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# **SERC Reliability Corporation**

## **2018 Business Plan and Budget**

**DRAFT**

**April 16, 2018**

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## Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2018.

TOTAL RESOURCES (in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	75.00			
Non-statutory FTEs**	-			
<b>Total FTEs</b>	75.00			
Statutory Expenses	\$ 17,290,935			
Non-Statutory Expenses**	\$ -			
<b>Total Expenses</b>	\$ 17,290,935			
Statutory Inc(Dec) in Fixed Assets	\$ (108,067)			
Non-Statutory Inc(Dec) in Fixed Assets**	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (108,067)			
Statutory Working Capital Requirement*	\$ 1,013,271			
Non-Statutory Working Capital Requirement**	\$ -			
<b>Total Working Capital Requirement</b>	\$ 1,013,271			
Total Statutory Funding Requirement	\$ 18,196,139			
Total Non-Statutory Funding Requirement**	\$ -			
<b>Total Funding Requirement</b>	\$ 18,196,139			
<b>Statutory Funding Assessments</b>	\$ 17,215,136	\$ 17,215,136	\$ -	\$ -
<b>Non-Statutory Fees**</b>	\$ -	\$ -	\$ -	\$ -
NEL	1,025,559,971	1,025,559,971	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

**Table 1. SERC Budget for 2018**

## Organizational Overview

SERC is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power system (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 25.7 percent of the net energy for load (NEL) in North America and 30.9 percent 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
- *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. Effective January 1, 2015, SERC incorporated in the state of North Carolina.

SERC has a 2018 targeted staffing level of 75.0 Full-Time Equivalents (FTEs) (2018 total headcount of 75.0) composed of power industry professionals and support personnel.

## Membership and Governance

As part of its delegated duties, SERC monitors 193 registered entities in the SERC Region for compliance with the NERC Reliability Standards. Membership in SERC is voluntary and free. SERC's member companies participate in the technical activities and governance of the organization. SERC currently has 54 member companies.

A Board of Directors (Board), composed 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:

- Board 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.
- Nominating Committee: Identifies, vets, and recommends candidates for Board Officer and committee positions, as needed.

## Statutory Functional Scope

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

- Analyzes events to identify Lessons Learned that will improve reliability.
- Promotes BPS reliability, adequacy, and security.
- Helps develop Reliability Standards for the North American BPS and the SERC Region.
- Monitors and enforces approved mandatory Reliability Standards.
- Registers and certifies responsible entities under the reliability Compliance program.
- Assesses the BPS past, present, and future risk profile in order to assure reliability, adequacy, and security.
- Trains operating personnel to assure competence.

SERC only performs functions called for in section 215 of the Federal Power Act that have been delegated from NERC to SERC.

## 2018 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 *2018–2020 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's *2018 Business Plan and Budget*.

NERC and the Regional Entities implement joint coordination and collaboration processes to develop the multi-year ERO Enterprise Strategic Plan and performance metrics.

## 2018 Goals and Key Deliverables

The overall goals and key deliverables for 2018 are as follows:

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 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 registered 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.

## 2018 Overview of Cost Impacts

SERC proposes to decrease its operating budget from \$17,482,403 to \$17,182,868 in 2018, a decrease of \$299,535 or 1.7 percent. The proposed 2018 assessment of \$17,215,136 is an increase of 9.6 percent from the 2017 assessment of \$15,706,023. SERC believes that in 2018 it will continue to realize material efficiencies that will 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 the basis of cost per NEL. 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.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the *2018 Business Plan and Budget* (dollars are stated as an increase in the 2018 budget compared to the 2017 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. \$71,000 is included in the *2018 Business Plan and Budget* under Other Funding and various expense accounts for the performance of these services. The costs associated with the Regional Entity Coordinator position have been eliminated, and all associated costs usually shared equally with the other Regional Entities removed from the budget; these shared costs will be removed from the Regional Entity's respective budgets also.

The most significant changes to the budget are in personnel, which includes two components:

- **Staff changes proposed in 2018** – The targeted staffing level for 2018 is 75.00 FTEs, This reflects no change as compared to the 2017 budget. SERC is continuing to use consultants in lieu of FTEs for Business Process and Risk Assessment in the area of Information Technology (IT) and Facilities.
- **Cost increase for maintaining staff budgeted in 2018** – The net decrease in Personnel costs of \$271,112 compared to 2017 reflects a budgeted average increase in merit of 3 percent for existing staff, and an overall increase in employee benefit costs. As an offset, a 6 percent vacancy rate has been applied to all Personnel Expenses. Decrease also reflects the elimination of a onetime Personnel Expense and disbandment of the Regional Entity Management Group (REMG).

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

- **Meetings and Travel** – An increase of \$392 and \$71,888 or 0.15 percent and 13.4 percent, respectively, is due to the CMEP audit schedule, an increase in the total number of meetings, and an effort to bring remote staff to the SERC office more frequently. SERC continues the effort to have most meetings in SERC's office or member facilities.
- **Consultants and Contracts** – A decrease of \$264,300 or 12.5 percent is primarily due to the decrease in vacancy rate and renegotiation of contracts, going from one year to multi-year contracts. Additionally, SERC will not be performing the following studies: Under Frequency Load Shedding study, performed every five years; Dynamic Reduction Study, performed every two years; and a compensation and benefit study, performed every two years.
- **Office Rent** – An increase of \$38,000 or 6.4 percent is due to annual increases and varying monthly operating expenses. SERC continues to record rent on a straight-line basis, per Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet.

- **Office Costs** – An increase of \$153,485 or 54.4 percent is primarily due to reclassification of Commercial Insurance and software licenses as office costs from Professional Fees and Consultants & Contracts, respectively. The increase also accounts for incremental increases in miscellaneous office items. There is a significant reduction in Professional Fees.
- **Professional Fees** – A decrease of \$118,739 or 67.6 percent is primarily due to reclassifying corporate insurance as Office Costs, a decrease in Human Resources Fees, and accounting and auditing fees.
- **Depreciation** – An increase of \$218,186 or 92.9 percent is due to an increase in fixed assets as a result of an increase of \$102,000 capital spending in 2018, which includes the reclassification of computers as fixed assets, and an increase in capital expenses in 2017.

The SERC Board of Directors, in aggregate, defines and approves SERC's budget. SERC works within the total budget to perform its delegated duties. Any variances will be explained in the quarterly variance reports.



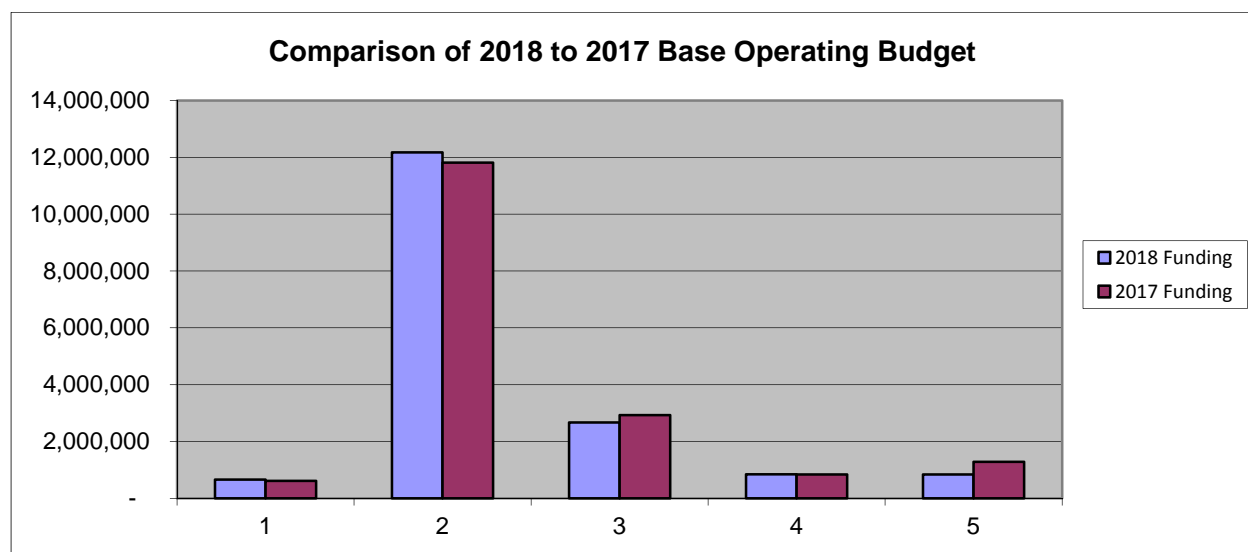
## Summary by Program

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

Base Operating Budget	Budget 2017	Projection 2017	Budget 2018	Change	
				2018 Budget v 2017 Budget	% Change
Reliability Standards	614,004	702,160	658,556	44,552	7.3%
Compliance Enforcement and Organization Registration	11,816,885	12,399,504	12,171,991	355,106	3.0%
Reliability Assessments and Performance Analysis	2,927,001	2,393,169	2,667,153	(259,848)	-8.9%
Training, Education and Operator Certification	838,985	728,433	843,926	4,941	0.6%
Situation Awareness and Infrastructure Security	1,285,528	882,529	841,242	(444,286)	-34.6%
<b>Total</b>	<b>17,482,403</b>	<b>17,105,795</b>	<b>17,182,868</b>	<b>(299,535)</b>	<b>-1.7%</b>
Working Capital Reserve	(1,020,855)	(1,301,213)	1,013,271	2,034,126	
<b>Total Funding</b>	<b>16,461,548</b>	<b>15,804,582</b>	<b>18,196,139</b>	<b>1,734,591</b>	<b>10.5%</b>

This representation does not include an allocation of working capital requirements among the program areas.

**Table 2. Budget by Program Area**



This graphical representation does not include an allocation of working capital requirements among the program areas.

**Figure 1. Budget by Program Area Chart**

**Reliability Standards** – The \$44,522 increase in total funding, from \$614,004 budgeted in 2017 to \$681,743 budgeted in 2018, is due to a 3 percent increase in merit, associated benefits, and incentive compensation, as well as an increase in Indirect Expenses from 2017 to 2018.

**Compliance Enforcement and Organization Registration** – The 3.0 percent increase in total funding, from \$11,816,885 budgeted in 2017 to \$12,171,991 budgeted in 2018, results from an increase in indirect expenses allocated to the Compliance Enforcement and Organization Registration program. This increase is due to the increase of total costs in Administrative Services. Additionally, a 6 percent vacancy rate has been applied to personnel costs, based on historical data. As an offsetting decrease, SERC reduced FTEs by 1.75, as described in the Resource Requirements section of the program areas budget.

**Reliability Assessments and Performance Analysis** – The 8.9 percent decrease in total funding, from \$2,927,001 in 2017 to \$2,667,153 budgeted in 2018, is due to the decrease of 1.75 FTEs, as described in the Resource Requirements section of the program area budget. A 6 percent vacancy rate has been applied to personnel costs, based on historical data. Additionally, a decrease in indirect expenses allocated to the Reliability Assessments and Performance Analysis program is due to the decrease of FTEs in the Reliability Assessments and Performance Analysis program and the total costs in Administrative Services. Consultants and contracts also decreased due to not performing the following studies: the Under Frequency Load Shedding study, normally performed every five years; and the Dynamic Reduction Study, normally performed every two years.

**Training, Education and Operator Certification** – The 0.6 percent increase in total funding, from \$838,985 budgeted in 2017 to \$843,926 budgeted in 2018, results from an increase in indirect expenses being allocated to Training, Education and Operator Certification. This increase is due to the increase of total costs in Administrative Services. Additionally, a 6 percent vacancy rate has been applied to personnel costs, based on historical data.

**Situation Awareness and Infrastructure Security** – The 34.6 percent decrease in total funding, from \$1,285,528 budgeted in 2017 to \$841,242 budgeted in 2018, is due to the decrease of 1.50 FTEs as described in the Resource Requirements section of the program area budget. The decrease in indirect expenses allocated to the Situation Awareness and Infrastructure Security program is due to the decrease of FTEs.

