ 754,505	\$ (56,044)
Indirect Expenses	\$ 282,805	\$ 304,680	\$ 21,875
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 13,790	\$ (3,766)	\$ (17,556)
Total Funding Requirement	\$ 1,107,144	\$ 1,055,419	\$ (51,725)

Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program provides education and training necessary to understand and operate the BPS. The program's target audience is BPS operating personnel, including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports SERC's staff training and development initiative, and facilitates administrating the records necessary to maintain SERC's status as a NERC Continuing Education provider.

2015 Key Assumption

- The ERO goal is to implement RAI changes by 2016 to develop a mature Compliance Monitoring program and enhance the program's effectiveness. Achieving this goal will require robust training.
 - SERC will use contract support and shared, common ERO training to defray the cost of training auditors and other key staff on the required qualification and competencies.
- Transitioning SERC to a world-class body of clear, concise Reliability Standards will ensure the reliability of the BPS in North America. It will also necessitate great change.
 - SERC will provide the training required for BPS operating personnel to understand the changes to ERO procedures and programs while continuing to operate the BPS reliability. These procedures and programs detect, monitor, report, correct, and prevent recurrence of problems with compliance, reliability, and security.

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 following goals:
 - Develop and deliver shared, common training on required knowledge, skills and abilities for auditors and other key staff positions across the ERO.
 - Deliver of four System Operator Conferences to ensure that real-time operating personnel have the competencies required to operate the BES with the highest reliability.
 - Deliver one Wide Area Restoration Drill to ensure that restoration plans and real-time operating personnel have the resources and competencies required to

recover the BES after a major system disturbance, and to restore available resources and load to a stable interconnected operating state.

- Deliver Standards Focused Workshops to BPS operating personnel (including system operations personnel, operations support personnel, supervisors and managers, and training personnel) to explain 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. Most meetings will be held in-house or at a member's facilities, substantially reducing the hotel hosting costs and decreasing Meeting Expense.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs are 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

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the *2015 Business Plan and Budget*.

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	\$ -	\$ 710,595	\$ (31,704)
Penalty Sanctions	97,240	97,240	-	85,469	(11,771)
Total NERC Funding	\$ 839,539	\$ 839,539	\$ -	\$ 796,064	\$ (43,475)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	267,605	211,060	(56,545)	259,355	(8,250)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,107,144	\$ 1,050,599	\$ (56,545)	\$ 1,055,419	\$ (51,725)
Expenses					
Personnel Expenses					
Salaries	\$ 374,069	\$ 390,945	\$ 16,876	\$ 333,898	\$ (40,171)
Payroll Taxes	22,444	23,457	1,013	20,034	(2,410)
Benefits	28,459	38,192	9,733	25,990	(2,469)
Retirement Costs	52,656	48,911	(3,745)	46,584	(6,072)
Total Personnel Expenses	\$ 477,628	\$ 501,505	\$ 23,877	\$ 426,506	\$ (51,122)
Meeting Expenses					
Meetings	\$ 183,360	\$ 122,063	\$ (61,297)	\$ 144,100	\$ (39,260)
Travel	19,241	15,000	(4,241)	18,875	(366)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 202,601	\$ 137,063	\$ (65,538)	\$ 162,975	\$ (39,626)
Operating Expenses					
Consultants & Contracts	\$ 130,000	\$ 90,000	\$ (40,000)	\$ 163,000	\$ 33,000
Office Rent	-	-	-	-	-
Office Costs	320	2,000	1,680	2,024	1,704
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 130,320	\$ 92,000	\$ (38,320)	\$ 165,024	\$ 34,704
Total Direct Expenses	\$ 810,549	\$ 730,568	\$ (79,981)	\$ 754,505	\$ (56,044)
Indirect Expenses	\$ 282,805	\$ 363,086	\$ 80,281	\$ 304,680	\$ 21,875
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,093,354	\$ 1,093,654	\$ 300	\$ 1,059,185	\$ (34,169)
Change in Assets	\$ 13,790	\$ (43,055)	\$ (56,845)	\$ (3,766)	\$ (17,556)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 13,790	\$ 19,895	6,105	(3,766)	(17,556)
Inc(Dec) in Fixed Assets (C)	\$ 13,790	\$ 19,895	\$ 6,105	\$ (3,766)	\$ (17,556)
TOTAL BUDGET (=B + C)	\$ 1,107,144	\$ 1,113,549	\$ 6,405	\$ 1,055,419	\$ (51,725)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (62,950)	\$ (62,950)	\$ -	\$ -
FTEs	2.81	2.85	0.04	2.61	(0.20)

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	4.15	5.95	1.80
Direct Expenses	\$ 708,906	\$ 984,152	\$ 275,246
Indirect Expenses	\$ 417,665	\$ 694,578	\$ 276,913
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	20,365	(8,585)	(28,950)
Total Funding Requirement	\$ 1,146,936	\$ 1,670,145	\$ 523,209

Program Scope and Functional Description

Situation Awareness and Events Analysis (SAEA) program identifies and analyzes conditions that impact or might impact reliable operations. The SERC Situation Awareness and Infrastructure Security program accomplishes this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. This program identifies initiatives to mitigate and improve reliability by analyzing significant BES events and existing technical reliability guidance for risks and vulnerabilities that could recur elsewhere within the BPS.

2015 Key Assumptions

- SERC will continue to work with other Regional SAEA groups to identify conditions or best practices that improve reliability 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 BES improvements with SERC entities and the ERO.
- SERC will continue to review and analyze reliability events to reduce events that affect the BES reliability.

