

SERC Reliability Corporation

2020 Business Plan and Budget

DRAFT
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Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2020.

TOTAL RESOURCES (in whole dollars)				
	2020 Budget	U.S.	Canada	Mexico
Statutory FTEs [†]	98.0			
Non-statutory FTEs	-			
Total FTEs	98.0			
Statutory Expenses	\$ 24,195,013			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 24,195,013			
Statutory Incr(Decr) in Fixed Assets	\$ 329,999			
Non-Statutory Incr(Decr) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 329,999			
Statutory Working Capital Requirement	\$ 59,111			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ 59,111			
Total Statutory Funding Requirement	\$ 24,584,123			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 24,584,123			
Statutory Assessments	#N/A	n/a	n/a	n/a
Non-Statutory Fees	#N/A	n/a	n/a	n/a
NEL****	n/a	n/a	n/a	n/a
NEL%	n/a	n/a	n/a	n/a

****NEL information will be updated when 2018 figures are available.

Table 1. SERC Budget for 2020

Organizational Overview

SERC is a nonprofit corporation whose mission is to reduce risks to the reliability and security of the bulk power system (BPS) in all or portions of 16 central and southeastern states. To achieve this mission, SERC maintains a diverse team of experts across numerous disciplines in order to address the complex, evolving, and dynamic challenges facing the grid. The SERC team also partners with the best and brightest individuals from both the power industry and the federal government to understand and address the challenges facing the grid. These key partnerships make our work more informed, pragmatic, responsive, and impactful.

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 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 as a 501(c)(6) nonprofit.

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*

The SERC Region presently covers an area of approximately 574,000 square miles. Electric systems in the Region currently serve approximately 23% of the net energy for load (NEL) in North America and 32% of the NEL in the Eastern Interconnection.

On February 27, 2019, SERC—together with NERC and the Florida Reliability Coordinating Council Regional Entity (FRCC)—made application to FERC to allow all 36 registered entities in the FRCC footprint to transfer their registrations to SERC. An effective date of July 1, 2019 was requested. This will also add approximately 232.7 TWh of NEL to the SERC Region.

An in-depth manpower analysis was conducted to determine required staffing levels necessary to meet SERC's goals and obligations. In addition, SERC is conducting value stream mapping and process improvement initiatives to enhance the effectiveness and efficiency of its various programs. The analysis considers expected efficiency improvements and yields a targeted staffing level of 98.0 Full-Time Equivalents (FTEs), comprising power industry professionals and support personnel. This staffing level will be sufficient to perform the scale of duties that will result from the integration of the new registered entities from FRCC described above.

Membership and Governance

As part of its delegated duties, SERC currently monitors 212 registered entities in the SERC Region for compliance with the NERC Reliability Standards. An additional 36 entities from FRCC will transfer to SERC on July 1, 2019. 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 most of its authority to an Executive Committee. The Board Executive Committee was expanded recently from 12 to 15 directors to provide additional executive committee membership for entities joining SERC from FRCC. The Board has formed the following committees:

- Board Executive Committee (BEC): Is empowered to make all such decisions and take such actions as are deemed necessary for the operation of the Corporation.
- 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 the 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

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

2020 Key Assumptions

NERC and Regional Entity business plans and budgets reflect the collaborative development of the ERO Enterprise Long-term Strategy and the ERO Enterprise Operating Plan. These strategic documents are available on NERC's website at (<https://www.nerc.com/AboutNERC/Pages/Strategic-Documents.aspx>)

Embodied in these strategic documents are six goals, each of which is supported by key contributing activities of the combined ERO Enterprise, NERC, and SERC:

- Risk-responsive Reliability Standards
- Objective, risk-informed compliance monitoring, mitigation, enforcement, and entity registration
- Reduction of known reliability risks
- Identification and assessment of emerging reliability risks
- Identification and reduction of cyber and physical security risks
- Effective and efficient ERO Enterprise operations

2020 Key Objectives

SERC's strategic focus is centered on three principles:

- SERC must be a credible and trusted expert organization for its stakeholders, one that is truly risk-based. SERC strives for excellence in risk identification, risk mitigation, and risk communication.
- SERC must be a respected leader across the Electric Reliability Organization (ERO) Enterprise, as well as in the eyes of the Federal Energy Regulatory Commission (FERC). This is accomplished through innovation, collaboration, and meaningful relationships.
- SERC must be a highly desirable place to work. SERC fosters a culture of trust, teamwork, and continuous improvement.

SERC will pursue a number of key objectives in 2020 to promote these focus areas:

- Identify the most significant risks to reliability in the SERC Region.
 - Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
 - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform standards, compliance, and other programs.

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- Ensure that the industry is well-informed of emerging trends, risk analysis, lessons learned, and expected actions.
 - Mitigate reliability risks.
 - Ensure that the industry understands security threats and addresses them effectively.
 - Facilitate information sharing among industry, Regions, ERO, and government.
 - Work with the ERO to track industry accountability for critical reliability and security recommendations.
 - Promote a culture of reliability excellence.
 - Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among registered entities.
 - Serve as a leading resource to industry and policy makers to supply reliability information.
 - Improve transparency, consistency, quality, and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - Identify, understand, and manage internal risks.
 - Foster trust between and among all levels of the organization.
 - Ensure internal processes are effective, efficient, and continually improving for the benefit of stakeholders, as well as employees.
 - Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - 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.
 - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner.
 - Promote a culture of compliance that addresses reliability risks across the SERC Region and the ERO.
 - Ensure that the industry understands the essential purpose of standards and compliance expectations.
 - Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
 - Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.