The following table displays total FTEs by program area.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2017	2017	2018 Budget	FTEs <sup>1</sup> 2018 Budget	2018 Budget	from 2017 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.70	1.70	1.70	-	1.70	-
Compliance Monitoring and Enforcement and Organization Registration and Certification	34.31	31.22	32.56	-	32.56	(1.75)
Reliability Assessment and Performance Analysis	8.12	5.37	6.37	-	6.37	(1.75)
Training and Education	1.70	1.20	1.70	-	1.70	-
Situation Awareness and Infrastructure Security	3.87	2.37	2.37	-	2.37	(1.50)
<b>Total FTEs Operational Programs</b>	<b>49.70</b>	<b>41.86</b>	<b>44.70</b>	<b>-</b>	<b>44.70</b>	<b>(5.00)</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	4.70	4.45	4.70	-	4.70	-
General & Administrative	13.25	9.58	11.25	-	11.25	(2.00)
Legal and Regulatory	2.55	2.52	2.55	-	2.55	-
Business Process & Risk Assessment	-	6.16	7.00	-	7.00	7.00
Human Resources	1.90	1.90	1.90	-	1.90	-
Finance and Accounting	2.90	2.10	2.90	-	2.90	-
<b>Total FTEs Administrative Programs</b>	<b>25.30</b>	<b>26.71</b>	<b>30.30</b>	<b>-</b>	<b>30.30</b>	<b>5.00</b>
<b>Total FTEs</b>	<b>75.00</b>	<b>68.57</b>	<b>75.00</b>	<b>-</b>	<b>75.00</b>	<b>-</b>

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

**Table 3. Total FTEs by Program Area**

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

## 2017 Budget and Projection and 2018 Budget Comparisons

The following table lists the 2017 budget and projection compared to the 2018 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 15,706,023	\$ 15,706,023	\$ -	\$ 17,215,136	\$ 1,509,113
Penalty Sanctions	195,000	195,000	-	717,978	522,978
<b>Total NERC Funding</b>	<b>\$ 15,901,023</b>	<b>\$ 15,901,023</b>	<b>\$ -</b>	<b>\$ 17,933,114</b>	<b>\$ 2,032,091</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	176,025	176,025	-	176,025	-
Interest	1,000	1,000	-	1,000	-
Miscellaneous	383,500	86,000	(297,500)	86,000	(297,500)
<b>Total Funding (A)</b>	<b>\$ 16,461,548</b>	<b>\$ 16,164,048</b>	<b>\$ (297,500)</b>	<b>\$ 18,196,139</b>	<b>\$ 1,734,591</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,095,783	\$ 9,697,896	\$ (397,887)	\$ 9,833,357	\$ (262,426)
Payroll Taxes	747,086	710,348	(36,738)	727,668	(19,418)
Benefits	1,087,450	1,016,121	(71,329)	1,094,551	7,101
Retirement Costs	1,278,181	1,216,469	(61,712)	1,281,811	3,630
<b>Total Personnel Expenses</b>	<b>\$ 13,208,500</b>	<b>\$ 12,640,834</b>	<b>\$ (567,666)</b>	<b>\$ 12,937,388</b>	<b>\$ (271,112)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 265,768	\$ 250,560	\$ (15,208)	\$ 266,160	\$ 392
Travel	534,977	557,854	22,877	606,865	71,888
Conference Calls	44,544	44,544	-	44,544	-
<b>Total Meeting Expenses</b>	<b>\$ 845,289</b>	<b>\$ 852,958</b>	<b>\$ 7,669</b>	<b>\$ 917,569</b>	<b>\$ 72,280</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,120,181	\$ 2,108,533	\$ (11,648)	\$ 1,855,881	\$ (264,300)
Office Rent	590,983	628,983	38,000	628,983	38,000
Office Costs	282,011	497,401	215,390	435,496	153,485
Professional Services	175,739	57,000	(118,739)	57,000	(118,739)
Miscellaneous	16,700	5,550	(11,150)	5,550	(11,150)
Depreciation	234,882	330,535	95,653	453,068	218,186
<b>Total Operating Expenses</b>	<b>\$ 3,420,496</b>	<b>\$ 3,628,002</b>	<b>\$ 207,506</b>	<b>\$ 3,435,978</b>	<b>\$ 15,482</b>
<b>Total Direct Expenses</b>	<b>\$ 17,474,285</b>	<b>\$ 17,121,794</b>	<b>\$ (352,491)</b>	<b>\$ 17,290,935</b>	<b>\$ (183,350)</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 17,474,285</b>	<b>\$ 17,121,795</b>	<b>\$ (352,490)</b>	<b>\$ 17,290,935</b>	<b>\$ (183,350)</b>
<b>Change in Assets</b>	<b>\$ (1,012,737)</b>	<b>\$ (957,747)</b>	<b>\$ 54,990</b>	<b>\$ 905,204</b>	<b>\$ 1,917,941</b>
<b>Fixed Assets</b>					
Depreciation	\$ (234,882)	\$ (330,535)	\$ (95,653)	\$ (453,068)	\$ (218,186)
Computer & Software CapEx	100,000	340,000	240,000	345,000	245,000
Furniture & Fixtures CapEx	-	20,000	20,000	-	-
Equipment CapEx	143,000	314,000	171,000	-	(143,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ 1	\$ 1	\$ 2	\$ 2
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>8,118</b>	<b>343,466</b>	<b>335,348</b>	<b>(108,067)</b>	<b>(116,185)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 17,482,403</b>	<b>\$ 17,465,261</b>	<b>\$ (17,142)</b>	<b>\$ 17,182,868</b>	<b>\$ (299,535)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,020,855)</b>	<b>\$ (1,301,213)</b>	<b>\$ (280,358)</b>	<b>\$ 1,013,271</b>	<b>\$ 2,034,126</b>
FTEs	75.00	68.57	(6.43)	75.00	-

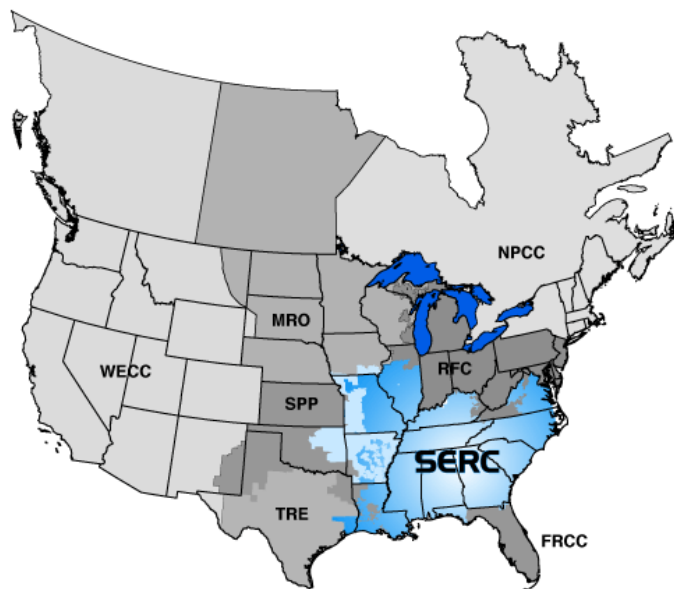
**Table 4.** Budget and Projection Comparison, 2017 to 2018

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# Section A – Statutory Programs

## 2018 Business Plan and Budget

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## Section A – Statutory Programs

### Reliability Standards Program

The following table shows funding sources and related expenses for the Reliability Standards program.

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2017 Budget</b>	<b>2018 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.70	1.70	-
Direct Expenses	\$ 334,302	\$ 342,948	\$ 8,646
Indirect Expenses	\$ 279,424	\$ 321,091	\$ 41,667
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 278	\$ (5,483)	\$ (5,761)
Total Funding Requirement	\$ 614,004	\$ 658,556	\$ 44,552

Table A-1. Reliability Standards Budget

### Program Scope and Functional Description

SERC may develop Regional Reliability Standards to establish threshold requirements for assuring the planning and operation of the Bulk Electric System (BES). SERC, in accordance with the SERC Reliability Standards Development Procedure, develops and maintains its Standards to minimize the risks of cascading failures and avoid damage to major equipment. These Standards must be more stringent than a NERC Reliability Standard, and address a regional difference or limit interruptions of a regional difference necessitated by a physical difference in the BPS.

SERC may also develop regional criteria. Regional criteria are clear, timely, effective in mitigating risks to good utility practices used to enhance the reliability of the BES, consider cost-effectiveness/impact, and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. SERC develops its regional criteria in accordance with the SERC Technical Committee Document.

### 2018 Key Assumptions

The 2018 key assumptions for the Reliability Standards Program are:

- SERC expects the volume of NERC Reliability Standard changes to decrease compared with prior years as the standards are expected to reach a steady state.
- SERC resources will support the standards development per the NERC Standards Process Manual.
- SERC regional standards development activity will continue to be limited.

## 2018 Goals and Key Deliverables

SERC Reliability Standards Program 2018 goals and key deliverables are as follows:

1. Manage the SERC Regional Reliability Standards and SERC Technical Committee Documents per the approved 2018 Review Work Plan.
2. Review and update the SERC Regional Reliability Standards development procedure, as necessary.
3. Support the ERO to develop, modify, and conduct periodic reviews of the Reliability Standards to assure they are clear and properly structured for existing and emerging risks.

## Resource Requirements

### Personnel

Reliability Standards has maintained the FTE allocation from 2017 to 2018. Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to decrease from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

### Contractors and Consultants

There are no contractor and consultant resource requirements.

## Reliability Standards Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY STANDARDS					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 607,334	\$ 607,334	\$ -	\$ 631,250	\$ 23,916
Penalty Sanctions	6,670	6,670	-	27,306	20,636
<b>Total NERC Funding</b>	<b>\$ 614,004</b>	<b>\$ 614,004</b>	<b>\$ -</b>	<b>\$ 658,556</b>	<b>\$ 44,552</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 614,004</b>	<b>\$ 614,004</b>	<b>\$ -</b>	<b>\$ 658,556</b>	<b>\$ 44,552</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 255,902	\$ 271,064	\$ 15,162	\$ 266,109	\$ 10,207
Payroll Taxes	18,937	20,059	1,122	19,692	755
Benefits	23,841	27,265	3,424	22,542	(1,299)
Retirement Costs	33,222	35,226	2,004	34,605	1,383
<b>Total Personnel Expenses</b>	<b>\$ 331,902</b>	<b>\$ 353,613</b>	<b>\$ 21,711</b>	<b>\$ 342,948</b>	<b>\$ 11,046</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,400	4,900	2,500	-	(2,400)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 2,400</b>	<b>\$ 4,900</b>	<b>\$ 2,500</b>	<b>\$ -</b>	<b>\$ (2,400)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 334,302</b>	<b>\$ 358,513</b>	<b>\$ 24,211</b>	<b>\$ 342,948</b>	<b>\$ 8,646</b>
<b>Indirect Expenses</b>	<b>\$ 279,424</b>	<b>\$ 329,698</b>	<b>\$ 50,274</b>	<b>\$ 321,091</b>	<b>\$ 41,667</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 613,726</b>	<b>\$ 688,211</b>	<b>\$ 74,485</b>	<b>\$ 664,039</b>	<b>\$ 50,313</b>
<b>Change in Assets</b>	<b>\$ 278</b>	<b>\$ (74,207)</b>	<b>\$ (74,485)</b>	<b>\$ (5,483)</b>	<b>\$ (5,761)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 278	13,949	13,671	(5,483)	(5,761)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>278</b>	<b>13,949</b>	<b>13,671</b>	<b>(5,483)</b>	<b>(5,761)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 614,004</b>	<b>\$ 702,160</b>	<b>\$ 88,156</b>	<b>\$ 658,556</b>	<b>\$ 44,552</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (88,156)</b>	<b>\$ (88,156)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>FTEs</b>	1.70	1.70	-	1.70	-

Table A-2. Reliability Standards Budget Detail



## Compliance Monitoring and Enforcement

The following table lists the budget for the Compliance Monitoring and Enforcement Program.

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2017 Budget</b>	<b>2018 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	34.31	32.56	(1.75)
Direct Expenses	\$ 6,171,838	\$ 6,091,064	\$ (80,774)
Indirect Expenses	\$ 5,639,443	\$ 6,149,838	\$ 510,395
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 5,604	\$ (68,911)	\$ (74,515)
Total Funding Requirement	\$ 11,816,885	\$ 12,171,991	\$ 355,106

Table A-3. **Compliance Monitoring and Enforcement Program Budget**

### Program Scope and Functional Description

SERC's Compliance Monitoring and Enforcement Program (CMEP) is implemented by Compliance and Enforcement personnel, who are independent of stakeholders and registered entities. To accomplish this objective, SERC has divided its CMEP into five areas: Compliance Monitoring, Compliance Programs and Services, Entity Assessment and Mitigation, Organization Registration and Certification, and Enforcement.

#### Compliance

SERC's Compliance staff implements the CMEP activities pursuant to the *Delegation Agreement* and Uniform CMEP. The Compliance Program consists of four functional areas:

- Compliance Monitoring
  - Conducts SERC compliance monitoring activities (e.g. Compliance audits, spot checks, guided self-certifications, and investigations)
  - Performs registered entity Internal Control Evaluations
  - Provides subject matter experts for Standards and Requirements
  - Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions process
- Compliance Programs and Services
  - Supports compliance staff by deploying CMEP-related analytics and reporting
  - Performs Compliance Assessments, when required, on Events reported by registered entities
- Entity Assessment and Mitigation
  - Conducts registered entity Inherent Risk Assessments
  - (Staff) serves as the single point of contact for all non-compliance issues discovered and/or self-reported
  - Performs risk harm assessment on non-compliance, which includes determining the scope of the non-compliance, potential, and actual potential risk to Bulk Power System (BPS) reliability.

- Reviews and approves the registered entity’s mitigating activities to ensure the registered entity performs the actions necessary to correct the non-compliance to protect BPS reliability
- Administers the SERC regional self-logging program
- Organization Registration and Certification
  - Registers owners, operators, and users of the BPS for compliance with Reliability Standards
  - Certifies applicable entities

### **Enforcement**

SERC Enforcement personnel are responsible for processing violations of Reliability Standards and imposing penalties or sanctions, as appropriate. The Enforcement personnel follow these steps:

1. Notify the registered entity of the findings regarding the violation and any applicable penalties or sanctions.
2. Negotiate settlement with the registered entity.
3. Submit the proposed enforcement action, along with any proposed penalty or sanctions, to NERC for review, approval, and subsequent submittal to FERC.
4. Prosecute the case before a Hearing Body if a registered entity challenges the findings of the violation and/or penalty.

### **2018 Key Assumptions**

#### **Compliance**

The 2018 key assumptions for SERC Compliance are:

- The development of new Reliability Standards will remain relatively stable.
- The number of ERO Enterprise requests for guidance on compliance implementation may increase due to the number of revised Standards and Requirements.
- Critical Infrastructure Protection (CIP) Reliability Standard violations may see a modest increase due to initial Compliance Monitoring activities for CIP Version 5 for registered entities who previously had limited CIP compliance responsibilities.
- The implementation of risk-based CMEP may require additional resources to complete or update registered entity Inherent Risk Assessments (IRA). The resources will focus on developing and maintaining compliance oversight plans that include Reliability Standards to monitor, the appropriate compliance monitoring tool, and the frequency of compliance monitoring engagement.
- Based on registered entity IRAs, SERC will increase risk-based Compliance monitoring engagements. SERC expects to increase the use of spot checks and guided self-certifications for Compliance Monitoring engagements, instead of audits.
- Compliance staff will continue to receive training on risk principles and enhanced audit practices. Additionally, staff will pursue or maintain professional credentials and further

enhance their knowledge on risk-based CMEP processes. This will ensure the skills of SERC staff remain current on industry trends and Reliability Standards.