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 the annual report on SERC Causal Analysis and Lessons Learned.
- Provide the annual report to SERC entities, other Regions, and NERC to support 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 FTEs included in the 2015 Situation Awareness and Infrastructure Security budget increased by 2.3.
 - During 2014, SERC reclassified 2.5 FTEs from the Reliability Assessments program into the Situation Awareness program for Events Analysis work, causing an increase in Personnel costs.
 - SERC reclassified the Technical Writer position that was allocated among the Reliability program areas into General and Administrative, causing a decrease of 0.2 FTE.
- SERC applied an overall 3% vacancy rate to Personnel costs, reducing Personnel Expenses. The increase in salaries and benefits for existing FTEs offset this decrease.

Meeting Expenses

- SERC's new office location has a large meeting space. Most meetings will be held in-house or at a member's facilities, substantially reducing the hotel hosting costs and decreasing Meeting Expense.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs are 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

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the *2015 Business Plan and Budget*.

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	\$ -	\$ 1,475,301	\$ 471,976
Penalty Sanctions	143,611	143,611	-	194,844	51,233
Total NERC Funding	\$ 1,146,936	\$ 1,146,936	\$ -	\$ 1,670,145	\$ 523,209
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,146,936	\$ 1,146,936	\$ -	\$ 1,670,145	\$ 523,209
Expenses					
Personnel Expenses					
Salaries	\$ 505,718	\$ 548,525	\$ 42,807	\$ 724,538	\$ 218,820
Payroll Taxes	30,343	32,911	2,568	43,472	13,129
Benefits	52,881	67,506	14,625	71,381	18,500
Retirement Costs	61,798	67,965	6,167	91,105	29,307
Total Personnel Expenses	\$ 650,740	\$ 716,907	\$ 66,167	\$ 930,496	\$ 279,756
Meeting Expenses					
Meetings	\$ 10,350	\$ 10,800	\$ 450	\$ -	\$ (10,350)
Travel	47,556	47,500	(56)	52,766	5,210
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 57,906	\$ 58,300	\$ 394	\$ 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	\$ 776,107	\$ 67,201	\$ 984,152	\$ 275,246
Indirect Expenses	\$ 417,665	\$ 567,818	\$ 150,153	\$ 694,578	\$ 276,913
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,126,571	\$ 1,343,925	\$ 217,354	\$ 1,678,730	\$ 552,159
Change in Assets	\$ 20,365	\$ (196,989)	\$ (217,354)	\$ (8,585)	\$ (28,950)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 20,365	\$ 31,114	10,749	(8,585)	(28,950)
Inc(Dec) in Fixed Assets (C)	\$ 20,365	\$ 31,114	\$ 10,749	\$ (8,585)	\$ (28,950)
TOTAL BUDGET (=B + C)	\$ 1,146,936	\$ 1,375,039	\$ 228,103	\$ 1,670,145	\$ 523,209
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (228,103)	\$ (228,103)	\$ -	\$ -
FTEs	4.15	4.45	0.30	5.95	1.80

Administrative Services

The following table lists the budget for Administrative Services.

Administrative Services (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	19.83	24.13	4.30
Total Direct Expenses	\$ 5,960,127	\$ 6,370,269	\$ 410,142
Inc(Dec) in Fixed Assets	\$ 291,347	\$ (78,737)	\$ (370,084)
Less: Other Funding Sources	\$ (10,000)	\$ (1,000)	\$ 9,000
Total Allocation to Statutory Programs as Indirect Expenses	\$ 6,241,474	\$ 6,290,532	\$ 49,058
Funding Requirement for Working Capital	\$ (502,184)	\$ 76,549	\$ 578,733

Methodology for Allocation of Administrative Services Expenses to Programs

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

Technical Committees and Member Forums

The following table lists the budget for Technical Committees and Member Forums.

Technical Committees and Member Forums (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	4.83	5.13	0.30
Total Direct Expenses	\$ 988,258	\$ 927,215	\$ (61,043)
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 the BES 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.
- 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 management of the three-year work plans will focus on deploying the most appropriate tool for the need, to produce outcomes that address reliability risks. This will help to mitigate the required increase in resources, including industry and ERO staff.

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*.
- The SERC Technical Committees and Members' Forums programs will promote an expanded available toolkit that comprehends reliability risks by doing the following:
 - Convene regular meetings of the standing committees each year and of the subordinate groups, as necessary.
 - Communicate 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.
 - Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security.
 - Perform special projects at the request of the SERC Board of Directors.
 - Participate in the establishment of Reliability Standards.
 - Participate in the measurement of performance relative to Reliability Standards.

- Promote compliance with Reliability Standards through review and discussion of compliance statistics.
- Develop and exchange information about operating, planning and engineering, and physical and cyber security that affect the reliability and adequacy of the BPS.
- Review activities within the SERC Region on reliability and adequacy, as necessary, to meet Reliability Standards.
- Perform 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 FTEs included in the 2015 Technical Committees and Member Forum budget increased by 0.3.
 - SERC reclassified 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 decrease 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. 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. Most meetings will be held in-house or at a member's facilities, substantially reducing hotel hosting costs and decreasing Travel Expense.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs are 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

The following table shows funding sources and related expenses for the Technical Committees and Member Forums section of the 2015 Business Plan and Budget.