2020 Overview of Budget

SERC proposes to increase its operating budget in 2020 from \$18,144,949 to \$24,525,013, an increase of \$6,380,064 or 35.2%, of which \$4,974,626 is attributable to the inclusion of the new registered entities transferring from FRCC.

SERC's proposed 2020 assessment of \$22,459,123 represents an increase of 29.3%, or \$5,086,908 from the 2019 assessment and reflects the application of \$1,900,000 in penalty sanctions as an offset to assessments. Current SERC entities will see an increase in assessments of 5.4% (3.0% due to a prior year \$528K working capital reserve credit in 2019 budget), while entities transferring from FRCC will see a decrease of 12.7%.

SERC believes that in 2020 it will continue to realize material efficiencies that will allow the Region to remain an effective provider of statutory functions while managing costs and providing exceptional financial stewardship for its stakeholders. SERC will continue to promote consistent delivery of excellent results at a cost that respects the longstanding tradition of affordable and reliable electricity across SERC's geography.

In order to stabilize assessments and align budget and assessment changes more closely in the future, SERC has undertaken a multi-year strategy to manage assessment changes. NERC Rules of Procedure (ROP) §1107.2 specifies that penalties received during the period July 1 through the following June 30 are to be used in the subsequent budget period to offset assessment billings. However, ROP §1107.4 provides for exceptions or alternatives to this treatment if approved by FERC. In June 2019, the Board is expected to approve an amendment to SERC's Working Capital and Operating Reserves Policy. Included with this amendment is the creation of an Assessment Stabilization Reserve. This reserve will be established to implement the strategic goal of minimizing year-to-year volatility in assessments. The eventual goal is to narrow the gap between annual percentage changes in SERC's budget and annual percentage changes in assessments that result from year-to-year variations in penalty sanctions.

The following targeted budget changes allow SERC to accomplish the specific objectives outlined in the *2020 Business Plan and Budget* (dollars are stated as an increase in the 2020 budget compared to the 2019 budget). The most significant changes to the budget are in personnel, which includes two components:

- **Staffing changes proposed in 2020** – The targeted staffing level for 2020 is 98.00 FTEs. This reflects an increase of twenty FTEs compared to the 2019 budget. These additional personnel will accommodate the increase in workload in administration of the CMEP for registered entities transferring from FRCC to SERC.
- **Cost increase for maintaining staff budgeted in 2020** – The net increase in Personnel costs of \$5,305,173 compared to 2019 reflects a Board approved merit increase and an increase in employee benefit costs. A vacancy rate (of 8.0%) has been applied to all Personnel Expenses.

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

- **Meetings and Travel** – A combined increase of \$341,350 reflects additional audits due to the transfer of SPP entities to SERC, increased stakeholder outreach efforts, and an increase in meeting expenses associated with board and committee governance activities to reflect better a larger board and attendance.
- **Consultants and Contracts** – SERC anticipates an overall increase in Consultants and Contracts of \$391,099. This reflects search fees for recruitment of independent directors expected to be added to SERC's Board of Directors in 2021.
- **Office Costs** – An increase of \$175,563 is due primarily to planned upgrades of laptops and equipment.

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- **Professional Services** – An increase of \$55,800 is due to a combination of increased legal fees to review corporate bylaws, increased independent auditor fees, and third-party payroll processing fees.
 - **Fixed Assets** – An increase of \$110,000 in fixed asset purchases reflects the need for server replacements and new corporate services software.

Beginning with the 2020 Business Plan & Budget (BP&B), NERC and the Regions are implementing format revisions to the Statement of Activities report. These revisions are intended to ensure that NERC and the Regions report information consistently from new accounting standards (e.g., leasing standards and right-of-use assets), provide enhanced transparency of financing activity (e.g., debt borrowing, leased-financed asset purchases, and principal payments), and streamline sections of the report related to non-cash expenses (primarily depreciation and amortization). The goal of the new format is to improve the effectiveness of the report to the reader and to provide a total budget amount that more closely reflects the amount of annual revenues required from assessments and other funding sources. One of the format revisions is that the Statements of Activities will no longer show an expense item for depreciation and an equal and offsetting credit for depreciation in fixed asset activity (which resulted in depreciation having no impact on funding requirements or actual results).

In the 2020 BP&B document, the 2019 budget has been restated to reflect the new statement of activities reporting format when comparing 2020 to 2019 to show the year-over-year budget changes on a comparable basis. As such, in the total entity and departmental Statements of Activities, depreciation expense has been removed from the 2019 operating expense budgets and projections, and an equal credit of depreciation expense has been removed from the 2019 fixed asset activity budgets and projections.