- Operations and Planning Reliability Standard noncompliance are expected to remain relatively low as most registered entities have been previously audited, and the standards and Reliability Standards Audit Worksheets (RSAWs) have matured.
- The number of CIP Technical Feasibility Exception (TFE) requests will continue to decline as the CIP program for registered entities matures.
- SERC will continue to 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 expects the certification process to remain relatively consistent.
- The volume of documents for Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration will increase as registered 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.
- The ERO Enterprise will facilitate meetings with Regional Entities in the development of application business requirements and the testing of business functionality for ERO Enterprise projects. SERC Compliance staff expects to have an active role in the development of ERO Enterprise CMEP Tools; this may require additional resources to provide an adequate level of participation.

### **Enforcement**

The 2018 key assumptions for SERC Enforcement are:

- The rate of incoming Possible Violations may increase slightly in 2018 due to the implementation of CIP Version 5.
- SERC will process or dismiss Possible Violations in a timely and fair manner.
- There will be no significant increase in travel for Enforcement staff to process Possible Violations.

### **2018 Goals and Key Deliverables**

#### **Compliance**

SERC Compliance 2018 goals and key deliverables are as follows:

1. Conduct scheduled Compliance Monitoring activities pursuant to the 2018 Implementation Plan.

Compliance Monitoring engagements for 2018 are currently scheduled to include on-site audits, off-site audits, spot checks, and guided self-certifications. SERC anticipates at least 12 CIP and Operations and Planning on-site audits. As Entity Assessment and Mitigation completes or updates registered entities' Inherent Risk Assessments, the 2018 Compliance Monitoring schedule will change with additional engagements added.

2. Facilitate efficient and collaborative transitions to new and revised standards through:
  - A. Continued ERO Enterprise-wide collaboration
  - B. Workshops focused on new or revised Standards
  - C. Registered entity site visits to review progress toward compliance with upcoming Standards

3. 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.
  - A. Mature Compliance reform through a Risk-Based Compliance Monitoring approach
  - B. Mature Risk-Based Compliance Monitoring techniques and principles consistently
  - C. Collaborate with the industry regarding best practices to encourage effective internal controls models
  - D. Initiate Compliance phase-in learning periods for new standards
4. Continue delivery of Compliance Lessons Learned from all aspects of the CMEP process.
5. Evaluate the Compliance Monitoring, violation processing, risk-assessment, and registration and certification program for sufficiency and effectiveness. Modify the programs, as needed.
6. Collaborate with the ERO Enterprise to develop common and consistent CMEP processes, information systems, and methods among Regions.
7. Develop and implement the Compliance Monitoring and Enforcement reform through risk-based techniques, including the following:
  - A. Focus on serious risk violations to improve the effectiveness of SERC operations
  - B. Reduce unnecessary costs of compliance on registered entities while ensuring achievement of reliability objectives
8. 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.
9. Develop mature violation processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
10. Assume an active role in ERO Enterprise-wide CMEP Tools development.
11. Continue to 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 work to ensure:
  - A. Compliance staff and other personnel, as necessary, understand Compliance implementation guidance documents and risk-based principles.
  - B. An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct.
  - C. An annual assessment process exists to evaluate audit team content and capability needs.
  - D. A training program exists that addresses initial and continuing training for capability and competency development.
12. Operate an efficient Registration and Certification program that:
  - A. Ensures that SERC provides NERC timely and accurate information about changes in registrations, analysis of system events to confirm that all necessary entities are registered, and registered entities initiate corrective actions, as appropriate
  - B. Performs certification reviews, or if a new certification is required, accommodates a change in a registered entity's status

- C. Documents certification activities sufficiently and makes recommendations to NERC regarding certification

**Enforcement**

SERC Enforcement 2018 goals and key deliverables are as follows:

1. Manage Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities.
2. Hold the industry accountable for violations that create a serious risk to the BPS. Ensure resulting actions are timely and fair, including appropriate use of Compliance Exceptions; Find, Fix, and Track (FFT); Spreadsheet Notice of Penalty (SNOP); and Full Notice of Penalty (NOP). To achieve this, SERC will:
  - A. Conduct outreach activities to help entities increase the percentage of self-identified non-compliances (Self Reports and Self Certifications)
  - B. Decrease the time needed to process violations and keep the average age of violations in inventory at less than one year
  - C. Process minimal and moderate risk issues through non-Enforcement mechanisms where appropriate, and process higher risk violations and broad compliance failures through the SNOP and NOP processing tracks

**Resource Requirements**

**Personnel**

A decrease of 1.75 FTEs in Compliance consists of the following:

Position	Change(s)	FTE Impact
Entry-Level Engineer	Eliminated position	-0.75
Entry-Level Engineer	Eliminated position	-1.00
Program Coordinator	Reallocated from G&A	+1.00
CIP Engineer	Added position	+1.00
Analyst	Reallocated to Business Process & Risk Assessment	-1.00
Sr. Analyst	Reallocated to Business Process & Risk Assessment	-1.00
		<b>-1.75</b>

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC’s insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

**Contractors and Consultants**

The 2018 budget includes contractor support in lieu of FTEs to supplement the Audit and Enforcement programs.

## Compliance Monitoring, Enforcement, and Organization Registration and Certification Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring, Enforcement, and Organization Registration and Certification section of the *2018 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2017 Budget &amp; Projection, and 2018 Budget</b>					
<b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</b>					
Funding	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
<b>ERO Funding</b>					
NERC Assessments	\$ 11,611,268	\$ 11,611,268	\$ -	\$ 11,578,008	\$ (33,260)
Penalty Sanctions	134,617	134,617	-	522,983	388,366
<b>Total NERC Funding</b>	<b>\$ 11,745,885</b>	<b>\$ 11,745,885</b>	<b>\$ -</b>	<b>\$ 12,100,991</b>	<b>\$ 355,106</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	71,000	71,000	-	71,000	-
<b>Total Funding (A)</b>	<b>\$ 11,816,885</b>	<b>\$ 11,816,885</b>	<b>\$ -</b>	<b>\$ 12,171,991</b>	<b>\$ 355,106</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,334,934	\$ 4,274,948	\$ (59,986)	\$ 4,293,726	\$ (41,208)
Payroll Taxes	320,783	316,346	(4,437)	317,736	(3,047)
Benefits	526,268	487,574	(38,694)	490,880	(35,388)
Retirement Costs	564,671	553,955	(10,716)	560,219	(4,452)
<b>Total Personnel Expenses</b>	<b>\$ 5,746,656</b>	<b>\$ 5,632,824</b>	<b>\$ (113,832)</b>	<b>\$ 5,662,560</b>	<b>\$ (84,096)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 13,500	\$ 2,400	\$ (11,100)	\$ 2,000	\$ (11,500)
Travel	309,282	344,095	34,813	386,850	77,568
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 322,782</b>	<b>\$ 346,495</b>	<b>\$ 23,713</b>	<b>\$ 388,850</b>	<b>\$ 66,068</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 83,000	\$ 85,000	\$ 2,000	\$ -	\$ (83,000)
Office Rent	-	-	-	-	-
Office Costs	19,400	21,665	2,265	23,215	3,815
Professional Services	-	-	-	-	-
Miscellaneous	-	2,550	2,550	2,550	2,550
Depreciation	-	-	-	13,889	13,889
<b>Total Operating Expenses</b>	<b>\$ 102,400</b>	<b>\$ 109,215</b>	<b>\$ 6,815</b>	<b>\$ 39,654</b>	<b>\$ (62,746)</b>
<b>Total Direct Expenses</b>	<b>\$ 6,171,838</b>	<b>\$ 6,088,534</b>	<b>\$ (83,304)</b>	<b>\$ 6,091,064</b>	<b>\$ (80,774)</b>
<b>Indirect Expenses</b>	<b>\$ 5,639,443</b>	<b>\$ 6,054,806</b>	<b>\$ 415,363</b>	<b>\$ 6,149,838</b>	<b>\$ 510,395</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,811,281</b>	<b>\$ 12,143,340</b>	<b>\$ 332,059</b>	<b>\$ 12,240,902</b>	<b>\$ 429,621</b>
<b>Change in Assets</b>	<b>\$ 5,604</b>	<b>\$ (326,455)</b>	<b>\$ (332,059)</b>	<b>\$ (68,911)</b>	<b>\$ (74,515)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(13,889)	(13,889)
Computer & Software CapEx	-	-	-	50,000	50,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	5,604	256,164	250,560	(105,022)	(110,626)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 5,604</b>	<b>\$ 256,164</b>	<b>\$ 250,560</b>	<b>\$ (68,911)</b>	<b>\$ (74,515)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,816,885</b>	<b>\$ 12,399,504</b>	<b>\$ 582,619</b>	<b>\$ 12,171,991</b>	<b>\$ 355,106</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (582,619)</b>	<b>\$ (582,619)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>FTEs</b>	<b>34.31</b>	<b>31.22</b>	<b>(3.09)</b>	<b>32.56</b>	<b>(1.75)</b>

Table A-4. Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail

## 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)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	8.12	6.37	(1.75)
Direct Expenses	\$ 1,591,012	\$ 1,484,552	\$ (106,460)
Indirect Expenses	\$ 1,334,663	\$ 1,203,147	\$ (131,516)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,326	\$ (20,546)	\$ (21,872)
Total Funding Requirement	\$ 2,927,001	\$ 2,667,153	\$ (259,848)

Table A-5. Reliability Assessments and Performance Analysis (RAPA) Budget

### Program Scope and Functional Description

SERC's RAPA program provides data gathering and analysis of events on the BES. The RAPA function identifies reliability risks to the BES in the SERC footprint for the purpose of integrated risk analysis. RAPA's mission is to promote a culture of reliability excellence among the owners of BES assets. 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), Demand Response Availability Data System (DADS), and the Misoperations Information Data Analysis System (MIDAS). 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.

### 2018 Key Assumptions

The 2018 key assumptions for SERC RAPA are:

- SERC will continue to support NERC's RAPA program to report on the reliability of the BES.
- SERC will support the ERO Enterprise in execution of the following strategic goals<sup>1</sup>:
  - Goal 3: Identification and mitigation of significant reliability risks
  - Goal 4: Identification and assessment of emerging risks
- SERC will continue to support its role per the Eastern Interconnection Regional Entity Assessments and Model Building Agreement, developed within the Eastern Interconnection Reliability Assessment Group (ERAG).

<sup>1</sup> ERO Enterprise Strategic Plan and Metrics 2017-2020

- SERC will continue to support SERC’s integrated risk management initiatives to promote awareness and reliability resolution discussions. SERC will use project management and analytical software to collaborate, balance workloads, and manage resources effectively.
- SERC will make organizational changes to accommodate the outcomes of the SERC 2017 Strategic Initiative #4: Improve Reliability Through Sub-regional Segmentation and Optimization.

## 2018 Goals and Key Deliverables

1. Support regional analysis that contributes to NERC reliability analysis efforts, SERC reliability risk discussions, and performance analysis efforts.
2. Continue to submit timely and quality probabilistic, seasonal, and long-term SERC and NERC reliability assessments and studies.
3. Continue to support ongoing improvements to SERC and ERAG eastern interconnection planning models, structure, assessments, and analysis.
4. Continue to support NERC RA, PA and System Analysis program data collections, data validation, and analytical efforts.
5. Provide support to the associated SERC and NERC committee member groups and initiatives.
6. Continue to support entity outreach efforts to increase reliability risk related discussions.
7. Assess the need for advanced probabilistic tools to support resource adequacy sensitivities and regional model improvements. Acquire tool based upon findings.
8. Continue to provide employee analytical training that develops the capability to analyze projected, historical, and operational data, and creates value to annual assessments and studies.
9. Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified periods.
10. Continue NERC and regional coordination to improve processes, data collections, and information required to implement enhanced regional analytical efforts.

## Resource Requirements

### Personnel

A decrease of 1.75 FTEs in Reliability Assessment and Performance Analysis consists of the following:

Position	Change(s)	FTE Impact
Entry-Level Engineer	Eliminated position	-0.25
Liaison	Repurposed to Sr. Reliability Engineer and reallocated to Reliability Assessment & Performance Analysis due for better alignment	+1.00
Program Manager, RAPA	Reallocated from Situation Awareness & Infrastructure Security for better alignment	+0.50
Sr. Analyst	Reallocated to Business Process & Risk Assessment	-1.00
Reliability Engineer	Reallocated from Situation Awareness & Infrastructure Security for better alignment	+1.00



Reliability Engineer	Reallocated to Situation Awareness & Infrastructure Security for better alignment	-1.00
Analyst	Reallocated to Business Process & Risk Assessment	-1.00
Analyst	Reallocated to Business Process & Risk Assessment	-1.00
		<b>-1.75</b>

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

### **Contractors and Consultants**

The 2018 budget includes contractor support for a probabilistic assessment performed through the Resource Adequacy Working Group. The 2018 budget also includes contractor support for development of the Multiregional Modelling Working Group 2018 model cases.

## Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the *2018 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2017 Budget &amp; Projection, and 2018 Budget</b>					
<b>RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS</b>					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 2,895,142	\$ 2,895,142	\$ -	\$ 2,564,837	\$ (330,305)
Penalty Sanctions	31,859	31,859	-	102,316	70,457
<b>Total NERC Funding</b>	<b>\$ 2,927,001</b>	<b>\$ 2,927,001</b>	<b>\$ -</b>	<b>\$ 2,667,153</b>	<b>\$ (259,848)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 2,927,001</b>	<b>\$ 2,927,001</b>	<b>\$ -</b>	<b>\$ 2,667,153</b>	<b>\$ (259,848)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 865,697	\$ 758,778	\$ (106,919)	\$ 880,830	\$ 15,133
Payroll Taxes	64,063	56,150	(7,913)	65,181	1,118
Benefits	112,726	82,309	(30,417)	96,848	(15,879)
Retirement Costs	110,591	98,943	(11,648)	114,835	4,244
<b>Total Personnel Expenses</b>	<b>\$ 1,153,077</b>	<b>\$ 996,179</b>	<b>\$ (156,898)</b>	<b>\$ 1,157,695</b>	<b>\$ 4,618</b>
<b>Meeting Expenses</b>					
Meetings	\$ 22,200	\$ 29,200	\$ 7,000	\$ 29,200	\$ 7,000
Travel	44,268	44,268	(0)	46,768	2,500
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 66,468</b>	<b>\$ 73,468</b>	<b>\$ 7,000</b>	<b>\$ 75,968</b>	<b>\$ 9,500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 369,000	\$ 237,097	\$ (131,903)	\$ 249,640	\$ (119,360)
Office Rent	-	-	-	-	-
Office Costs	2,467	906	(1,561)	1,250	(1,217)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 371,467</b>	<b>\$ 238,003</b>	<b>\$ (133,464)</b>	<b>\$ 250,890</b>	<b>\$ (120,577)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,591,012</b>	<b>\$ 1,307,650</b>	<b>\$ (283,362)</b>	<b>\$ 1,484,552</b>	<b>\$ (106,460)</b>
<b>Indirect Expenses</b>	<b>\$ 1,334,663</b>	<b>\$ 1,041,458</b>	<b>\$ (293,205)</b>	<b>\$ 1,203,147</b>	<b>\$ (131,516)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,925,675</b>	<b>\$ 2,349,108</b>	<b>\$ (576,567)</b>	<b>\$ 2,687,699</b>	<b>\$ (237,976)</b>
<b>Change in Assets</b>	<b>\$ 1,326</b>	<b>\$ 577,893</b>	<b>\$ 576,567</b>	<b>\$ (20,546)</b>	<b>\$ (21,872)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 1,326	\$ 44,061	\$ 42,735	(20,546)	\$ (21,872)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 1,326</b>	<b>\$ 44,061</b>	<b>\$ 42,735</b>	<b>\$ (20,546)</b>	<b>\$ (21,872)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 2,927,001</b>	<b>\$ 2,393,169</b>	<b>\$ (533,832)</b>	<b>\$ 2,667,153</b>	<b>\$ (259,848)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 533,832</b>	<b>\$ 533,832</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>FTEs</b>	<b>8.12</b>	<b>5.37</b>	<b>(2.75)</b>	<b>6.37</b>	<b>(1.75)</b>

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

## 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)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.70	1.70	-
Direct Expenses	\$ 559,283	\$ 528,318	\$ (30,965)
Indirect Expenses	\$ 279,424	\$ 321,091	\$ 41,667
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 278	\$ (5,483)	\$ (5,761)
Total Funding Requirement	\$ 838,985	\$ 843,926	\$ 4,941

Table A-7. Training, Education, and Operator Certification Budget

### Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program provides education and training necessary to obtain essential knowledge of BPS operations. SERC Training and Education programs support the continuing education of NERC Certified System Operators in the SERC Region. The program's target audience is BPS operating personnel, system operators, operations support personnel, and training personnel.

SERC supports the development of SERC's staff training and education in power system operating topics.

### 2018 Key Assumptions

SERC Training, Education, and Operator Certification Program 2018 key assumptions are:

- SERC will support the ERO goal to implement Risk-Based Compliance Monitoring. Achieving this goal will require structured training.
  - SERC will use common ERO training methods and curriculum for regional consistency of auditors and other key staff on the required qualification and competencies.
- SERC will provide training to operating personnel to promote the reliability of the BPS in North America.
  - SERC will educate utility personnel regarding changes to NERC Reliability Standards, ERO procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with reliability and/or compliance.
- The SERC Training program will maintain SERC's status as a NERC-certified Continuing Education Provider.

### 2018 Goals and Key Deliverables

The SERC Training program will support the following goals:

1. Develop and deliver training on required technical knowledge, skills, and abilities for auditors and other key staff positions within SERC.

1. Develop and deliver four System Operator Conferences that promote BES reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics.
2. Deliver a Power System Restoration Drill that provides the opportunity for real-time operating personnel and operations support personnel to practice the use of their restoration plans, communications protocol, and to return the BES to a stable interconnected operating state after a simulated system disturbance.
3. Deliver NERC Reliability Standards workshops or webinars to BPS system operators, operating support personnel, compliance, and training personnel to explain changed expectations within new or revised Reliability Standards and related procedures and programs.

## **Resource Requirements**

### **Personnel**

Training and Education has maintained the FTE allocation from 2017 to 2018. Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to decrease from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

### **Contractors and Consultants**

The 2018 budget includes contractor support for the System Operator Conferences, Restoration Drill exercises and workshops to provide NERC System Operator Continuing Education Hours.

## Training, Education, and Operator Certification Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2017 Budget &amp; Projection, and 2018 Budget</b>					
<b>TRAINING, EDUCATION and OPERATOR CERTIFICATION</b>					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 656,290	\$ 656,290	\$ -	\$ 640,595	\$ (15,695)
Penalty Sanctions	6,670	6,670	-	27,306	20,636
<b>Total NERC Funding</b>	<b>\$ 662,960</b>	<b>\$ 662,960</b>	<b>\$ -</b>	<b>\$ 667,901</b>	<b>\$ 4,941</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	176,025	176,025	-	176,025	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 838,985</b>	<b>\$ 838,985</b>	<b>\$ -</b>	<b>\$ 843,926</b>	<b>\$ 4,941</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 191,593	\$ 162,478	\$ (29,115)	\$ 197,631	\$ 6,038
Payroll Taxes	14,178	12,023	(2,155)	14,625	447
Benefits	25,141	23,190	(1,951)	21,342	(3,799)
Retirement Costs	24,775	21,238	(3,537)	25,790	1,015
<b>Total Personnel Expenses</b>	<b>\$ 255,687</b>	<b>\$ 218,929</b>	<b>\$ (36,758)</b>	<b>\$ 259,388</b>	<b>\$ 3,701</b>
<b>Meeting Expenses</b>					
Meetings	\$ 137,496	\$ 116,850	\$ (20,646)	\$ 118,850	\$ (18,646)
Travel	11,100	17,400	6,300	17,400	6,300
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 148,596</b>	<b>\$ 134,250</b>	<b>\$ (14,346)</b>	<b>\$ 136,250</b>	<b>\$ (12,346)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 155,000	\$ 132,680	\$ (22,320)	\$ 132,680	\$ (22,320)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 155,000</b>	<b>\$ 132,680</b>	<b>\$ (22,320)</b>	<b>\$ 132,680</b>	<b>\$ (22,320)</b>
<b>Total Direct Expenses</b>	<b>\$ 559,283</b>	<b>\$ 485,859</b>	<b>\$ (73,424)</b>	<b>\$ 528,318</b>	<b>\$ (30,965)</b>
<b>Indirect Expenses</b>	<b>\$ 279,424</b>	<b>\$ 232,728</b>	<b>\$ (46,696)</b>	<b>\$ 321,091</b>	<b>\$ 41,667</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 838,707</b>	<b>\$ 718,587</b>	<b>\$ (120,120)</b>	<b>\$ 849,409</b>	<b>\$ 10,702</b>
<b>Change in Assets</b>	<b>\$ 278</b>	<b>\$ 120,398</b>	<b>\$ 120,120</b>	<b>\$ (5,483)</b>	<b>\$ (5,761)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 278	\$ 9,846	9,568	(5,483)	(5,761)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 278</b>	<b>\$ 9,846</b>	<b>\$ 9,568</b>	<b>\$ (5,483)</b>	<b>\$ (5,761)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 838,985</b>	<b>\$ 728,433</b>	<b>\$ (110,552)</b>	<b>\$ 843,926</b>	<b>\$ 4,941</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 110,552</b>	<b>\$ 110,552</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FTEs</b>	<b>1.70</b>	<b>1.20</b>	<b>(0.50)</b>	<b>1.70</b>	<b>-</b>

Table A-8. Training, Education, and Operator Certification Budget Detail

## Situation Awareness and Infrastructure Security Program

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

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2017 Budget</b>	<b>2018 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.87	2.37	(1.50)
Direct Expenses	\$ 648,794	\$ 401,247	\$ (247,547)
Indirect Expenses	\$ 636,102	\$ 447,639	\$ (188,463)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	632	(7,644)	(8,276)
Total Funding Requirement	\$ 1,285,528	\$ 841,242	\$ (444,286)

Table A-9. **Situation Awareness and Infrastructure Security Budget**

### Program Scope and Functional Description

The SERC Situation Awareness (SA), Events Analysis (EA) and Infrastructure Security program identifies and analyzes conditions that impact or might impact reliable operations. These programs accomplish this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. Initiatives are developed 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.

### 2018 Key Assumptions

SERC Situation Awareness and Infrastructure Security Program 2018 key assumptions are:

- SERC will support the ERO Enterprise in execution of the following strategic goals<sup>2</sup>:
  - Goal 3: Identification and mitigation of significant reliability risks
  - Goal 4: Identification and assessment of emerging risks
- SERC will continue to work with NERC’s Electricity-Information Sharing and Analysis Center (E-ISAC) and SERC Registered Entities to identify opportunities for improving information sharing on CIP-related events, threats, and vulnerabilities to improve reliability within the BES.
- SERC will continue its outreach program to communicate externally events from Situation Awareness (SA), Events Analysis (EA) analysis.
- SERC will continue to review, track, and trend reliability events to support events reduction and outreach efforts in the SERC Region.
- SERC will share mitigating measures and other BES improvements with SERC entities and the ERO.
- SERC will continue to work with other Regional SA and EA groups to identify conditions or best practices that improve reliability within the BES.

<sup>2</sup> ERO Enterprise Strategic Plan and Metrics 2017-2020

## 2018 Goals and Key Deliverables

1. Continue to increase the utilization of data collection tools that provide oversight of the BPS to support analysis and NERC reporting requirements.
2. Evaluate events information to identify risk trends and benchmarking efforts.
3. Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives.
4. Continue stakeholder outreach efforts that support the SA and EA programs.
5. Facilitate and promote post-event collaboration and coordination with NERC and applicable governmental agencies.
6. Identify and prioritize risks based on reliability impacts, practicality assessments, projected resources, and emerging issues.
7. Monitor and evaluate CIP-related threats, vulnerabilities, and events for information sharing internally (SERC staff) and externally (registered entities).

## Resource Requirements

### Personnel

A decrease of 1.50 FTEs in Situation Awareness and Infrastructure Security consists of the following:

Position	Change(s)	FTE Impact
Program Manager, RAPA	Reallocated to Reliability Assessment & Performance Analysis due for better alignment	-0.50
Reliability Engineer	Position eliminated	-1.00
Reliability Engineer	Reallocated to Reliability Assessment & Performance Analysis for better alignment	-1.00
Reliability Engineer	Reallocated from Reliability Assessment & Performance Analysis for better alignment	+1.00
		<b>-1.50</b>

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

### Contractors and Consultants

There are no contractor and consultant resource requirements.

## Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the *2018 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2017 Budget &amp; Projection, and 2018 Budget</b>					
<b>SITUATION AWARENESS and INFRASTRUCTURE SECURITY</b>					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,270,344	\$ 1,270,344	\$ -	\$ 803,175	\$ (467,169)
Penalty Sanctions	15,184	15,184	-	38,067	22,883
<b>Total NERC Funding</b>	<b>\$ 1,285,528</b>	<b>\$ 1,285,528</b>	<b>\$ -</b>	<b>\$ 841,242</b>	<b>\$ (444,286)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 1,285,528</b>	<b>\$ 1,285,528</b>	<b>\$ -</b>	<b>\$ 841,242</b>	<b>\$ (444,286)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 471,864	\$ 288,113	\$ (183,751)	\$ 283,517	\$ (188,347)
Payroll Taxes	34,917	21,320	(13,597)	20,980	(13,937)
Benefits	54,791	30,486	(24,305)	31,848	(22,944)
Retirement Costs	61,522	37,826	(23,696)	37,052	(24,470)
<b>Total Personnel Expenses</b>	<b>\$ 623,094</b>	<b>\$ 377,745</b>	<b>\$ (245,349)</b>	<b>\$ 373,397</b>	<b>\$ (249,697)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	25,000	25,000	-	27,500	2,500
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 27,500</b>	<b>\$ 2,500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	700	700	-	350	(350)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 700</b>	<b>\$ 700</b>	<b>\$ -</b>	<b>\$ 350</b>	<b>\$ (350)</b>
<b>Total Direct Expenses</b>	<b>\$ 648,794</b>	<b>\$ 403,445</b>	<b>\$ (245,349)</b>	<b>\$ 401,247</b>	<b>\$ (247,547)</b>
<b>Indirect Expenses</b>	<b>\$ 636,102</b>	<b>\$ 459,638</b>	<b>\$ (176,464)</b>	<b>\$ 447,639</b>	<b>\$ (188,463)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,284,896</b>	<b>\$ 863,083</b>	<b>\$ (421,813)</b>	<b>\$ 848,886</b>	<b>\$ (436,010)</b>
<b>Change in Assets</b>	<b>\$ 632</b>	<b>\$ 422,445</b>	<b>\$ 421,813</b>	<b>\$ (7,644)</b>	<b>\$ (8,276)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 632	\$ 19,446	18,814	(7,644)	(8,276)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 632</b>	<b>\$ 19,446</b>	<b>\$ 18,814</b>	<b>\$ (7,644)</b>	<b>\$ (8,276)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,285,528</b>	<b>\$ 882,529</b>	<b>\$ (402,999)</b>	<b>\$ 841,242</b>	<b>\$ (444,286)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 402,999</b>	<b>\$ 402,999</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FTEs</b>	<b>3.87</b>	<b>2.37</b>	<b>(1.50)</b>	<b>2.37</b>	<b>(1.50)</b>

Table A-10. Situation Awareness and Infrastructure Security Budget Detail



## Administrative Services

The following table lists the budget for Administrative Services.