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	\$ 601,288	\$ (99,288)	\$ 666,420	\$ (34,156)
Payroll Taxes	42,035	36,077	(5,958)	39,985	(2,050)
Benefits	53,772	65,352	11,580	65,860	12,088
Retirement Costs	94,071	75,070	(19,001)	89,873	(4,198)
Total Personnel Expenses	<u>\$ 890,454</u>	<u>\$ 777,787</u>	<u>\$ (112,667)</u>	<u>\$ 862,138</u>	<u>\$ (28,316)</u>
Meeting Expenses					
Meetings	\$ 22,300	\$ 14,300	\$ (8,000)	\$ 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>\$ 44,300</u>	<u>\$ (53,139)</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>\$ 823,037</u>	<u>\$ (165,221)</u>	<u>\$ 927,215</u>	<u>\$ (61,043)</u>
Indirect Expenses	<u>\$ (988,258)</u>	<u>\$ (823,037)</u>	<u>\$ 165,221</u>	<u>\$ (927,215)</u>	<u>\$ 61,043</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	4.46	(0.37)	5.13	0.3

General and Administrative

The following table lists the General and Administrative budget.

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	\$ 4,700,115	\$ 459,776
Inc(Dec) in Fixed Assets	\$ 291,347	\$ (78,737)	\$ (370,084)
Working Capital Requirement	\$ (512,184)	\$ 75,549	\$ 587,733

Program Scope and Functional Description

The SERC General and Administrative function provides the following:

- Executive management of the corporation
- Executive management of the SERC office and other administrative support programs
- 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 activities that enhance reliability.
- Increase outreach and communication with members/stakeholders to ensure SERC's effectiveness.

2015 Goals and Key Deliverables

- Continue high-quality performance of delegated functions while leveling 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:
 - Two new positions were repurposed from previously budgeted positions for a Communications and Outreach Specialist and an Internal Training Coordinator.
 - 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 and 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 keep individual compensation information confidential.

Meeting Expenses

- SERC increased the budgeted 2015 meetings expense by \$13,345, as the amount budgeted historically has been low compared to actual expenses incurred.
- SERC increase in the travel budget by \$23,296 to support travel related to the Coordinator position and additional off-site meetings.

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 a one-time expenditure of \$72,000 for purchasing office furniture and equipment for the new office space. This expenditure primarily explains the decrease of \$45,861 in 2015. The off-setting increases or decreases 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 align the budget with historical costs.
- Depreciation expense increased \$199,417 due to an increase in the capital assets purchased in previous years. These capital assets will incur a full year of depreciation in 2015.

Indirect Expenses

- Expenses related to indirect programs are 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 include enhancements to the Compliance portal. The 2014 budget included several large projects decreasing the 2015 budget by \$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

The following table shows funding sources and related expenses for the General and Administrative section of the 2015 Business Plan and Budget.

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)	\$ -	\$ (211,451)	\$ 577,233
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (788,684)	\$ (788,684)	\$ -	\$ (211,451)	\$ 577,233
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	276,500	290,750	14,250	287,000	10,500
Total Funding (A)	\$ (512,184)	\$ (497,934)	\$ 14,250	\$ 75,549	\$ 587,733
Expenses					
Personnel Expenses					
Salaries	\$ 2,342,145	\$ 2,489,815	\$ 147,670	\$ 2,562,987	\$ 220,842
Payroll Taxes	140,529	149,389	8,860	153,779	13,250
Benefits	163,447	194,511	31,064	212,610	49,163
Retirement Costs	322,636	317,596	(5,040)	349,012	26,376
Total Personnel Expenses	\$ 2,968,757	\$ 3,151,311	\$ 182,554	\$ 3,278,388	\$ 309,631
Meeting Expenses					
Meetings	\$ 47,185	\$ 66,621	\$ 19,436	\$ 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	\$ 184,621	\$ 6,933	\$ 214,329	\$ 36,641
Operating Expenses					
Consultants & Contracts	\$ 180,000	\$ 205,731	\$ 25,731	\$ 85,000	\$ (95,000)
Office Rent	419,861	412,224	(7,637)	464,809	44,948
Office Costs	250,380	406,212	155,832	204,519	(45,861)
Professional Services	25,000	35,000	10,000	35,000	10,000
Miscellaneous	-	10,000	10,000	-	-
Depreciation	218,653	275,000	56,347	418,070	199,417
Total Operating Expenses	\$ 1,093,894	\$ 1,344,167	\$ 250,273	\$ 1,207,398	\$ 113,504
Total Direct Expenses	\$ 4,240,339	\$ 4,680,099	\$ 439,760	\$ 4,700,115	\$ 459,776
Indirect Expenses	\$ (4,255,339)	\$ (4,680,099)	\$ (424,760)	\$ (4,700,115)	\$ (444,776)
Other Non-Operating Expenses	\$ 15,000	\$ 7,000	\$ (8,000)	\$ -	\$ (15,000)
Total Expenses (B)	\$ -	\$ 7,000	\$ 7,000	\$ -	\$ -
Change in Assets	\$ (512,184)	\$ (504,934)	\$ 7,250	\$ 75,549	\$ 587,733
Fixed Assets					
Depreciation	(218,653)	(275,000)	(56,347)	(418,070)	(199,417)
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)	\$ (340,125)	\$ (48,778)	78,737	370,084
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ 7,000	\$ 7,000	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (512,184)	\$ (504,934)	\$ 7,250	\$ 75,549	\$ 587,733
FTEs	15.00	15.12	0.12	19.00	4.00

Legal and Regulatory

The following table lists the Legal and Regulatory budget.