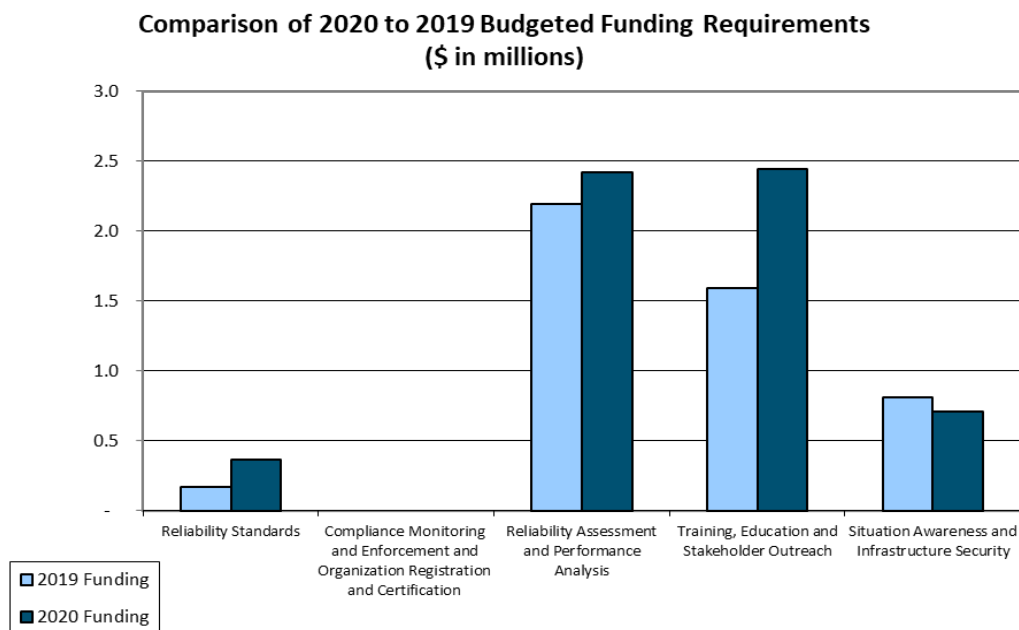
Summary by Program

The following table and figure summarize and illustrate the funding requirements for SERC's primary statutory program areas.

Program	Budget 2019	Projection 2019	Budget 2020	Variance	
				2019 Budget v 2020 Budget	Variance %
Reliability Standards	\$ 172,440	\$ 158,353	\$ 367,933	\$ 195,493	113.4%
Compliance Monitoring and Enforcement; Organization Registration and Certification	13,373,347	17,460,481	18,585,684	5,212,337	39.0%
Reliability Assessment and Performance Analysis	2,197,046	2,723,426	2,418,922	221,876	10.1%
Training, Education and Stakeholder Outreach	1,594,009	2,011,012	2,439,797	845,788	53.1%
Situation Awareness and Infrastructure Security	808,107	922,753	712,677	(95,430)	(11.8%)
Total By Program	\$ 18,144,949	\$ 23,276,025	\$ 24,525,013	\$ 6,380,064	35.2%
Working Capital Reserve	(528,184)	(1,803,380)	59,110	587,294	
Total Funding	17,616,765	21,472,645	24,584,123	6,967,358	39.5%

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

Table 2. Budgeted Funding by Program Area



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

Figure 1. Budgeted Funding by Program Area Chart

Personnel Analysis

The targeted staffing level for 2020 is 98.00 FTEs, which represents an increase of twenty FTEs compared to the 2019 budget. These additional personnel will accommodate the increase in workload in administration of the CMEP Program for new registered entities transferring from the FRCC Regional Entity to SERC. Other shifts between program areas are a result of an internal restructuring to align resources with overall needs. Details are discussed in the Resource Requirements section in each program area in Section A.

Total FTEs by Program Area	Budget 2019	Projection 2019	Direct FTEs 2020 Budget	Shared FTEs* 2020 Budget	Total FTEs 2020 Budget	Change from 2019 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.45	0.60	1.00	0.00	1.00	0.55
Compliance Monitoring and Enforcement; Organization Registration and Certification	34.00	43.60	49.50	0.00	49.50	15.50
Reliability Assessment and Performance Analysis	4.90	6.00	6.00	0.00	6.00	1.10
Training, Education and Stakeholder Outreach	3.30	5.00	6.00	0.00	6.00	2.70
Situation Awareness and Infrastructure Security	2.20	2.00	2.00	0.00	2.00	(0.20)
Total FTEs Operational Programs	44.85	57.20	64.50	0.00	64.50	19.65
Corporate Services						
Technical Committees and Member Forums	4.70	3.50	4.00	0.00	4.00	(0.70)
General & Administrative	8.75	10.00	11.00	0.00	11.00	2.25
Legal and Regulatory	4.45	3.50	3.70	0.00	3.70	(0.75)
Analytics & Information Technology	9.45	8.00	8.00	0.00	8.00	(1.45)
Human Resources	2.90	2.90	3.40	0.00	3.40	0.50
Finance and Accounting	2.90	2.90	3.40	0.00	3.40	0.50
Total FTEs Corporate Services	33.15	30.80	33.50	0.00	33.50	0.35
Total FTEs	78.00	88.00	98.00	0.00	98.00	20.00