	Administrative Services (in whole dollars)					
	Direct Expenses and Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Inc(Dec)	2017 Budget	2018 Budget	Inc(Dec)
Technical Committees and Member Forums	\$ 919,634	\$ 1,118,236	\$ 198,602	4.70	4.70	-
General and Administrative	\$ 4,386,802	\$ 2,913,479	\$ (1,473,323)	13.25	11.25	(2.00)
Legal and Regulatory	\$ 743,639	\$ 776,647	\$ 33,008	2.55	2.55	-
Business Process and Risk Assessment	\$ 1,144,511	\$ 2,592,214	\$ 1,447,703	-	7.00	7.00
Human Resources	\$ 497,747	\$ 456,476	\$ (41,271)	1.90	1.90	-
Finance and Accounting	\$ 476,723	\$ 441,574	\$ (35,149)	2.90	2.90	-
Total Administrative Services	\$ 8,169,056	\$ 8,298,626	\$ 129,570	25.30	30.30	5.00

Table A-11. Administrative Services Budget

### Program Scope and Functional Description

SERC's Administrative Services area includes the budget for all business and administrative functions of the organization, including (1) Technical Committees and Member Forums; (2) General and Administrative; (3) Legal and Regulatory; (4) Business Process and Risk Assessment; (5) Human Resources; and (6) Finance and Accounting. Administrative Services also includes expenses for the organization, including conference calls, office rent, supplies, and other general administrative expenses necessary to support program area activities. These functions are necessary to the existence and functioning of the organization and support the performance of SERC's ERO statutory activities. The resource requirements and comparative budget information for each of these functions is described further below.

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

Expenses related to indirect programs are allocated proportionally to the direct programs for 2018 based on the number of FTEs in those programs.

The following sections describe the six Administrative Services functional areas and their individual budgets: (1) Technical Committees and Member Forums; (2) General and Administrative; (3) Legal and Regulatory; (4) Business Process and Risk Assessment; (5) Human Resources; and (6) Finance and Accounting.

## Technical Committees and Member Forums

### Program Scope and Functional Description

The Technical Committees and Member Forums programs 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 to address current and emerging risk in the Bulk Electric System.

### 2018 Key Assumptions

SERC Technical Committees and Member Forums 2018 key assumptions are:

- SERC will continue its technical committee and subgroup structure for effective stakeholder involvement in 2018, with each committee maintaining a work plan.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
- SERC's Reliability Risk Team will continue to identify and educate SERC staff and regional members of the reliability risk to the BPS in the SERC Region from an engineering, operations, and security perspective.
- SERC will continue to leverage its members as volunteer technical resources to support the Region's mission and initiatives. As needs change, SERC will assess committee structure and optimize, as required.
- The SERC Technical Committees and Member Forums programs will manage committee work according to the Organization and Procedures Manual for SERC Technical Committees.

### 2018 Goals and Key Deliverables

1. The SERC Technical Committees and Member Forums programs will promote an expanded available toolkit that addresses reliability risks by doing the following:
  - A. Convene regular meetings of the standing committees and the subordinate groups, as necessary.
  - B. Communicate to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning, and engineering of the Bulk Electric System, and the advancement of the physical and cyber security of the BES.
  - C. Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security.
  - D. Perform special projects at the request of the SERC Board of Directors.
  - E. Participate in the establishment of Reliability Standards.
  - F. Review the measurement of performance relative to Reliability Standards and performance statistics (e.g., GADS, TADS, misoperations, etc) to determine the risk level within the SERC Region.
  - G. Review activities within the SERC Region impacting reliability and adequacy, as necessary, to meet Reliability Standards and other reliability initiatives.
  - H. Perform technical functions through the assignment of specific tasks to subordinate groups to address current and emerging risks.
2. Provide key inputs from the SERC Reliability Risk Team for the CMEP Implementation Plan.

3. Implement identified process improvements and technology to enhance committee business and functions.
4. Implement committee structure changes to enhance their efficiency and effectiveness to identify, evaluate, prioritize, and collaboratively assess the current and emerging risks in the SERC region.
5. Implement functional alignment within SERC to better support NERC and SERC committee structures.

## **Resource Requirements**

### **Personnel**

Technical Committees and Member Forums has maintained the FTE allocation from 2017 to 2018. Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

### **Contractors and Consultants**

There are no contractor and consultant resource requirements.

## General and Administrative

### Program Scope and Functional Description

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

### 2018 Key Assumptions

SERC General and Administrative 2018 key assumptions are:

- SERC will emphasize effective execution, efficiency, transparency, and consistency.
- SERC will facilitate reliability-enhancing activities.
- SERC will continue its outreach and communication with members/stakeholders to ensure SERC's effectiveness.

### 2018 Goals and Key Deliverables

1. Continue high-quality performance of delegated functions while maintaining a level resource requirement.
2. Provide pertinent and timely information to members/stakeholders to improve efficiency of interactions with SERC staff.

### Resource Requirements

#### Personnel

A decrease of 2.00 FTE in General and Administrative consists of the following:

Position	Change(s)	FTE Impact
Associate Project Manager	Reallocated to Business Process & Risk Assessment	-1.00
Liaison	Repurposed to Sr. Reliability Engineer position and reallocated to Reliability Assessment & Performance Analysis	-1.00
Sr. Business Analyst	Repurposed to Supervisor, Analytics and reallocated to Business Process & Risk Assessment	-1.00
Program Support Assistant	Position added to provide technical support	+1.00
Director, REMG	Position eliminated	-1.00
Executive Assistant	Position added to provide administrative and Board support	+1.00
		<b>-2.00</b>

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is

anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, were previously recorded within General and Administrative. Only Information Technology support is included within General and Administrative in the 2018 budget.

### **Contractors and Consultants**

The 2018 budget includes contractor support for corporate goals, business continuity, continued development of a communications plan, and a change in staffing strategy of using consultants in lieu of FTEs for Information Technology and Facility support.

## Legal and Regulatory

### Program Scope and Functional Description

SERC maintains in-house legal staff and hires outside legal consultants, as needed. These legal resources provide the following services:

- Provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters that impact SERC.
- Reconcile and determine SERC's legal position on major legal matters.
- 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.
- Negotiate and author necessary changes to SERC's governing documents, including the bylaws and delegation agreement.
- Provide input and obtain regulatory approvals, as needed, on governance changes and for new and revised regional Reliability Standards.
- 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.
- Assist in the development of and ensure proper administration of SERC corporate policies and procedures, as needed.
- Manage relationships with SERC's outside counsel.

### 2018 Key Assumptions

SERC Legal and Regulatory 2018 key assumptions are:

- SERC will continue to support the Enforcement action cycle time.
- SERC will limit the number of incoming violations.

### 2018 Goals and Key Deliverables

1. Work with Enforcement to support processing violations.
2. Support corporate legal needs.
3. Work with NERC and other Regions on changes to the Rules of Procedure, as needed.

### Resource Requirements

#### Personnel

Legal and Regulatory has maintained the FTE allocation from 2017 to 2018.

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is

anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

**Contractors and Consultants**

The 2018 budget includes contractor support for regulatory affairs and a consultant to the Board.

## Business Process and Risk Assessment

### Program Scope and Functional Description

The Business Process and Risk Assessment (BPRA) department of SERC provides technology innovation, leads operational excellence, and develops insights through data for the corporation. BPRA comprises the following functions:

- Information Technology
- Operational Excellence
- Risk Assessment
- Data Analytics

The Information Technology (IT) function of BPRA offers network services, including design and maintenance for the SERC network and infrastructure, as well as project and vendor management for all current and future technology-related contracts. IT executes these functions:

- Host, maintain, develop, and improve SERC's information systems
- Maintain network and server infrastructure at both public and private facilities
- Ensure protection of SERC data
- Provide onsite end user support

The Operational Excellence (OE) function of BPRA facilitates improvement of the internal health and performance of the organization. OE executes these functions:

- Continuous Process Improvement
- Internal Audits
- Project Management Office
- Strategic Planning
- Operational Metrics

The Risk Assessment function of BPRA collaborates with internal business units of SERC in order to establish inherent risks to the corporation, identifies and executes effective internal controls and mitigating activities to reduce such risk, and ensures that the residual risk stays at or below SERC's risk tolerance level. In addition, this function works with the ERO Enterprise Risk Management Group (ERMG) to establish inherent risks to the Enterprise, identify and execute effective internal controls and mitigating activities to reduce such risk, and ensure that the residual risk stays at or below the ERO's risk tolerance level.

The Data Analytics (DA) function of BPRA leverages information as a strategic asset. Data is critical to SERC's continued success, deepening relationships with stakeholders and providing meaningful analysis of risk focus areas across the SERC region. DA executes these functions:

- Data Collection and Cleansing
- Data Visualization and Reporting
- Insight Development

SERC supports the NERC PMO in its efforts to provide technology tools across the ERO Enterprise. SERC's budget assumes the availability of new and existing technology tools from the PMO and other sources. If the required technology tools are not available as planned, SERC could incur additional costs to ensure fulfillment of its core responsibilities.



NERC and the Regional Entities will collaborate to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, and 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*.

### 2018 Key Assumptions

SERC Business Process and Risk Assessment 2018 key assumptions are:

- Strategic Planning will continue to be supported with contract support
- FRCC, NPCC, and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total cost of maintenance and development.

### 2018 Goals and Key Deliverables

1. Improve the capabilities of SERC's Business Intelligence Center (BIC) to include internally focused operations reporting.
2. Perform Internal Audits of four SERC business units based on risk.
3. Upgrade infrastructure per lifecycle management.
4. Improve security monitoring and detection.
5. Process automation for all Level 1 Processes at SERC.

### Resource Requirements

#### Personnel

A net increase of 7.00 FTEs in BPRAs consists of the following:

Position	Change(s)	FTE Impact
Analyst	Reallocated from Compliance Monitoring and Enforcement for better alignment with the Analytics function	+1.00
Sr. Analyst	Reallocated from Compliance Monitoring and Enforcement for better alignment with the Analytics function	+1.00
Sr. Analyst	Reallocated from Reliability Assessment & Performance Analysis for better alignment with the Analytics function	+1.00
Analyst	Reallocated from Reliability Assessment & Performance Analysis for better alignment with the Analytics function	+1.00
Analyst	Reallocated from Reliability Assessment & Performance Analysis for better alignment with the Analytics function	+1.00
Supervisor, Analytics	Repurposed from Sr. Business Analyst and reallocated from General & Administrative	+1.00
Associate Project Manager	Reallocated to Business Process & Risk Assessment from General & Administrative	+1.00
		<b>+7.00</b>

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to decrease from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

### **Contractors and Consultants**

The 2018 budget includes contractor support for augmented IT staff, infrastructure hosting, software and application development, systems maintenance, database administration, cyber and physical security assessments, strategic planning, and third party auditors.

## Human Resources

### Program Scope and Functional Description

The SERC Human Resources function partners with the organization to boost its ability to be successful by maintaining a satisfied workforce, bringing the brightest talent to the company, and protecting it against liability. By its nature, the Human Resources department takes on a variety of responsibilities including strategic and succession planning, employee engagement, compensation analysis, benefits administration, and recruitment.

### 2018 Key Assumptions

SERC Human Resources 2018 key assumptions are:

- SERC assumes a 3 percent vacancy rate to total Personnel Expenses.
- SERC will provide competitive compensation and benefits packages.
- SERC will assume an increased expectation for staff skills training in areas such as analytics.
- SERC will ensure that staff attains elevated professional credentials to become a leader in the industry.
- SERC will provide a 3 percent average salary increase. The salary expense budget for all program areas reflects this assumption.

### 2018 Goals and Key Deliverables

1. Increase employee engagement and empowerment.
2. Attract, develop, and retain highly competent and motivated staff.
3. Review compensation and benefits continually to ensure organization and industry competitiveness.
4. Increase employee retention.
5. Provide payroll and expense administration.

### Resource Requirements

#### Personnel

- Human Resources has maintained the FTE allocation from 2017 to 2018.

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

#### Contractors and Consultants

The 2018 budget includes contractor support for leadership development, and corporate goals.

## Finance and Accounting

### Program Scope and Functional Description

The SERC Finance department provides the financial and accounting services for SERC by doing the following:

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

### 2018 Key Assumptions

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

### 2018 Goals and Key Deliverables

1. Maintain, review, and improve fiscal controls and gain efficiencies.
2. Prepare and review monthly, quarterly, and annual financial statements.
3. Exercise fiscal prudence.
4. Continue improvements in the annual business planning process within SERC and the ERO.

### Resource Requirements

#### Personnel

Finance and Accounting has maintained the FTE allocation from 2017 to 2018.

Other changes in Personnel Expenses consist of the following:

- The 2017 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

#### Contractors and Consultants

There are no contractor and consultant resource requirements.

## Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
ADMINISTRATIVE SERVICES					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (1,334,355)	\$ (1,334,355)	\$ -	\$ 997,271	\$ 2,331,626
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (1,334,355)</b>	<b>\$ (1,334,355)</b>	<b>\$ -</b>	<b>\$ 997,271</b>	<b>\$ 2,331,626</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-
Miscellaneous	312,500	15,000	(297,500)	15,000	(297,500)
<b>Total Funding (A)</b>	<b>\$ (1,020,855)</b>	<b>\$ (1,318,355)</b>	<b>\$ (297,500)</b>	<b>\$ 1,013,271</b>	<b>\$ 2,034,126</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,975,793	\$ 3,942,516	\$ (33,277)	\$ 3,911,545	\$ (64,248)
Payroll Taxes	294,208	284,450	(9,758)	289,454	(4,754)
Benefits	344,683	365,297	20,614	431,092	86,409
Retirement Costs	483,400	469,281	(14,119)	509,309	25,909
<b>Total Personnel Expenses</b>	<b>\$ 5,098,084</b>	<b>\$ 5,061,543</b>	<b>\$ (36,541)</b>	<b>\$ 5,141,400</b>	<b>\$ 43,316</b>
<b>Meeting Expenses</b>					
Meetings	\$ 92,572	\$ 102,110	\$ 9,538	\$ 116,110	\$ 23,538
Travel	142,927	122,191	(20,736)	128,347	(14,580)
Conference Calls	44,544	44,544	-	44,544	-
<b>Total Meeting Expenses</b>	<b>\$ 280,043</b>	<b>\$ 268,845</b>	<b>\$ (11,198)</b>	<b>\$ 289,001</b>	<b>\$ 8,958</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,513,181	\$ 1,653,756	\$ 140,575	\$ 1,473,561	\$ (39,620)
Office Rent	590,983	628,983	38,000	628,983	38,000
Office Costs	259,444	474,130	214,686	410,681	151,237
Professional Services	175,739	57,000	(118,739)	57,000	(118,739)
Miscellaneous	16,700	3,000	(13,700)	3,000	(13,700)
Depreciation	234,882	330,535	95,653	439,179	204,297
<b>Total Operating Expenses</b>	<b>\$ 2,790,929</b>	<b>\$ 3,147,404</b>	<b>\$ 356,475</b>	<b>\$ 3,012,404</b>	<b>\$ 221,475</b>
<b>Total Direct Expenses</b>	<b>\$ 8,169,056</b>	<b>\$ 8,477,793</b>	<b>\$ 308,737</b>	<b>\$ 8,442,805</b>	<b>\$ 273,749</b>
<b>Indirect Expenses</b>	<b>\$ (8,169,056)</b>	<b>\$ (8,118,327)</b>	<b>\$ 50,729</b>	<b>\$ (8,442,806)</b>	<b>\$ (273,750)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ 359,466</b>	<b>\$ 359,466</b>	<b>\$ (1)</b>	<b>\$ (1)</b>
<b>Change in Assets</b>	<b>\$ (1,020,855)</b>	<b>\$ (1,677,821)</b>	<b>\$ (656,966)</b>	<b>\$ 1,013,272</b>	<b>\$ 2,034,127</b>
<b>Fixed Assets</b>					
Depreciation	(234,882)	(330,535)	(95,653)	(439,179)	(204,297)
Computer & Software CapEx	100,000	340,000	240,000	295,000	195,000
Furniture & Fixtures CapEx	-	20,000	20,000	-	-
Equipment CapEx	143,000	314,000	171,000	-	(143,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,118)	\$ (343,465)	\$ (335,347)	\$ 144,180	\$ 152,298
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ 359,466</b>	<b>\$ 359,466</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,020,855)</b>	<b>\$ (1,677,821)</b>	<b>\$ (656,966)</b>	<b>\$ 1,013,271</b>	<b>\$ 2,034,126</b>
FTEs	25.3	26.71	1.41	30.30	5

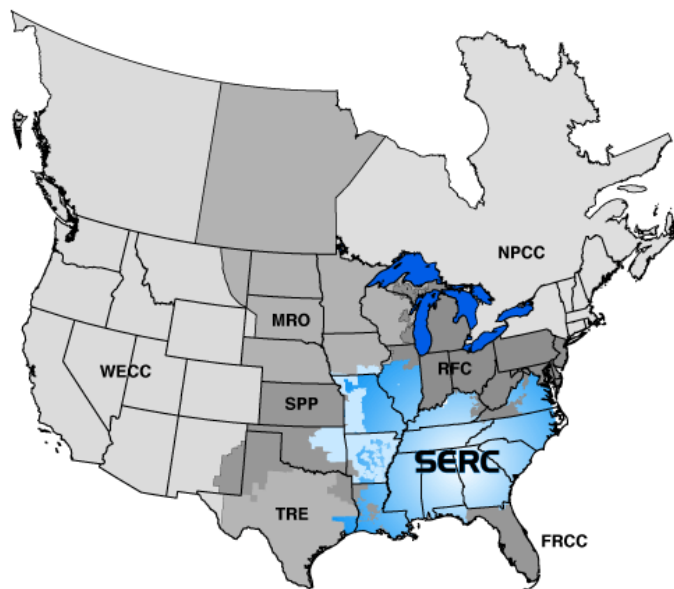
Table A-12. Administrative Services Budget Detail

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## Section B – Supplemental Financial Information

### 2018 Business Plan and Budget

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## Section B – Supplemental Financial Information

### Reserve Balance

Table B-1 analyzes the working capital reserve for 2017 through 2018.

Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	\$ 1,987,942
Plus: 2017 Funding (from LSEs or designees)	15,901,023
Plus: 2017 Other funding sources	263,025
Less: 2017 Projected expenses & capital expenditures	(17,465,261)
<b>Projected Working Capital Reserve (Deficit), December 31, 2017</b>	<b>\$ 686,729</b>
Desired Working Capital Reserve, December 31, 2018	<sup>1</sup> \$ 1,700,000
Minus: Projected Working Capital Reserve, December 31, 2017	686,729
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b>\$ 1,013,271</b>
2018 Expenses and Capital Expenditures	\$ 17,182,868
Less: Penalty Sanctions <sup>2</sup>	(717,978)
Less: Other Funding Sources	(263,025)
Adjustment to achieve desired Working Capital Reserve	1,013,271
<b>2018 ERO Assessment</b>	<b>\$ 17,215,136</b>

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

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

<sup>2</sup> Represents collections on or prior to June 30, 2016.

#### Table B-1. Working Capital Reserve Analysis 2017- 2018

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

Pursuant to SERC's Working Capital and Operating Reserve policies, the desired working capital reserve included in the *2018 Business Plan and Budget* totals \$1,700,000. As an offset to the increase in assessments, SERC used the stabilization funds included as a temporary increase to the operating reserve, and increased the desired reserve balance from \$1,000,000 to \$1,700,000.

## Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 12, of the *2018 RE Business Plan and Budget*. All significant variances have been disclosed by program area on the preceding pages.

### Penalty Sanctions

Penalty monies received prior to June 30, 2016, are to be used to offset assessments in the 2017 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, 2016 through June 30, 2017 will be used to offset assessments in the 2018 Budget.

All penalties received prior to July 1, 2017, are detailed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring 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 upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2017.

Penalty Sanctions Received On or Prior to June 30, 2017	Date Received	Amount Received
Penalty payment 1	7/5/2016	\$ 20,000
Penalty payment 2	8/25/2016	65,000
Penalty payment 3	9/16/2016	110,000
Penalty payment 4	10/11/2016	180,000
Penalty payment 5	10/13/2016	12,978
Penalty payment 6	4/11/2017	40,000
Penalty payment 7	4/11/2017	250,000
Penalty payment 8	5/30/2017	40,000
<b>Total Penalties Received</b>		<b>\$ 717,978</b>

**Table B-2. Penalty Sanctions Received**



Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Miscellaneous - CEA function in FRCC	\$ 30,000	\$ 14,200	\$ 30,000	\$ -
Miscellaneous - CEA function in SPP	41,000	56,800	41,000	-
<b>Total</b>	<b>\$ 71,000</b>	<b>\$ 71,000</b>	<b>\$ 71,000</b>	<b>\$ -</b>
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Training and Education</b>				
Workshops	176,025	176,025	176,025	-
<b>Total</b>	<b>\$ 176,025</b>	<b>\$ 176,025</b>	<b>\$ 176,025</b>	<b>\$ -</b>
<b>Situation Awareness and Infrastructure Security</b>				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General and Administrative</b>				
Interest Income	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Miscellaneous Income - Regional Entity Coordinator		-	-	-
Miscellaneous Income - Other	15,000	15,000	15,000	-
<b>Total</b>	<b>\$ 16,000</b>	<b>\$ 16,000</b>	<b>\$ 16,000</b>	<b>\$ -</b>
<b>Total Outside Funding</b>	<b>\$ 263,025</b>	<b>\$ 263,025</b>	<b>\$ 263,025</b>	<b>\$ -</b>

**Table B-3. Supplemental Funding**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

*Compliance Monitoring, Enforcement, and Organization Registration* – Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of registered entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to 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 2018 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General and Administrative costs, as required by the contracts with Florida Reliability Coordinating Council, Inc. (FRCC) and Southwest Power Pool (SPP).

*Training and Education* – SERC continues to hold most meetings in the Charlotte office location, which has a large meeting space, or at a member's facilities. By using these facilities, SERC is able to reduce the costs associated with hosting a meeting, enabling SERC to lower registration fees, resulting in a decrease in workshop revenue.

*General and Administrative* – Other funding no longer includes the reimbursement from the other Regional Entities for the costs associated with the Regional Entity coordinator position, which has been eliminated, but continues to include revenue received from SERC's landlord per the lease agreement that pays for shuttle services to the SERC office from local hotels.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Total Salaries	\$ 10,095,783	\$ 9,697,896	\$ 9,833,357	\$ (262,426)	-2.6%
Total Payroll Taxes	747,086	710,348	727,668	(19,418)	-2.6%
Total Benefits	1,087,450	1,016,121	1,094,551	7,101	0.7%
Total Retirement	1,278,181	1,216,469	1,281,811	3,630	0.3%
<b>Total Personnel Costs</b>	<b>\$ 13,208,500</b>	<b>\$ 12,640,834</b>	<b>\$ 12,937,388</b>	<b>\$ (271,112)</b>	<b>-2.1%</b>
FTEs	75.00	68.57	75.00	-	0.0%
<b>Cost per FTE</b>					
Salaries	\$ 134,610	\$ 141,431	\$ 131,111	(3,499)	-2.6%
Payroll Taxes	9,961	10,359	9,702	(259)	-2.6%
Benefits	14,499	14,819	14,594	95	0.7%
Retirement	17,042	17,741	17,091	49	0.3%
<b>Total Cost per FTE</b>	<b>\$ 176,112</b>	<b>\$ 184,350</b>	<b>\$ 172,498</b>	<b>\$ (3,614)</b>	<b>-2.1%</b>

**Table B-4. Personnel Expenses**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The budget reflects a 3 percent merit increase and 6 percent vacancy rate applied to all personnel costs. Total Personnel Expenses decreased even with an increase in the payroll tax percentage applied to salaries to better align payroll taxes with historical actuals; an increase in benefits costs to account for increases in premiums; and an increase in retirement costs, due to the merit. Decrease is due primarily to the elimination of a onetime Personnel Expense and disbandment of the REMG.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 265,768	\$ 250,560	\$ 266,160	\$ 392	0.15%
Travel	534,977	557,854	606,865	71,888	8.79%
Conference calls	44,544	44,544	44,544	-	0.00%
<b>Total Meeting Expenses</b>	<b>\$ 845,289</b>	<b>\$ 852,958</b>	<b>\$ 917,569</b>	<b>\$ 72,280</b>	<b>8.55%</b>

**Table B-5. Meeting Expenses**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

SERC's office location has a large meeting space. SERC continues to schedule most meetings in-house or at a member's facilities, allowing meetings costs to remain relatively flat. The increase is due to additional meetings that have been budgeted or a format change of a previously held meeting based on historical event success.

The increase in travel is related primarily to the number of audits scheduled in 2018, increased inflationary costs, additional meetings, and the focus on bringing remote employees to SERC's office more frequently.

There are no significant changes related to conference calls that require an explanation.

Table B-6 lists the budget for Consultants and Contracts.

Consultants and Contracts	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization					
Registration and Certification	83,000	85,000	-	(83,000)	-100%
Reliability Assessment and Performance Analysis	369,000	237,097	249,640	(119,360)	-32%
Training and Education	155,000	132,680	132,680	(22,320)	-14%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	120,000	152,680	152,680	
General and Administrative	357,725	26,400	100,000	(257,725)	-72%
Legal and Regulatory	42,400	11,400	80,000	37,600	100%
Business Process & Risk Assessment	962,556	1,100,920	1,032,500	69,944	7%
Human Resources	150,500	263,381	108,381	(42,119)	-28%
Accounting and Finance	-	131,655	-	-	
<b>Consultants Total</b>	<b>\$ 2,120,181</b>	<b>\$ 2,108,533</b>	<b>\$ 1,855,881</b>	<b>\$ (264,300)</b>	<b>-12%</b>

**Table B-6. Consultants and Contracts**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

*Compliance* – Remained flat, as Compliance anticipates being fully staffed and no longer requiring contract support in lieu of FTEs to supplement the Enforcement program. The 2018 budget continues to fund contractor support to supplement the Audit program.

*Reliability Assessments* – A decrease of \$119,360 in the program consists of (1) a decrease for the Dynamic Study usually performed biennially and last performed in 2017; the Under-Frequency Load Study usually performed every five years and last performed in 2017; additional modeling services; and to support regional analysis efforts associated with environmental and reliability risk initiatives; and (2) a decreasing offset for the Eastern Interconnection Assessment Group (ERAG) to align with historical costs.

*Training and Education* – A decrease of \$22,320 from the 2017 budget consists of (1) a decrease to the Restoration Drill to be more in line with historical costs; and (2) a decrease from a one-time cost included in the 2017 budget for contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

*General and Administrative* – A decrease of \$257,725 consists of (1) reduction of the utilization of contractors in support of corporate goals, facilities, outreach, public relations and business continuity.

*Legal and Regulatory* – An increase of \$37,600 consists of (1) utilizing contractors for regulatory affairs, Board strategic planning, and for a Board survey that is performed biennially. Contract support in lieu of FTEs is to supplement the Legal and Regulatory function.

*Business Process and Risk Assessment* – An increase of \$69,944 consists of (1) an increase in contract support in lieu of FTEs, security assessment testing, application/software maintenance, and database administration; and (2) as an offsetting decrease, a reduction in contract support for the document management system, infrastructure development, infrastructure hosting, and software licensing.

*Human Resources* – A decrease of \$42,119 consists of (1) a decrease for a compensation and benefit study that is performed biennially and was last performed in 2017.

Table B-7 lists the budget for Office Rent..

Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 590,983	\$ 628,983	\$ 628,983	\$ 38,000	6.43%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 590,983</b>	<b>\$ 628,983</b>	<b>\$ 628,983</b>	<b>\$ 38,000</b>	<b>6.43%</b>

**Table B-7. Office Rent**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Rent is recorded on a straight-line basis, consistent with Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet. This increase of \$38,000 is based on increasing office lease and, Operating Expenses, which was not accounted for in the 2017 budget.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ 96,885	\$ 104,677	\$ 104,790	\$ 7,905	8.16%
Telephone Answering Srv	-	-	-	-	
Internet	-	-	-	-	
Office Supplies	32,044	41,544	46,492	14,448	45.09%
Computer Supplies and Maintenance				-	
Computers	80,000	75,000	-	(80,000)	-100.00%
Computer Supplies	20,000	20,288	-	(20,000)	-100.00%
Maintenance & Service Agreements	-	-	-	-	
Software	1,060	6,913	154,288	153,228	14455.47%
Network Supplies	-	32,500	17,500	17,500	
Publications & Subscriptions	3,600	-	1,740	(1,860)	-51.67%
Dues	14,703	9,666	15,260	557	3.79%
Postage	500	500	500	-	0.00%
Express Shipping	2,120	2,020	2,080	(40)	-1.89%
Copying	1,800	1,800	1,920	120	6.67%
Reports	-	-	-	-	
Stationery/Forms	-	-	-	-	
Equipment Repair/Service Contracts	7,404	19,040	2,600	(4,804)	-64.88%
Bank Charges	2,895	2,895	2,895	-	0.00%
Taxes	12,500	15,000	25,000	12,500	100.00%
Merchant Card Fees	6,500	6,500	6,500	-	0.00%
Insurance - Commercial	-	49,755	54,731	54,731	
<b>Total Office Costs</b>	<b>\$ 282,011</b>	<b>388,098</b>	<b>\$ 436,296</b>	<b>\$ 154,285</b>	<b>54.71%</b>

**Table B-8. Office Costs**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The increase of \$7,905 in Telephone is due to increasing year-to-year cost but remained relatively flat due to the renegotiation of the office and cellular contracts into more cost-effective plans.

Office Supplies remained relative flat with an incremental increase due to inflationary cost, but increased by \$10,000 for miscellaneous replacement and upgrades.

Computers life cycle replacement decreased by \$80,000 because they were reclassified as a fixed asset.

Software increased by \$132,940 due to being reclassified as Office Costs from Consultant and Contracts, this increase was offset by a decrease in Consultants and Contracts.

Network Supplies of \$17, 500 was not captured in the 2017 budget.

The decrease of \$1,860 in Publications & Subscriptions is due to cancellation of several subscriptions no longer needed.

The increase of \$12,500 in Taxes is due the increase in taxes as a result of the office expansion project and increased fixed assets.

Insurance - Commercial increased by \$54,731 due to being reclassified as Office Costs from Professional Services; this increase was off-set by a decrease in Professional Services.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Candidate Search	\$ 7,000	\$ -	\$ -	\$ (7,000)	-100.00%
Outside Legal	40,000	40,000	40,000	-	0.00%
Accounting & Auditing Fees	37,288	17,000	17,000	(20,288)	-54.41%
Insurance Commercial	60,644	-	-	(60,644)	-100.00%
Human Resources Fees	30,807	-	-	(30,807)	-100.00%
<b>Total Professional Services</b>	<b>\$ 175,739</b>	<b>\$ 57,000</b>	<b>\$ 57,000</b>	<b>\$ (118,739)</b>	<b>-67.57%</b>

**Table B-9. Professional Services**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Candidate Search decreased to \$0 and was reclassified under Personnel Expenses.

The decrease in Accounting and Auditing Fees of \$20,288 is due to the reclassification of expense reporting and invoice management, and accounting software maintenance fees (Concur, Prophix, Abila) to Software License under Office Costs.

A decrease in Insurance Commercial of \$60,644 is due to reclassification under Office Costs.

A decrease in Human Resources Fees of \$30,807 is due to a reclassification from Accounting and Auditing Fees of payroll, HRIS, time reporting, and applicant tracking systems to Consultants and Contractors.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expense	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ 16,700	\$ 16,700	\$ 5,550	\$ (11,150)	-66.77%
<b>Total Miscellaneous Expense</b>	<b>\$ 16,700</b>	<b>\$ 16,700</b>	<b>\$ 5,550</b>	<b>\$ (11,150)</b>	<b>-67%</b>

**Table B-10. Miscellaneous**

**Explanation of Significant Variances – 2018 Budget versus 2017 Budget**

The decrease in Miscellaneous Expense of \$11,150 is to better align with historical costs and allocation of actual costs to the appropriate functional areas.



Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Table B-11. Other Non-Operating Expenses**

**Explanation of Significant Variances – 2018 Budget versus 2017 Budget**

There are no costs budgeted for these items in 2017 or 2018.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (234,882)	\$ (330,535)	\$ (453,069)	\$ (218,187)	92.89%
Computer & Software CapEx	100,000	340,000	345,000	245,000	245.00%
Furniture & Fixtures CapEx	-	20,000	-	-	
Equipment CapEx	143,000	314,000	-	(143,000)	-100.00%
Leasehold Improvements	-	-	-	-	
Allocation of Fixed Assets	-	1	2	2	
<b>Total Fixed Assets</b>	<b>\$ 8,118</b>	<b>\$ 343,466</b>	<b>\$ (108,067)</b>	<b>\$ (116,185)</b>	<b>-1431%</b>

**Table B-12. Fixed Assets**

### Explanation of Significant Variances – 2018 Budget versus 2017 Budget

A decrease of \$116,185 or 1431 percent is due to an increase in the fixed assets as a result of an increase of \$102,000 capital spending of in 2018, which includes the reclassification of computers as fixed assets, as well as an increase in capital expenditure in 2017.

Some Computer and Software capital expenditures included in the 2018 budget are split among the other members of the Consortium User Group (FRCC and Northeast Power Coordinating Council, Inc. (NPCC)); SERCs portion amounts to \$110,000. These costs (\$175,000) were not included in the 2017 budget. Additional increases include computer cycle replacement and other software purchases (SFTP and IRA Front End).

Table B-13 compares the 2018 budget with projections for 2019-2020.

The following table showing 2019 and 2020 budget projections is based on the following assumptions:

**Personnel Expenses**

- No changes in FTEs
- A 3 percent increase in personnel costs for merit in 2019 and 2020
- A 3 percent vacancy rate applied in 2019 and no vacancy rate in 2020
- Estimated 10 percent increase in insurance premiums

**Meeting Expenses**

- Meetings and travel costs remain flat for both 2019 and 2020.
- A 3 percent increase in conference calls for inflation in both 2019 and 2020.

**Operating Expenses**

- Consultants and contracts were reduced in 2019 for the off-cycle year on the biennial and five-year studies that are not being performed. The biannual studies are included in 2019, causing the increase.
- A 1 percent inflation rate was applied to office costs and professional services.
- Office rent and Miscellaneous remain flat for both 2019 and 2020.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projected 2019 and 2020 Budgets							
	2018 Budget	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 17,215,136	\$ 16,360,972	\$ (854,164)	-4.96%	\$ 16,776,404	\$ 415,432	2.5%
Penalty Sanctions	717,978	-	(717,978)	-100.00%	-	-	
<b>Total NERC Funding</b>	<b>\$ 17,933,114</b>	<b>\$ 16,360,972</b>	<b>\$ (1,572,142)</b>	<b>-8.8%</b>	<b>\$ 16,776,404</b>	<b>\$ 415,432</b>	<b>2.5%</b>
Membership Dues	-	-	-	-	-	-	
Testing Fees	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	
Workshops	176,025	176,025	-	0.00%	176,025	-	0.0%
Interest	1,000	1,000	-	0.00%	1,000	-	0.0%
Miscellaneous	86,000	90,300	4,300	5.00%	94,815	4,515	5.0%
<b>Total Funding (A)</b>	<b>\$ 18,196,139</b>	<b>\$ 16,628,297</b>	<b>\$ (1,567,842)</b>	<b>-8.6%</b>	<b>\$ 17,048,244</b>	<b>\$ 419,947</b>	<b>2.5%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 9,833,357	\$ 10,423,359	\$ 590,001	6.0%	\$ 10,736,060	\$ 312,701	3.0%
Payroll Taxes	727,668	771,329	43,661	6.0%	794,468	23,139	3.0%
Benefits	1,094,551	1,204,006	109,455	10.0%	1,324,407	120,401	10.0%
Retirement Costs	1,281,811	1,358,720	76,909	6.0%	1,399,481	40,762	3.0%
<b>Total Personnel Expenses</b>	<b>\$ 12,937,388</b>	<b>\$ 13,757,414</b>	<b>\$ 820,026</b>	<b>6.3%</b>	<b>\$ 14,254,415</b>	<b>\$ 497,002</b>	<b>3.6%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 266,160	\$ 266,160	\$ -	0.0%	\$ 266,160	\$ -	0.0%
Travel	606,865	606,865	-	0.0%	606,865	-	0.0%
Conference Calls	44,544	45,880	1,336	3.0%	47,257	1,376	3.0%
<b>Total Meeting Expenses</b>	<b>\$ 917,569</b>	<b>\$ 918,905</b>	<b>\$ 1,336</b>	<b>0.1%</b>	<b>\$ 920,281</b>	<b>\$ 1,376</b>	<b>0.1%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 1,855,881	\$ 1,987,190	131,309	7.1%	\$ 2,245,550	258,360	13.0%
Office Rent	628,983	628,983	-	0.0%	628,983	-	0.0%
Office Costs	435,496	439,850	4,355	1.0%	444,249	4,399	1.0%
Professional Services	57,000	57,570	570	1.0%	58,146	576	1.0%
Miscellaneous	5,550	5,550	-	0.0%	5,550	-	0.0%
Depreciation	453,068	239,524	(213,544)	-47.1%	174,117	(65,407)	-27.3%
<b>Total Operating Expenses</b>	<b>\$ 3,435,978</b>	<b>\$ 3,358,667</b>	<b>\$ (77,311)</b>	<b>-2.3%</b>	<b>\$ 3,556,595</b>	<b>\$ 197,927</b>	<b>5.9%</b>
<b>Total Direct Expenses</b>	<b>\$ 17,290,935</b>	<b>\$ 18,034,986</b>	<b>\$ 744,051</b>	<b>4.3%</b>	<b>\$ 18,731,292</b>	<b>\$ 696,306</b>	<b>3.9%</b>
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
<b>Total Expenses (B)</b>	<b>\$ 17,290,935</b>	<b>\$ 18,034,986</b>	<b>\$ 744,051</b>	<b>4.3%</b>	<b>\$ 18,731,292</b>	<b>\$ 696,306</b>	<b>3.9%</b>
<b>Change in Assets</b>	<b>\$ 905,204</b>	<b>\$ (1,406,689)</b>	<b>\$ (2,311,893)</b>	<b>-255.4%</b>	<b>\$ (1,683,048)</b>	<b>\$ (276,359)</b>	<b>19.6%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (453,068)	\$ (239,524)	\$ 213,544	-47.1%	\$ (174,117)	\$ 65,407	-27.3%
Computer & Software CapEx	345,000	345,000	-	0.0%	345,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	-	
Allocation of Fixed Assets	-	-	-	-	-	-	
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (108,068)</b>	<b>\$ 105,476</b>	<b>\$ 213,544</b>	<b>-197.6%</b>	<b>\$ 170,883</b>	<b>\$ 65,407</b>	<b>0.0%</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 17,182,866</b>	<b>\$ 18,140,462</b>	<b>\$ 957,596</b>	<b>5.6%</b>	<b>\$ 18,902,175</b>	<b>\$ 761,713</b>	<b>4.2%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ 1,013,272</b>	<b>\$ (1,512,165)</b>	<b>\$ (2,525,437)</b>	<b>100.0%</b>	<b>\$ (1,853,931)</b>	<b>\$ (341,766)</b>	<b>22.6%</b>
<b>FTEs</b>	75.00	75.00	-	-	75.00	-	-

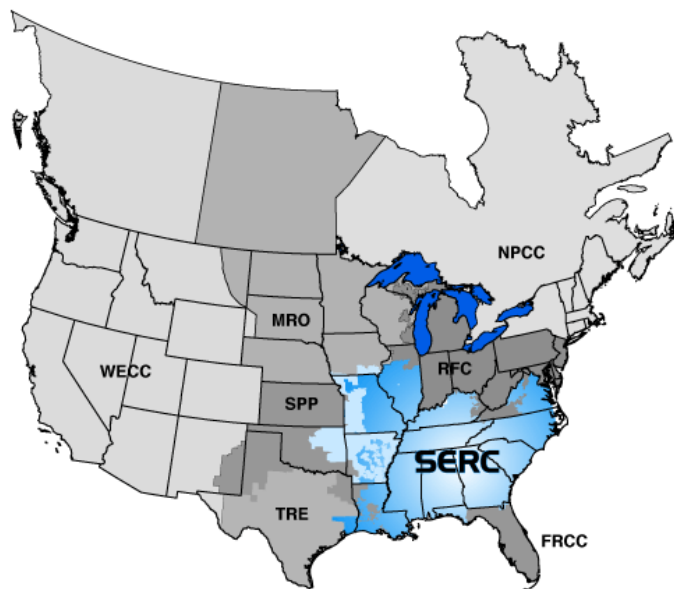
Table B-13. Budget 2018 Compared with 2019-2020 Projections

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# Section C – Non-Statutory Activities

## 2017 Business Plan and Budget

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## Section C – Non-Statutory Activities

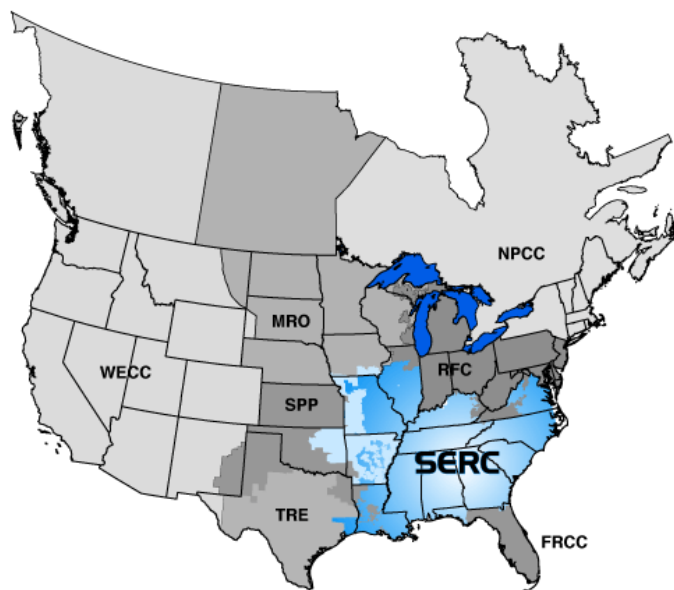
### 2018 Non-Statutory Business Plan and Budget

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.