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 hires outside legal consultants. These legal resources provide the following legal services:

- Provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters that affect SERC.
- Review items filed with governmental agencies for legal sufficiency.
- Review contracts and corporate documents, as needed.
- 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 during Compliance and Enforcement proceedings, as needed.
- 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.
- Limit (or keep unchanged) the number of incoming violations.
- 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 are 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

The following table shows funding sources and related expenses for the Legal and Regulatory section of the 2015 Business Plan and Budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
LEGAL and REGULATORY					
	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	\$ -	\$ -	\$ -	\$ -	\$ -
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	25,000	(10,000)	30,000	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 36,900	\$ 26,600	\$ (10,300)	\$ 31,605	\$ (5,295)
Total Direct Expenses	\$ 36,900	\$ 26,600	\$ (10,300)	\$ 31,605	\$ (5,295)
Indirect Expenses	\$ (36,900)	\$ (26,600)	\$ 10,300	\$ (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

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 638,870	\$ 590,626	\$ (48,244)
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:

- Host, develop, and maintain SERC Portals, Compliance Issues Tracking System (CITS) and Intranet SharePoint system.
- Maintain equipment for the Operating Committee hot-line.
- Maintain telecommunication circuits, including SERC's internal conference bridge and the Operating Committee hotline service.
- Provide and maintain web-based solutions for meetings and collaboration.
- Maintain the document management system.
- Maintain the 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 works to develop enterprise-wide IT applications to improve efficiency and consistency across NERC and the Regional Entities. As the ERO EMG identifies and prioritizes enterprise-wide projects, these projects are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the 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 IT Steering Group (ITSG), working to further support the ERO EMG initiative. SERC, Northeast Power Coordinating Council (NPCC) and Florida Reliability Coordinating Council (FRCC) together develop and maintain the Portal and CITS. This allows for a common system and cost sharing.

SERC supports the NERC PMO in its efforts to provide IT tools across the ERO Enterprise. SERC's budget assumes the availability of new and existing IT tools from the PMO and other sources. If the required IT tools are not 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. SERC's *2015 Business Plan and Budget* assumes that the agreed-upon ERO Enterprise applications will be available, providing greater efficiencies. Based on this assumption, SERC's budget includes only necessary, anticipated expenditures.

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 continue to design and develop an ERO-wide Compliance Tool.

2015 Goals and Key Deliverables

- Coordinate with NERC ITSG on IT projects that affect the ERO.
- Maintain IT and telecommunications systems and resources for efficient use by SERC personnel.
- Implement updated communications tools and technologies.
- Continue to improve SERC's Protected Entity Information (PEI) infrastructure to allow data transfer to and from SERC's 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

- Consultants & Contracts decreased \$38,754 primarily due to an anticipated decrease in participation in the scheduled checkout tool.

Indirect Expenses

- Expenses related to indirect programs are 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

The following table shows funding sources and related expenses for the Information Technology section of the 2015 Business Plan and Budget.

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	\$ 432,530	\$ (9,000)	\$ 402,776	\$ (38,754)
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>\$ 552,322</u>	<u>\$ (86,548)</u>	<u>\$ 590,626</u>	<u>\$ (48,244)</u>
Total Direct Expenses	<u>\$ 638,870</u>	<u>\$ 552,322</u>	<u>\$ (86,548)</u>	<u>\$ 590,626</u>	<u>\$ (48,244)</u>
Indirect Expenses	<u>\$ (638,870)</u>	<u>\$ (552,322)</u>	<u>\$ 86,548</u>	<u>\$ (590,626)</u>	<u>\$ 48,244</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

The following table lists the Human Resources budget.

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 to recruit stellar employees, maintain appropriate salaries and benefits based on industry data, provide employee training programs, and update the employee handbook.

2015 Key Assumptions

- Provide competitive compensation and benefits.
- Provide a 3.0% average salary increase. This assumption is reflected in the salary expense budget for all program areas.
- Assume a 3.0% vacancy rate to total Personnel Expenses.
- Assume an increased expectation for staff training.
- Ensure that staff develops and maintains the appropriate professional credentials to remain current with industry standards and trends.
- Maintain and update job descriptions 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.
- Review compensation and benefits continually 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

- The increase in Consultants and Contracts is to support two studies: a total cash value compensation and benefit study and an employee climate survey. SERC historically performs these studies every two years.

Indirect Expenses

- Expenses related to indirect programs are 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

The following table shows funding sources and related expenses for the Human Resources section of the 2015 Business Plan and Budget.

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>
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	\$ -	\$ 60,000	\$ 60,000	\$ 70,000	\$ 70,000
Office Rent	-	-	-	-	-
Office Costs	360	1,300	940	1,308	948
Professional Services	10,000	10,000	-	10,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 10,360</u>	<u>\$ 71,300</u>	<u>\$ 60,940</u>	<u>\$ 81,308</u>	<u>\$ 70,948</u>
Total Direct Expenses	<u>\$ 10,360</u>	<u>\$ 71,300</u>	<u>\$ 60,940</u>	<u>\$ 81,308</u>	<u>\$ 70,948</u>
Indirect Expenses	<u>\$ (10,360)</u>	<u>\$ (71,300)</u>	<u>\$ (60,940)</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

The following table lists the Finance and Accounting budget.

Finance and Accounting (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 by doing the following:

- Provide payroll and expense administration.
- Prepare quarterly financial statements.
- Develop SERC's *Business Plan and Budget*.
- File federal and state tax and other forms required of non-profit corporations.
- Review and improve fiscal controls and complete a year-end external audit.

2015 Key Assumptions

- Current accounting systems and controls are adequate.
- There are 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 reflect historical earnings accurately.

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 are 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.