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

Table 3. Total FTEs by Program Area

2019 Budget and Projection and 2020 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
STATUTORY					
	2019 Budget	2019 Projection	Variance 2019 Budget v 2019 Projection Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Inc(Dec)
Revenue					
Statutory Funding					
SERC Assessments	\$ 17,372,215	\$ 17,372,215	\$ -	\$ 22,459,123	\$ 5,086,908
Penalty Sanctions	83,000	974,919	891,919	1,900,000	1,817,000
Total Statutory Funding	\$ 17,455,215	\$ 18,347,134	\$ 891,919	\$ 24,359,123	\$ 6,903,908
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	34,500	34,500	-	-	(34,500)
Workshops & Miscellaneous	126,050	3,040,011	2,913,961	165,000	38,950
Interest	1,000	51,000	50,000	60,000	59,000
Total Revenue (A)	\$ 17,616,765	\$ 21,472,645	\$ 3,855,880	\$ 24,584,123	\$ 6,967,358
Expenses					
Personnel Expenses					
Salaries	\$ 10,276,729	\$ 12,443,871	\$ 2,167,142	\$ 14,135,381	\$ 3,858,652
Payroll Taxes	746,769	874,329	127,560	1,028,204	281,435
Benefits	1,172,398	1,669,962	497,564	1,843,729	671,331
Retirement Costs	1,330,427	1,576,639	246,212	1,824,182	493,755
Total Personnel Expenses	\$ 13,526,323	\$ 16,564,801	\$ 3,038,478	\$ 18,831,496	\$ 5,305,173
Meeting Expenses					
Meetings & Conference Calls	\$ 336,700	\$ 608,300	\$ 271,600	\$ 521,824	\$ 185,124
Travel	648,922	788,922	140,000	805,148	156,226
Total Meeting Expenses	\$ 985,622	\$ 1,397,222	\$ 411,600	\$ 1,326,972	\$ 341,350
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,978,481	\$ 2,069,481	\$ 91,000	\$ 2,369,580	\$ 391,099
Office Rent	785,196	785,196	-	789,276	4,080
Office Costs	535,986	678,985	142,999	711,549	175,563
Professional Services	110,340	150,340	40,000	166,140	55,800
Miscellaneous	3,000	-	(3,000)	-	(3,000)
Total Operating Expenses	\$ 3,413,003	\$ 3,684,002	\$ 270,999	\$ 4,036,545	\$ 623,542
Total Direct Expenses	\$ 17,924,948	\$ 21,646,025	\$ 3,721,077	\$ 24,195,013	\$ 6,270,065
Indirect Expenses	\$ 1	\$ -	\$ (1)	\$ -	\$ (1)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 17,924,949	\$ 21,646,025	\$ 3,721,076	\$ 24,195,013	\$ 6,270,064
Change in Assets	\$ (308,184)	\$ (173,380)	\$ 134,804	\$ 389,110	\$ 697,294
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 220,000	\$ 1,630,000	\$ 1,410,000	\$ 330,000	\$ 110,000
TOTAL BUDGET (B+C)	\$ 18,144,949	\$ 23,276,025	\$ 5,131,076	\$ 24,525,013	\$ 6,380,064
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (528,184)	\$ (1,803,380)	\$ (1,275,196)	\$ 59,110	\$ 587,294
FTEs	78.0	88.0	10.0	98.0	20.0

Table 4. Budget and Projection Comparison, 2019 to 2020

Section A – Statutory Programs

2020 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	0.45	1.00	0.55
Direct Expenses	\$ 77,047	\$ 197,328	\$ 120,281
Indirect Expenses	\$ 96,915	\$ 165,489	\$ 68,574
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,522)	\$ 5,116	\$ 6,638
Total Funding Requirement	\$ 172,440	\$ 367,933	\$ 195,493

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). In accordance with the SERC Reliability Standards Development Procedure, SERC develops and maintains its Regional Reliability 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, or address a regional difference or a physical difference in the BES.

SERC may also develop regional criteria and guidelines. Regional criteria and guidelines 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 and guidelines are not Reliability Standards, and therefore are not enforceable. SERC develops its regional criteria and guidelines in accordance with the procedure for *SERC Technical Committee Documents*.

2020 Key Assumptions

The 2020 key assumptions for the Reliability Standards Program are as follows:

- SERC expects the overall volume of NERC Reliability Standard changes to remain at levels consistent with prior years as the standards are undergoing an efficiency review and many requirements are being retired. It may be a year or two before standards changes reach a steady state.
- SERC resources will support the standards development per the NERC Standards Process Manual.
- SERC regional standards development activity will take place in 2020 and beyond to incorporate the entities transitioning from FRCC into the SERC UFLS standard.
- SERC anticipates regional criteria and guideline development will continue as needed to support reliability and security.

2020 Goals and Key Deliverables

SERC Reliability Standards Program 2020 goals and key deliverables are as follows:

- Manage the SERC Technical Committee Documents per the approved 2020 Review Work Plan.
- 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.
- Provide information to stakeholders on upcoming standards changes or implementation dates to ensure awareness and preparedness.

Resource Requirements**Personnel**

Reliability Standards increased the FTE allocation by 0.55 from 2019 to 2020 due to a reallocation of resources.

Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Travel Expenses

Travel expenses increased from 2019 to 2020 as staffing increased; the new staff will participate in NERC standards activities and share information with SERC Technical Committees, which will involve a limited amount of additional travel.