**Table C-1. Non-Statutory Activities Budget**

# Section D – Additional Consolidated Financial Statements

## 2018 Business Plan and Budget



# Section D – Additional Consolidated Financial Statements

## 2018 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2018 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability	Compliance and	Reliability	Training and	Situation	Committee and Member Forums	General and Administrative	Legal and Regulatory	Business Process & Risk Assessment	Human Resources	Accounting and Finance
					Standards (Section 300)	Organization Registration and Certification (Section 400 & 500)	Assessment and Performance Analysis (Section 800)	Education (Section 900)	Awareness and Infrastructure Security (Section 1000)						
<b>Funding</b>															
<b>ERO Funding</b>															
NERC Assessments	17,215,136	17,215,136	-	17,215,136	631,250	11,578,008	2,564,837	640,595	803,175	-	997,271	-	-	-	-
Penalty Sanctions	717,978	717,978	-	717,978	27,306	522,983	102,316	27,306	38,067	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>17,933,114</b>	<b>17,933,114</b>	-	<b>17,933,114</b>	<b>658,556</b>	<b>12,100,991</b>	<b>2,667,153</b>	<b>667,901</b>	<b>841,242</b>	-	<b>997,271</b>	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	176,025	176,025	-	176,025	-	-	-	176,025	-	-	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Miscellaneous	86,000	86,000	-	86,000	-	71,000	-	-	-	-	15,000	-	-	-	-
<b>Total Funding (A)</b>	<b>18,196,139</b>	<b>18,196,139</b>	-	<b>18,196,139</b>	<b>658,556</b>	<b>12,171,991</b>	<b>2,667,153</b>	<b>843,926</b>	<b>841,242</b>	-	<b>1,012,271</b>	-	-	-	<b>1,000</b>
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	9,833,357	9,833,357	-	9,833,357	266,109	4,293,726	880,830	197,631	283,517	688,209	1,551,294	444,582	718,063	236,806	272,591
Payroll Taxes	727,668	727,668	-	727,668	19,692	317,736	65,181	14,625	20,980	50,927	114,796	32,899	53,137	17,524	20,172
Benefits	1,094,551	1,094,551	-	1,094,551	22,542	490,880	96,848	21,342	31,848	61,992	145,238	37,713	111,750	36,325	38,075
Retirement Costs	1,281,811	1,281,811	-	1,281,811	34,605	560,219	114,835	25,790	37,052	89,641	201,398	57,655	94,070	30,841	35,704
<b>Total Personnel Expenses</b>	<b>12,937,388</b>	<b>12,937,388</b>	-	<b>12,937,388</b>	<b>342,948</b>	<b>5,662,560</b>	<b>1,157,695</b>	<b>259,388</b>	<b>373,397</b>	<b>890,770</b>	<b>2,012,725</b>	<b>572,849</b>	<b>977,020</b>	<b>321,495</b>	<b>366,541</b>
<b>Meeting Expenses</b>															
Meetings	266,160	266,160	-	266,160	-	2,000	29,200	118,850	-	14,800	22,400	74,360	-	4,200	350
Travel	606,865	606,865	-	606,865	-	386,850	46,768	17,400	27,500	59,986	33,478	25,483	4,000	2,400	3,000
Conference Calls	44,544	44,544	-	44,544	-	-	-	-	-	-	-	-	44,544	-	-
<b>Total Meeting Expenses</b>	<b>917,569</b>	<b>917,569</b>	-	<b>917,569</b>	-	<b>388,850</b>	<b>75,968</b>	<b>136,250</b>	<b>27,500</b>	<b>74,786</b>	<b>55,878</b>	<b>99,843</b>	<b>48,544</b>	<b>6,600</b>	<b>3,350</b>
<b>Operating Expenses</b>															
Consultants & Contracts	1,855,881	1,855,881	-	1,855,881	-	-	249,640	132,680	-	152,680	100,000	80,000	1,032,500	108,381	-
Office Rent	628,983	628,983	-	628,983	-	-	-	-	-	-	628,983	-	-	-	-
Office Costs	435,496	435,496	-	435,496	-	23,215	1,250	-	350	-	112,893	3,955	239,150	-	54,683
Professional Services	57,000	57,000	-	57,000	-	-	-	-	-	-	-	20,000	-	20,000	17,000
Miscellaneous	5,550	5,550	-	5,550	-	2,550	-	-	-	-	3,000	-	-	-	-
Depreciation	453,068	453,068	-	453,068	-	13,889	-	-	-	-	217,213	-	221,967	-	-
<b>Total Operating Expenses</b>	<b>3,435,978</b>	<b>3,435,978</b>	-	<b>3,435,978</b>	-	<b>39,654</b>	<b>250,890</b>	<b>132,680</b>	<b>350</b>	<b>152,680</b>	<b>1,062,088</b>	<b>103,955</b>	<b>1,493,617</b>	<b>128,381</b>	<b>71,683</b>
<b>Total Direct Expenses</b>	<b>17,290,935</b>	<b>17,290,935</b>	-	<b>17,290,935</b>	<b>342,948</b>	<b>6,091,064</b>	<b>1,484,552</b>	<b>528,318</b>	<b>401,247</b>	<b>1,118,236</b>	<b>3,130,692</b>	<b>776,647</b>	<b>2,519,181</b>	<b>456,476</b>	<b>441,574</b>
Indirect Expenses	-	-	-	-	321,091	6,149,838	1,203,147	321,091	447,639	(1,118,236)	(3,130,692)	(776,647)	(2,519,181)	(456,476)	(441,574)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses (B)</b>	<b>17,290,935</b>	<b>17,290,935</b>	-	<b>17,290,935</b>	<b>664,039</b>	<b>12,240,902</b>	<b>2,687,699</b>	<b>849,409</b>	<b>848,886</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>
<b>Change in Assets</b>	<b>905,204</b>	<b>905,204</b>	-	<b>905,204</b>	<b>(5,483)</b>	<b>(68,911)</b>	<b>(20,546)</b>	<b>(5,483)</b>	<b>(7,644)</b>	<b>0</b>	<b>1,012,271</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>1,000</b>
<b>Fixed Assets</b>															
Depreciation	(453,069)	(453,069)	-	(453,069)	-	(13,889)	-	-	-	-	(217,213)	-	(221,967)	-	-
Computer & Software CapEx	345,000	345,000	-	345,000	-	50,000	-	-	-	-	-	-	295,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	2	2	-	2	(5,483)	(105,022)	(20,546)	(5,483)	(7,644)	-	217,213	-	(73,033)	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(108,067)</b>	<b>(108,067)</b>	-	<b>(108,067)</b>	<b>(5,483)</b>	<b>(68,911)</b>	<b>(20,546)</b>	<b>(5,483)</b>	<b>(7,644)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>17,182,868</b>	<b>17,182,868</b>	-	<b>17,182,868</b>	<b>658,556</b>	<b>12,171,991</b>	<b>2,667,153</b>	<b>843,926</b>	<b>841,242</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>1,013,271</b>	<b>1,013,271</b>	-	<b>1,013,271</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,012,271</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>1,000</b>
<b>FTEs</b>	<b>75.00</b>	<b>75.00</b>	-	<b>75.00</b>	<b>1.70</b>	<b>32.56</b>	<b>6.37</b>	<b>1.70</b>	<b>2.37</b>	<b>4.70</b>	<b>11.25</b>	<b>2.55</b>	<b>7.00</b>	<b>1.90</b>	<b>2.90</b>

Table D-1. Consolidated Statements of Activities by Program, Statutory and Non-Statutory



## Statement of Financial Position

The following table provides SERC Statement of Financial Position as of these dates:

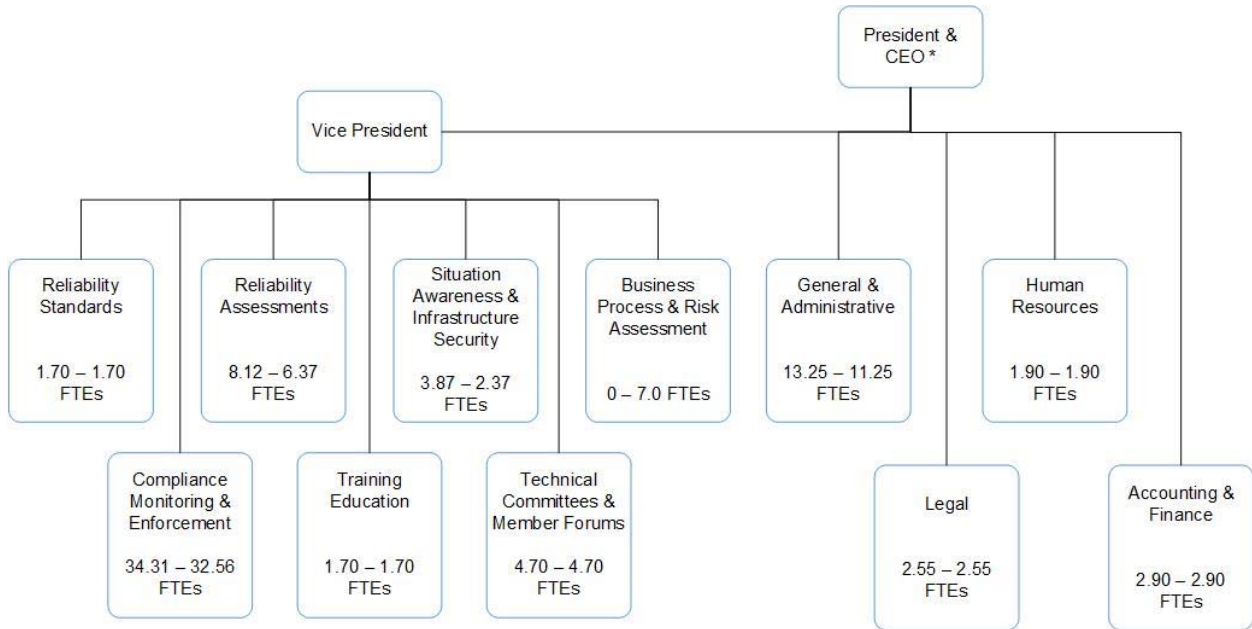
- As of December 31, 2016, per audit
- As of December 31, 2017, projected
- As of December 31, 2018, as budgeted

<b>Statement of Financial Position</b>			
<b>2016 Audited, 2017 Projection, and 2018 Budget</b>			
<b>STATUTORY</b>			
	<b>(Per Audit)</b>	<b>Projected</b>	<b>Budget</b>
	<b>31-Dec-16</b>	<b>31-Dec-17</b>	<b>31-Dec-18</b>
<b>ASSETS</b>			
Cash	5,584,071	4,616,859	4,271,859
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	142,868	142,868	142,868
Other Receivables	-	-	-
Prepaid expenses and other current assets	305,394	305,394	305,394
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	713,078	369,612	477,679
Total Assets	<b>6,745,411</b>	<b>5,434,733</b>	<b>5,197,800</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	261,206	261,206	261,206
Deferred income	36,753	36,753	36,753
Deferred penalty income	647,515	717,978	-
Deferred rent	472,675	472,676	464,201
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued personnel benefits other	969,355	-	-
Accrued retirement liabilities	383,981	514,372	571,593
Accrued incentive compensation	1,272,906	1,241,229	1,346,435
Total Liabilities	<b>4,044,391</b>	<b>3,244,213</b>	<b>2,680,188</b>
Net Assets - unrestricted	2,701,020	2,190,519	2,517,612
Total Liabilities and Net Assets	<b>6,745,411</b>	<b>5,434,733</b>	<b>5,197,800</b>

**Table D-2. Statement of Financial Position, Three-Year Comparison**

## Appendix A Organization Chart

The SERC Organization Chart is shown below.



\* Executive positions are recorded within General and Administrative

Figure 2. SERC Organization Chart

## Appendix B Acronyms

This section lists and defines acronyms used in this document.

Acronym	Definition
BCC	Board Compliance Committee
BES	Bulk Electric System
BPS	Bulk Power System
CA	Compliance Assessment
CIP	Critical Infrastructure Protection
CIPSA	CIPSA is a data collection tool.
CITS	Compliance Issues Tracking System
CMEP	Compliance Monitoring and Enforcement Program
DADS	Demand Response Availability Data System
EA	Events Analysis
EIA	Energy Information Administration
EMG	Executive Management Group
ERAG	Eastern Interconnection Assessment Group
ERO	Electric Reliability Organization
ES-ISAC	NERC's Electric Sector – Information Sharing and Analysis Center
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FFT	Find, Fix, and Track
FRCC	Florida Reliability Coordinating Council
FTE	Full-Time Equivalent
GADS	Generating Availability Data System
HRCC	Human Resources and Compensation Committee
HRIS	Human Resources Information System
IT	Information Technology
MIDAS	Misoperations Information Data Analysis System
NEL	Net Energy for Load
NERC	North American Electric Reliability Corporation
NOP	Full Notice of Penalty
NPCC	Northeast Power Coordinating Council
PEI	Protected Entity Information
PMO	Project Management Office
RAPA	Reliability Assessments and Performance Analysis
RAS	NERC Reliability Assessment Subcommittee
RSAW	Reliability Standards Audit Worksheet
SA	Situation Awareness
SAEA	Situation Awareness and Events Analysis
SAN	Storage Area Network
SERC	SERC Reliability Corporation
SNOP	Spreadsheet Notice of Penalty
SPP	Southwest Power Pool
TADS	NERC Transmission Availability Data System
TFE	Technical Feasibility Exception

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