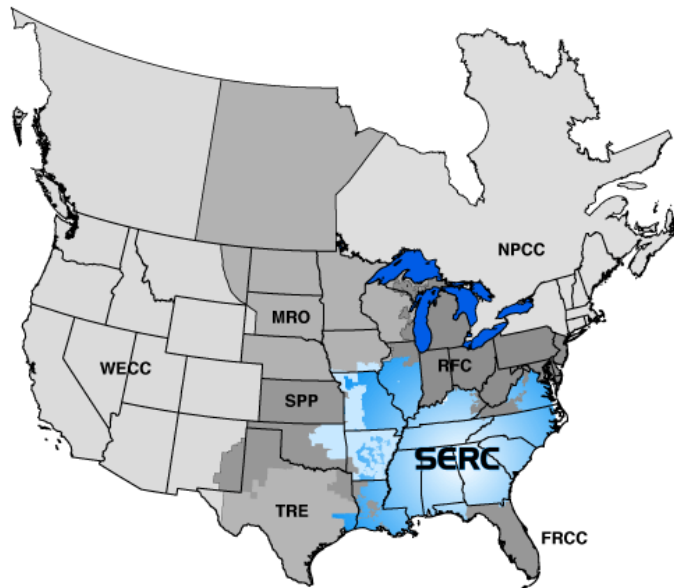
Finance and Accounting

The following table shows funding sources and related expenses for the Finance and Accounting section of the *2015 Business Plan and Budget*.

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	4,000	(6,000)	1,000	(9,000)
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 10,000</u>	<u>\$ 4,000</u>	<u>\$ (6,000)</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	45,860	10,460	26,400	(9,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 45,400</u>	<u>\$ 57,860</u>	<u>\$ 12,460</u>	<u>\$ 39,400</u>	<u>\$ (6,000)</u>
Total Direct Expenses	<u>\$ 45,400</u>	<u>\$ 57,860</u>	<u>\$ 12,460</u>	<u>\$ 39,400</u>	<u>\$ (6,000)</u>
Indirect Expenses	<u>\$ (45,400)</u>	<u>\$ (53,860)</u>	<u>\$ (8,460)</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>\$ 4,000</u>	<u>\$ 4,000</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>\$ 4,000</u>	<u>\$ 4,000</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

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	537,810
Less: 2013 Projected expenses & capital expenditures	(15,613,887)
Projected Working Capital Reserve (Deficit), December 31, 2014	\$ 3,461,951
Desired Working Capital Reserve, December 31, 2015	¹ \$ 3,538,500
Minus: Projected Working Capital Reserve, December 31, 2014	3,461,951
Increase(decrease) in funding requirement to achieve Working Capital Reserve	\$ 76,549
2015 Expenses and Capital Expenditures	\$ 15,995,840
Less: Penalty Sanctions ²	(1,787,000)
Less: Other Funding Sources	(554,355)
Adjustment to achieve desired Working Capital Reserve	76,549
2015 ERO Assessment	\$ 13,731,034

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, which is approximately two months of operating expenses, 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. At the July 10, 2013 meeting of the SERC Board Executive Committee, the BEC 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.

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

Explanation of Changes in Reserve Policy from Prior Years

There was no change to the Working Capital and operating reserve policy.

Persuant to SERC's Working Capital and Operating Reserve policies, the \$3,538,500 desired working capital reserve included in SERC's *2015 Business Plan and Budget* (shown in Table B-1) is comprised of \$1,600,000 as an operating reserve and \$1,938,500 as a temporary increase to the operating reserve.

Breakdown by Statement of Activity Sections

The following detailed schedules support the information in the Statement of Activities, Fixed Assets Expenditures and Change in Working Capital, shown on page 11, of the *2015 Business Plan and Budget*. All significant variances are disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received on or 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 are allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration and Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based on 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

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
Penalty payment 23	5/5/2014	30,000
Penalty payment 24	6/5/2014	15,000
Total Penalties Received		\$ 1,787,000

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	\$ 16,000	\$ 3,500	\$ (12,500)
Miscellaneous - CEA function in SPP	16,000	16,000	3,500	(12,500)
Total	\$ 32,000	\$ 32,000	\$ 7,000	\$ (25,000)
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	267,605	211,060	259,355	(8,250)
Total	\$ 267,605	\$ 211,060	\$ 259,355	\$ (8,250)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 10,000	\$ 4,000	\$ 1,000	\$ (9,000)
Miscellaneous Income	276,500	290,750	287,000	10,500
Total	\$ 286,500	\$ 294,750	\$ 288,000	\$ 1,500
Total Outside Funding	\$ 321,000	\$ 537,810	\$ 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 and Administrative costs, as required by the contracts with FRCC and Southwest Power Pool (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	\$ 9,162,486	\$ 9,717,873	\$ (469,571)	-4.6%
Total Payroll Taxes	611,246	549,749	583,072	(28,174)	-4.6%
Total Benefits	941,806	958,793	938,825	(2,981)	-0.3%
Total Retirement	1,394,422	1,198,071	1,325,619	(68,803)	-4.9%
Total Personnel Costs	<u>\$ 13,134,918</u>	<u>\$ 11,869,099</u>	<u>\$ 12,565,389</u>	<u>\$ (569,529)</u>	<u>-4.3%</u>
FTEs	79.20	68.22	78.70	(0.50)	-0.6%
Cost per FTE					
Salaries	\$ 128,629	\$ 134,304	\$ 123,480	(5,149)	-4.0%
Payroll Taxes	7,718	8,058	7,409	(309)	-4.0%
Benefits	11,891	14,054	11,929	38	0.3%
Retirement	17,606	17,561	16,844	(762)	-4.3%
Total Cost per FTE	\$ 165,845	\$ 173,978	\$ 159,662	\$ (6,183)	-3.7%

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	275,000	134,333	(110,667)	-45%
Reliability Assessment and Performance Analysis	232,500	160,000	322,500	90,000	39%
Training and Education	130,000	90,000	163,000	33,000	25%
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	205,731	85,000	(95,000)	-53%
Legal and Regulatory	-	-	-	-	
Information Technology	441,530	432,530	402,776	(38,754)	-9%
Human Resources	-	60,000	70,000	70,000	100%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,229,030	\$ 1,223,261	\$ 1,177,609	\$ (51,421)	-4%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

A decrease of \$110,667 in the Compliance program reflects a reduction in two areas:

- \$80,000 previously budgeted in 2014 for Enforcement contractor support, in lieu of hiring FTEs
- \$30,667 is because more software development projects are being capitalized in 2015. Any development project over SERC's capitalization policy is included as a capitalized asset.