Reliability Standards Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
RELIABILITY STANDARDS					
	2019 Budget	2019 Projection	Variance 2019 Budget v 2019 Projection Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Inc(Dec)
Revenue					
Statutory Funding					
SERC Assessments	\$ 171,606	\$ 171,606	\$ -	\$ 338,061	\$ 166,455
Penalty Sanctions	833	10,226	9,393	29,457	28,624
Total Statutory Funding	\$ 172,439	\$ 181,832	\$ 9,393	\$ 367,518	\$ 195,079
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	-	30,759	30,759	372	372
Interest	-	535	535	930	930
Total Revenue (A)	\$ 172,439	\$ 213,126	\$ 40,687	\$ 368,820	\$ 196,381
Expenses					
Personnel Expenses					
Salaries	\$ 55,268	\$ 19,903	\$ (35,365)	\$ 140,742	\$ 85,474
Payroll Taxes	4,035	1,453	(2,582)	10,274	6,239
Benefits	6,631	4,328	(2,303)	17,341	10,710
Retirement Costs	7,113	2,572	(4,541)	18,121	11,008
Total Personnel Expenses	\$ 73,047	\$ 28,256	\$ (44,791)	\$ 186,478	\$ 113,431
Meeting Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ 1,110	\$ 1,110
Travel	4,000	4,000	-	9,540	5,540
Total Meeting Expenses	\$ 4,000	\$ 4,000	\$ -	\$ 10,650	\$ 6,650
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	200	200
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 200	\$ 200
Total Direct Expenses	\$ 77,047	\$ 32,256	\$ (44,791)	\$ 197,328	\$ 120,281
Indirect Expenses	\$ 96,915	\$ 108,999	\$ 12,084	\$ 165,489	\$ 68,574
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 173,962	\$ 141,255	\$ (32,707)	\$ 362,817	\$ 188,855
Change in Assets	\$ (1,523)	\$ 71,871	\$ 73,394	\$ 6,003	\$ 7,526
Fixed Assets, excluding Right of Use Assets (C)	\$ (1,522)	\$ 17,098	\$ 18,620	\$ 5,116	\$ 6,638
TOTAL BUDGET (B+C)	\$ 172,440	\$ 158,353	\$ (14,087)	\$ 367,933	\$ 195,493
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (1)	\$ 54,773	\$ 54,774	\$ 887	\$ 888
FTEs	0.45	0.60	0.15	1.00	0.55

Table A-2. Reliability Standards Budget Detail

Compliance Monitoring and Enforcement; Organization Registration and Certification Program

Compliance Monitoring and Enforcement; Organization Registration and Certification Program (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	34.00	49.50	15.50
Direct Expenses	\$ 6,165,872	\$ 10,140,718	\$ 3,974,846
Indirect Expenses	\$ 7,322,466	\$ 8,191,711	\$ 869,245
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (114,991)	\$ 253,255	\$ 368,246
Total Funding Requirement	\$ 13,373,347	\$ 18,585,684	\$ 5,212,337

Table A-3. Compliance Monitoring, Enforcement and Organization Registration and Certification 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 four areas: Compliance Monitoring, 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 three functional areas:

- Organization Registration and Certification
 - Registers owners, operators, and users of the BPS for compliance with Reliability Standards
 - Certifies applicable entities
- Compliance Monitoring
 - Conducts SERC compliance monitoring activities (e.g., Compliance audits, spot checks, guided self-certifications, and Compliance Investigations)
 - Uses a risk-based approach to compliance monitoring, developing and implementing entity Compliance Oversight Plans
 - Performs registered entity Internal Controls Evaluations
 - Provides subject matter experts for Standards and Requirements
 - Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions process
- Entity Assessment and Mitigation
 - Conducts registered entity Inherent Risk Assessments
 - Serves as the technical 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 and root cause of the non-compliance, and the potential and actual risk or harm 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 and prevent recurrence in order to protect BPS reliability
- Administers the SERC Regional self-logging program
- Performs Compliance Evaluations, when required, on Events reported by registered 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 or issue a notice of violation (if the entity is unwilling to settle).
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.

2020 Key Assumptions

Compliance

The 2020 key assumptions for SERC Compliance are as follows:

- The transfer of Registered Entities from FRCC Regional Entity to SERC will impact all facets of the compliance program areas.
- Risk-based Compliance Monitoring engagements will increase. SERC expects to increase compliance audits, spot checks, and guided self-certifications for Compliance Monitoring engagements. 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 non-compliance 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 Registered Entity may 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 2020 key assumptions for SERC Enforcement are as follows:

- SERC will continue to see a high number of Enforcement actions due to the implementation of CIP Version 5 and due to the increase in compliance audits from the entities transferring to SERC from Florida.
- 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.

2020 Goals and Key Deliverables

Compliance

SERC Compliance 2020 goals and key deliverables are as follows:

- Conduct scheduled Compliance Monitoring activities pursuant to the 2020 Implementation Plan. Compliance Monitoring engagements for 2020 will consider on-site audits, off-site audits, spot checks, and guided self-certifications. As Entity Assessment and Mitigation completes or refreshes registered entities' Inherent Risk Assessments, the 2020 Compliance Monitoring schedule may change, with additional engagements added.
- Facilitate efficient and collaborative transitions to new and revised standards through continued ERO Enterprise-wide collaboration.
- Work with the ERO Enterprise and industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security.
- Collaborate with the ERO Enterprise and encourage effective internal controls models.
- Evaluate the Compliance Monitoring, violation processing, risk-assessment, and registration and certification program for sufficiency and effectiveness. Modify the programs, as needed.
- Collaborate with the ERO Enterprise to develop common and consistent CMEP processes, information systems, and methods among Regions.
- Refine and implement risk-based Compliance Monitoring and Enforcement by

- focusing on serious risk violations to improve the effectiveness of SERC operations, and
- reducing unnecessary costs of compliance on registered entities while ensuring achievement of reliability objectives.
- Ensure timely mitigation of all violations to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS. Timely mitigation will cause the aging curve to trend positively.
- Develop mature violation processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
- Assume an active role in ERO Enterprise-wide CMEP Tools development.
- 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 the following:
 - Compliance staff and other personnel, as necessary, understand Compliance implementation guidance documents and risk-based principles.
 - An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct.
 - An annual assessment process exists to evaluate audit team content and capability needs.
 - A training program exists that addresses initial and continuing training for capability and competency development.
- Operate an efficient Registration and Certification program that
 - ensures that SERC provides NERC timely and accurate information about changes in registrations;
 - performs certification reviews, or if a new certification is required, accommodates a change in a registered entity's status; and
 - documents certification activities sufficiently and makes recommendations to NERC regarding certification.

Enforcement

SERC Enforcement 2020 goals and key deliverables are as follows:

- Manage Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities.
- 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
 - conduct outreach activities to help entities increase the percentage of self-identified non-compliances (Self Reports and Self Certifications);
 - decrease the time needed to process violations and keep the average age of violations in inventory at less than one year; and

- 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 significant increase in compliance activity is expected with the transfer of registered entities from the FRCC Regional Entities. SERC conducted an in-depth manpower analysis to determine required staffing levels necessary to meet SERC's compliance goals and obligations. The analysis considers expected efficiency improvements gained from value stream mapping and process improvement initiatives, and yields a targeted staffing level of 49.5 Full-Time Equivalent (FTEs) in the CMEP area. This staffing level represents an increase of 15.5 FTEs, and will be sufficient to perform the scale of duties that will result from the integration of the new registered entities from FRCC described above. Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Meeting and Travel

The total number of on-site compliance audits and spot checks conducted on an average annual basis is projected to increase as much as 50% due to the integration of FRCC Regional Entity. This includes both the areas of Operations & Planning, and CIP. This includes increased costs projected as a result of risk-based monitoring of the CIP-014 reliability standard, due to more frequent site visits associated with auditing this CIP standard.

SERC anticipates an increase of nearly \$15,000 in travel and meeting expenses in 2020 in the Entity Assessment and Mitigation group. This is due to an increase in staff because of the integration of FRCC RE, and an increase in meetings between Entity Assessment and Mitigation staff and registered entities regarding enforcement and mitigation matters.

Contractors and Consultants

The cost for 2020 reflects an increase of \$10,000, attributable to the Consortium User Group (CUG) expenses transferring to SERC from FRCC.

Section A – Statutory Programs Compliance Monitoring, Enforcement, and Organization Registration and Certification Program Funding Sources and Expenditures

Compliance Monitoring, Enforcement, and Organization Registration and Certification Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT; ORGANIZATION REGISTRATION AND CERTIFICATION					
	2019 Budget	2019 Projection	Variance 2019 Budget v 2019 Projection Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Inc(Dec)
Revenue					
Statutory Funding					
SERC Assessments	\$ 13,275,926	\$ 13,275,926	\$ -	\$ 17,096,873	\$ 3,820,947
Penalty Sanctions	62,921	743,120	680,199	1,458,140	1,395,219
Total Statutory Funding	\$ 13,338,847	\$ 14,019,046	\$ 680,199	\$ 18,555,013	\$ 5,216,166
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	34,500	2,235,157	2,200,657	29,418	(5,082)
Interest	-	38,874	38,874	46,048	46,048
Total Revenue (A)	\$ 13,373,347	\$ 16,293,077	\$ 2,919,730	\$ 18,630,479	\$ 5,257,132
Expenses					
Personnel Expenses					
Salaries	\$ 4,319,499	\$ 5,841,257	\$ 1,521,758	\$ 7,213,371	\$ 2,893,872
Payroll Taxes	315,323	426,412	111,089	526,576	211,253
Benefits	470,935	581,907	110,972	836,603	365,668
Retirement Costs	556,635	769,159	212,524	928,548	371,913
Total Personnel Expenses	\$ 5,662,392	\$ 7,618,735	\$ 1,956,343	\$ 9,505,098	\$ 3,842,706
Meeting Expenses					
Meetings & Conference Calls	\$ 8,300	\$ 63,300	\$ 55,000	\$ 35,825	\$ 27,525
Travel	349,400	439,400	90,000	438,270	88,870
Total Meeting Expenses	\$ 357,700	\$ 502,700	\$ 145,000	\$ 474,095	\$ 116,395
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 120,375	\$ 156,000	\$ 35,625	\$ 126,000	\$ 5,625
Office Rent	-	-	-	-	-
Office Costs	22,855	20,005	(2,850)	35,525	12,670
Professional Services	-	-	-	-	-
Miscellaneous	2,550	-	(2,550)	-	(2,550)
Total Operating Expenses	\$ 145,780	\$ 176,005	\$ 30,225	\$ 161,525	\$ 15,745
Total Direct Expenses	\$ 6,165,872	\$ 8,297,440	\$ 2,131,568	\$ 10,140,718	\$ 3,974,846
Indirect Expenses	\$ 7,322,466	\$ 7,920,593	\$ 598,127	\$ 8,191,711	\$ 869,245
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 13,488,338	\$ 16,218,033	\$ 2,729,695	\$ 18,332,429	\$ 4,844,091
Change in Assets	\$ (114,991)	\$ 75,045	\$ 190,036	\$ 298,050	\$ 413,041
Fixed Assets, excluding Right of Use Assets (C)	\$ (114,991)	\$ 1,242,448	\$ 1,357,439	\$ 253,255	\$ 368,246
TOTAL BUDGET (B+C)	\$ 13,373,347	\$ 17,460,481	\$ 4,087,134	\$ 18,585,684	\$ 5,212,337
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (1,167,403)	\$ (1,167,403)	\$ 44,795	\$ 44,795
FTEs	34.00	43.60	9.60	49.50	15.50