An increase of \$90,000 in the Reliability Assessments program consists of these budget items:

- \$100,000 for a benchmarking system-wide stability study
- A decreasing offset of \$10,000 for the Dynamic Reduction Study to align with historical costs.

A decrease of \$95,000 in the General and Administrative program reflects a reduction in two areas:

- Ongoing training and development of SERC's management team
- Development of a communications plan.

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

Table B-6 – Office Rent

Rent	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Office Rent	\$ 419,861	\$ 412,224	\$ 464,809	\$ 44,948	10.71%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 419,861	\$ 412,224	\$ 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	198,526	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	56,642	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	10,500	10,765	1,077	11.12%
Bank Charges	-	1,000	1,000	1,000	
Taxes	-	5,000	5,000	5,000	
Merchant Card Fees	10,000	6,500	7,000	(3,000)	-30.00%
Total Office Costs	\$ 477,400	563,154	\$ 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 a one-time expense for office furnishings in the new office space.

A net decrease of \$9,990 in Computer, Supplies and Maintenance consists of the following one-time purchases for the new office space in 2014:

- Increase: \$34,300 increase in computer purchases
- Decrease: \$5,990 decrease in computer supplies, \$26,300 decrease in software, \$12,000 decrease in networking supplies, for a total decrease of \$44,290.

Table B-8 – Professional Services

Professional Services	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Candidate Search	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.00%
Outside Legal	50,000	35,000	40,000	(10,000)	-20.00%
Accounting & Auditing Fees	35,400	45,860	26,400	(9,000)	-25.42%
Insurance Commercial	25,000	35,000	35,000	10,000	40.00%
Total Services	\$ 120,400	\$ 125,860	\$ 111,400	\$ (9,000)	-7.48%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

The decrease in Legal of \$10,000 and the increase in Insurance of \$10,000 is to 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	7,000	-	(15,000)	-100.00%
Total Non-Operating Expenses	\$ 15,000	\$ 7,000	\$ -	\$ (15,000)	100.00%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

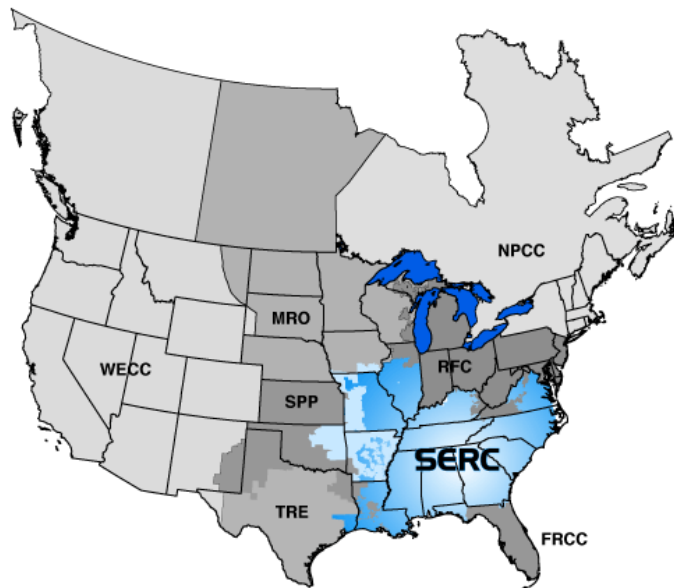
In 2014, SERC included \$15,000 for a moving company as a one-time cost related to the relocation of office space.

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital							
2015 Budget & Projected 2016 and 2017 Budgets							
	2015 Budget	2016 Projection	\$ Change 16 v 15	% Change 16 v 15	2017 Projection	\$ Change 17 v 16	% Change 17 v 16
Funding							
ERO Funding							
NERC Assessments	\$ 13,731,034	\$ 13,737,616	\$ 6,582	0.05%	\$ 13,720,338	\$ (17,278)	-0.1%
Penalty Sanctions	1,787,000	-	(1,787,000)	-100.00%	-	-	-
Total NERC Funding	\$ 15,518,034	\$ 13,737,616	\$ (1,780,418)	-11.5%	\$ 13,720,338	\$ (17,278)	-0.1%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	259,355	259,355	-	0.00%	259,355	-	0.0%
Interest	1,000	1,000	-	0.00%	1,000	-	0.0%
Miscellaneous	294,000	406,350	112,350	38.21%	351,418	(54,933)	-13.5%
Total Funding (A)	\$ 16,072,389	\$ 14,404,321	\$ (1,668,068)	-10.4%	\$ 14,332,110	\$ (72,211)	-0.5%
Expenses							
Personnel Expenses							
Salaries	\$ 9,717,873	\$ 9,709,127	\$ (8,746)	-0.1%	\$ 9,700,389	\$ (8,738)	-0.1%
Payroll Taxes	583,072	582,548	(524)	-0.1%	582,023	(524)	-0.1%
Benefits	938,825	956,193	17,368	1.9%	973,883	17,690	1.9%
Retirement Costs	1,325,619	1,324,426	(1,193)	-0.1%	1,323,234	(1,192)	-0.1%
Total Personnel Expenses	\$ 12,565,389	\$ 12,572,294	\$ 6,905	0.1%	\$ 12,579,529	\$ 7,235	0.1%
Meeting Expenses							
Meetings	\$ 273,110	\$ 275,841	\$ 2,731	1.0%	\$ 284,116	\$ 8,275	3.0%
Travel	585,639	603,208	17,569	3.0%	621,304	18,096	3.0%
Conference Calls	48,000	48,000	-	0.0%	48,000	-	0.0%
Total Meeting Expenses	\$ 906,749	\$ 927,049	\$ 20,300	2.2%	\$ 953,421	\$ 26,371	2.8%
Operating Expenses							
Consultants & Contracts	\$ 1,177,609	\$ 1,020,432	(157,177)	-13.3%	\$ 1,224,720	\$ 204,288	20.0%
Office Rent	464,809	514,267	49,458	10.6%	525,804	11,537	2.2%
Office Costs	430,551	434,857	4,306	1.0%	439,205	4,349	1.0%
Professional Services	111,400	112,514	1,114	1.0%	115,889	3,375	3.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	418,070	354,993	(63,077)	-15.1%	210,317	(144,676)	-40.8%
Total Operating Expenses	\$ 2,602,439	\$ 2,437,063	\$ (165,376)	-6.4%	\$ 2,515,936	\$ 78,873	3.2%
Total Direct Expenses	\$ 16,074,577	\$ 15,936,406	\$ (138,171)	-0.9%	\$ 16,048,885	\$ 112,479	0.7%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 16,074,577	\$ 15,936,406	\$ (138,171)	-0.9%	\$ 16,048,885	\$ 112,479	0.7%
Change in Assets	\$ (2,188)	\$ (1,532,085)	\$ (1,529,897)	69922.2%	\$ (1,716,775)	\$ (184,690)	12.1%
Fixed Assets							
Depreciation	\$ (418,070)	\$ (354,993)	\$ 63,077	-15.1%	\$ (210,317)	\$ 144,676	-40.8%
Computer & Software CapEx	309,333	100,000	(209,333)	-67.7%	100,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	30,000	-	(30,000)	-100.0%	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (78,737)	\$ (254,993)	\$ (176,256)	223.9%	\$ (110,317)	\$ 144,676	-56.7%
TOTAL BUDGET (=B + C)	\$ 15,995,840	\$ 15,681,413	\$ (314,427)	-2.0%	\$ 15,938,568	\$ 257,155	1.6%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 76,549	\$ (1,277,092)	\$ (1,353,641)	-1768.3%	\$ (1,606,458)	(329,366)	25.8%
FTEs	78.70	78.70	-	-	78.70	-	-

Section C – Non-Statutory Activities

2015 Business Plan and Budget



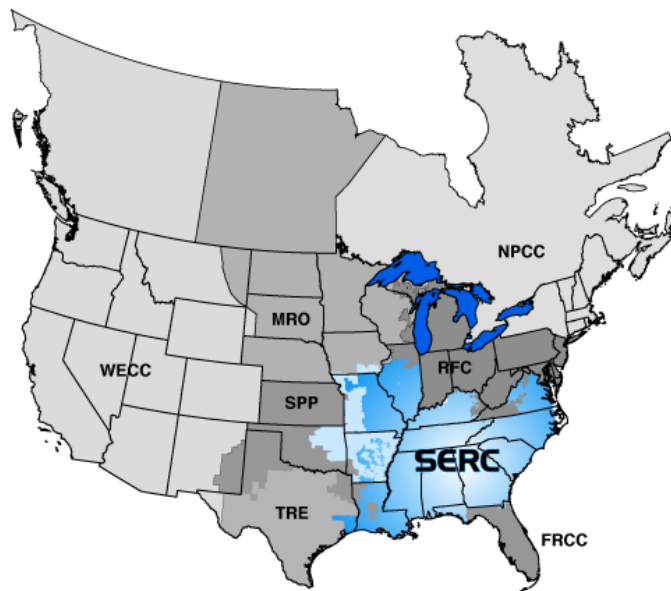
Section C — 2015 Non-Statutory Activities

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 – Additional Consolidated Financial Statements