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

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	4.90	6.00	1.10
Direct Expenses	\$ 1,158,321	\$ 1,395,289	\$ 236,968
Indirect Expenses	\$ 1,055,297	\$ 992,935	\$ (62,362)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (16,572)	\$ 30,698	\$ 47,270
Total Funding Requirement	\$ 2,197,046	\$ 2,418,922	\$ 221,876

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

Program Scope and Functional Description

SERC's RAPA program provides data gathering and assessment of future reliability of the BPS. The RAPA function identifies reliability risks to the BPS 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 BPS 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 BPS 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.

2020 Key Assumptions

The 2020 key assumptions for SERC RAPA are as follows:

- SERC will continue to support NERC's RAPA program to gather data, develop assessments, and report on the reliability of the BPS.
- SERC will support the ERO Enterprise in the identification and mitigation of significant current reliability risks, as well as the 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).
- SERC will continue to support its integrated risk management initiatives to promote awareness and discuss strategies for risk mitigation.

2020 Goals and Key Deliverables

The SERC RAPA program will support the following goals:

- Continue to support NERC Reliability Assessments, Performance Analysis, and System Analysis program data collections, data validation, and analytical efforts.

- Support Regional analysis that contributes to NERC reliability analysis efforts, SERC reliability risk discussions, and performance analysis efforts.
- Continue to submit timely and quality probabilistic, seasonal, and long-term SERC and NERC reliability assessments and studies.
- Continue to support ongoing improvements to SERC and ERAG Eastern Interconnection planning models, structure, assessments, and analysis.
- Provide support to the associated SERC and NERC committees and initiatives.
- Continue to support entity outreach efforts to increase reliability risk related discussions.
- Assess the need for advanced probabilistic tools to support resource adequacy sensitivities and Regional model improvements, and acquire tool(s) based upon findings.
- Continue to provide employee analytical training that develops the capability to analyze projected, historical, and operational data, and adds value to annual assessments and studies.
- Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified periods.
- Continue NERC and Regional coordination to improve processes, data collections, and information required to implement enhanced Regional analytical efforts.

Resource Requirements

Personnel

An increase of 1.10 FTEs in Reliability Assessment and Performance Analysis is necessary due to the realignment of personnel supporting the RAPA program.

Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Meeting & Travel Expenses

The increase in meeting expenses from 2019 to 2020 is due to larger meeting sizes due to increasing membership. The increase in travel expenses from 2019 to 2020 are due to SERC staff travel in support of NERC initiatives, and as needed to support RAPA meetings, as well as to participate in training and certification activities.

Contractors and Consultants

The 2020 budget includes contractor support for a probabilistic assessment performed through the Resource Adequacy Working Group. The decrease from the 2019 budget is a result of certain contractor-supported studies performed in 2019 that are not performed in 2020.

Software

There is an increase from 2019 to 2020 for software licenses, needed for performing model verification and engineering study support.

Section A – Statutory Programs Reliability Assessment and Performance Analysis Program Funding Sources and Expenditures

Reliability Assessment and Performance Analysis Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
	2019 Budget	2019 Projection	Variance 2019 Budget v 2019 Projection Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Inc(Dec)
Revenue					
Statutory Funding					
SERC Assessments	\$ 2,187,978	\$ 2,187,978	\$ -	\$ 2,240,194	\$ 52,216
Penalty Sanctions	9,068	102,264	93,196	176,744	167,676
Total Statutory Funding	\$ 2,197,046	\$ 2,290,242	\$ 93,196	\$ 2,416,938	\$ 219,892
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	-	307,590	307,590	2,233	2,233
Interest	-	5,350	5,350	5,581	5,581
Total Revenue (A)	\$ 2,197,046	\$ 2,603,182	\$ 312,940	\$ 2,424,752	\$ 227,706
Expenses					
Personnel Expenses					
Salaries	\$ 641,291	\$ 848,864	\$ 207,573	\$ 869,968	\$ 228,677
Payroll Taxes	46,814	61,967	15,153	63,508	16,694
Benefits	75,413	90,954	15,541	102,048	26,635
Retirement Costs	82,585	109,354	26,769	111,960	29,375
Total Personnel Expenses	\$ 846,103	\$ 1,111,139	\$ 265,036	\$ 1,147,484	\$ 301,381
Meeting Expenses					
Meetings & Conference Calls	\$ 29,200	\$ 33,300	\$ 4,100	\$ 56,125	\$ 26,925
Travel	56,768	61,768	5,000	63,880	7,112
Total Meeting Expenses	\$ 85,968	\$ 95,068	\$ 9,100	\$ 120,005	\$ 34,037
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 225,000	\$ 255,000	\$ 30,000	\$ 110,000	\$ (115,000)
Office Rent	-	-	-	-	-
Office Costs	1,250	1,250	-	17,800	16,550
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 226,250	\$ 256,250	\$ 30,000	\$ 127,800	\$ (98,450)
Total Direct Expenses	\$ 1,158,321	\$ 1,462,457	\$ 304,136	\$ 1,395,289	\$ 236,968
Indirect Expenses	\$ 1,055,297	\$ 1,089,990	\$ 34,693	\$ 992,935	\$ (62,362)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,213,618	\$ 2,552,447	\$ 338,829	\$ 2,388,224	\$ 174,606
Change in Assets	\$ (16,572)	\$ 50,735	\$ (25,889)	\$ 36,528	\$ 53,100
Fixed Assets, excluding Right of Use Assets (C)	\$ (16,572)	\$ 170,979	\$ 187,551	\$ 30,698	\$ 47,270
TOTAL BUDGET (B+C)	\$ 2,197,046	\$ 2,723,426	\$ 526,380	\$ 2,418,922	\$ 221,876
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (120,244)	\$ (213,440)	\$ 5,830	\$ 5,830
FTEs	4.90	6.00	1.10	6.00	1.10