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

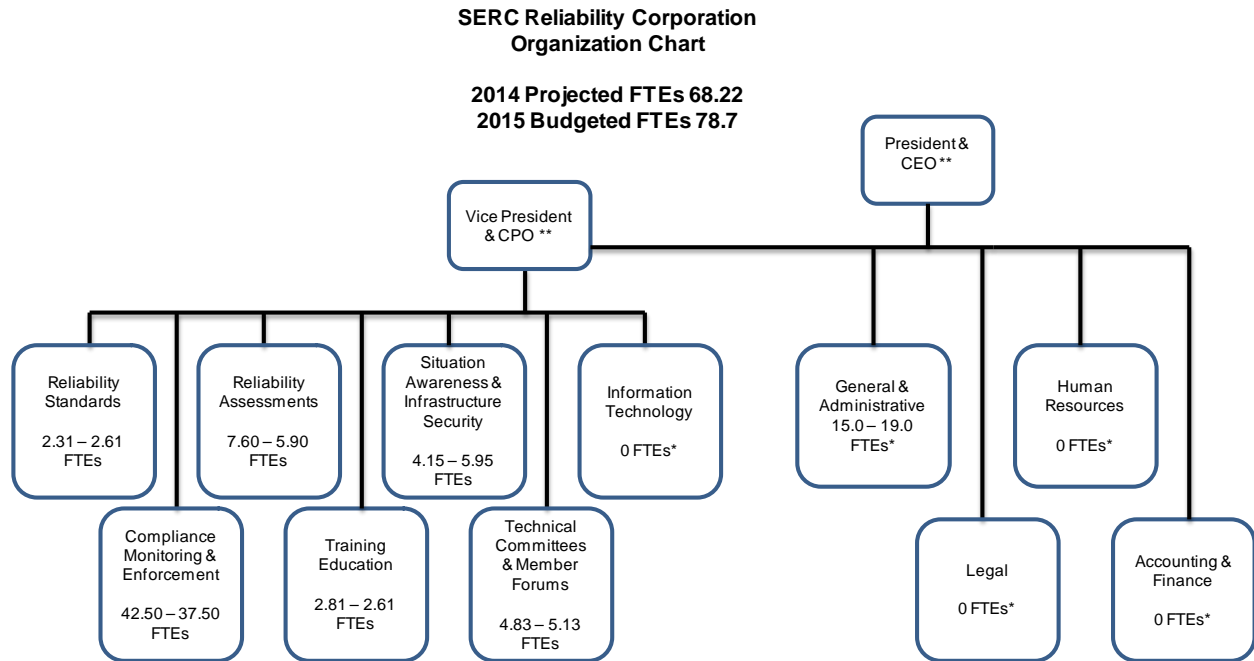
Statement of Activities and Capital Expenditures by Program 2015 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Functions	Non-Statutory Total	
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (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	13,731,034	13,731,034	-	13,731,034	595,650	9,544,624	1,616,315	710,595	1,475,301	-	(211,451)	-	-	-	-	-	-
Penalty Sanctions	1,787,000	1,787,000	-	1,787,000	85,469	1,228,011	193,207	85,469	194,844	-	-	-	-	-	-	-	-
Total NERC Funding	15,518,034	15,518,034	-	15,518,034	681,119	10,772,635	1,809,522	796,064	1,670,145	-	(211,451)	-	-	-	-	-	-
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)	16,072,389	16,072,389	-	16,072,389	681,119	10,779,635	1,809,522	1,055,419	1,670,145	-	75,549	-	-	-	-	-	1,000
Expenses																	
Personnel Expenses																	
Salaries	9,717,873	9,717,873	-	9,717,873	284,511	4,592,037	553,482	333,898	724,538	666,420	2,562,987	-	-	-	-	-	-
Payroll Taxes	583,072	583,072	-	583,072	17,071	275,522	33,209	20,034	43,472	39,985	153,779	-	-	-	-	-	-
Benefits	938,825	938,825	-	938,825	31,214	455,748	76,022	25,990	71,381	65,860	212,610	-	-	-	-	-	-
Retirement Costs	1,325,619	1,325,619	-	1,325,619	40,080	631,558	77,407	46,584	91,105	89,873	349,012	-	-	-	-	-	-
Total Personnel Expenses	12,565,389	12,565,389	-	12,565,389	372,876	5,954,865	740,120	426,506	930,496	862,138	3,278,388	-	-	-	-	-	-
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	1,177,609	1,177,609	-	1,177,609	-	134,333	322,500	163,000	-	-	85,000	-	402,776	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	418,070	418,070	-	418,070	-	-	-	-	-	-	418,070	-	-	-	-	-	-
Total Operating Expenses	2,602,439	2,602,439	-	2,602,439	-	160,132	325,112	165,024	890	944	1,207,398	31,605	590,626	81,308	39,400	-	-
Total Direct Expenses	16,074,577	16,074,577	-	16,074,577	380,205	6,456,152	1,129,294	754,505	984,152	927,215	4,700,115	31,605	590,626	81,308	39,400	-	-
Indirect Expenses																	
	-	-	-	-	304,680	4,377,590	688,741	304,680	694,578	(927,215)	(4,700,115)	(31,605)	(590,626)	(81,308)	(39,400)	-	-
Other Non-Operating Expenses																	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	16,074,577	16,074,577	-	16,074,577	684,885	10,833,742	1,818,035	1,059,185	1,678,730	-	-	-	-	-	-	-	-
Change in Assets	(2,188)	(2,188)	-	(2,188)	(3,766)	(54,107)	(8,513)	(3,766)	(8,585)	-	75,549	-	-	-	-	-	1,000
Fixed Assets																	
Depreciation	(418,070)	(418,070)	-	(418,070)	-	-	-	-	-	-	(418,070)	-	-	-	-	-	-
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	-	-	-	-	(3,766)	(54,107)	(8,513)	(3,766)	(8,585)	78,737	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(78,737)	(78,737)	-	(78,737)	(3,766)	(54,107)	(8,513)	(3,766)	(8,585)	-	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	15,995,840	15,995,840	-	15,995,840	681,119	10,779,635	1,809,522	1,055,419	1,670,145	-	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	76,549	76,549	-	76,549	-	-	-	-	-	-	75,549	-	-	-	-	-	1,000
FTEs	78.70	78.70	-	78.70	2.61	37.50	5.90	2.61	5.95	5.13	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	8,553,984	8,244,651
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	322,352	401,089
Total Assets	8,589,317	9,117,241	8,886,645
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	1,787,000	
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	412,321	409,018	498,943
Accrued incentive compensation	1,428,122	1,112,772	1,234,905
Total Liabilities	5,177,811	4,339,585	2,764,643
Net Assets - unrestricted	4,659,665	4,777,656	6,122,002
Total Liabilities and Net Assets	9,837,476	9,117,241	8,886,645

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