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

Training, Education, and Stakeholder Outreach

Training, Education and Stakeholder Outreach (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	3.30	6.00	2.70
Direct Expenses	\$ 894,460	\$ 1,416,164	\$ 521,704
Indirect Expenses	\$ 710,710	\$ 992,935	\$ 282,225
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (11,161)	\$ 30,698	\$ 41,859
Total Funding Requirement	\$ 1,594,009	\$ 2,439,797	\$ 845,788

Table A-7. Training, Education, and Stakeholder Outreach Budget

Program Scope and Functional Description

The SERC Training, Education, and Stakeholder Outreach programs provides education and training necessary to obtain essential knowledge of BPS operations, and provides targeted outreach to its registered entities to increase understanding of security and reliability of the BPS. SERC Training and Education programs have annual scheduled programs directed at external stakeholders. Specifically, Training and Education programs support the continuing education of NERC Certified System Operators, Security Professionals, Compliance Professionals, Trainers, and other supporting professions. Stakeholder Outreach is a voluntary program that brings targeted coaching, training, and education to registered entities.

2020 Key Assumptions

SERC Training, Education, and Stakeholder Outreach Program 2020 key assumptions are as follows:

- SERC will support the ERO goal to implement risk-based programs. Achieving this goal will require structured training.
- SERC will use common ERO training methods and curriculum for Regional consistency on required and emerging qualifications and competencies.
- SERC will provide training to operating personnel to promote the reliability and security 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, security, and/or compliance.
- The SERC Training program will maintain SERC's status as a NERC certified Continuing Education Provider. SERC education programs will focus on developing reliability and security skills of internal and external stakeholders.
- SERC will increase targeted outreach efforts that promote BPS reliability, security, and risk mitigation across its footprint.

2020 Goals and Key Deliverables

The SERC Training, Education, and Stakeholder Outreach program will support the following goals:

- Develop and deliver training on required technical knowledge, skills, and abilities for key staff positions within SERC.
- Develop and deliver four System Operator Conferences that promote BPS reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics.
- Deliver NERC Reliability Standards workshops or webinars to BPS system operators, operating support personnel, compliance personnel, and training personnel to explain changed expectations within new or revised Reliability Standards and related procedures and programs, as well as changes in observed performance trends that affect reliability and security.
- Develop and deliver to internal and external stakeholders, timely and effective education that promotes the mission of SERC and the ERO.
- Provide targeted outreach aimed to facilitate a greater understanding of reliability and security risk to the BPS.

Resource Requirements

Personnel

Training and Education has increased its FTE allocation from 2019 to 2020 by 2.70 to reflect an increase in training and targeted outreach efforts. Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Meetings

The 2020 budget includes an increase for the cost of meetings due to increased membership in the SERC Region. A larger stakeholder group will result in more meetings, or larger meetings with increased cost.

Travel

As the membership of SERC increases, and the staffing in the Training and Education group increases, there is a small increase in travel in 2020. This is a result of training and certification activities for SERC staff, as well as some travel to stakeholder forums.

Contractors and Consultants

The 2020 budget includes contractor support for the System Operator Conferences.

Training, Education, and Stakeholder Outreach Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
TRAINING AND OUTREACH					
	2019 Budget	2019 Projection	Variance 2019 Budget v 2019 Projection Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Inc(Dec)
Revenue					
Statutory Funding					
SERC Assessments	\$ 1,480,253	\$ 1,480,253	\$ -	\$ 2,131,119	\$ 650,866
Penalty Sanctions	6,107	85,220	79,113	176,744	170,637
Total Statutory Funding	\$ 1,486,360	\$ 1,565,473	\$ 79,113	\$ 2,307,863	\$ 821,503
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	107,650	363,975	256,325	132,233	24,583
Interest	-	4,458	4,458	5,581	5,581
Total Revenue (A)	\$ 1,594,010	\$ 1,933,906	\$ 339,896	\$ 2,445,677	\$ 851,667
Expenses					
Personnel Expenses					
Salaries	\$ 472,590	\$ 521,072	\$ 48,482	\$ 805,778	\$ 333,188
Payroll Taxes	34,701	38,052	3,351	58,822	24,121
Benefits	48,242	62,135	13,893	103,247	55,005
Retirement Costs	60,872	67,945	7,073	103,756	42,884
Total Personnel Expenses	\$ 616,405	\$ 689,204	\$ 72,799	\$ 1,071,603	\$ 455,198
Meeting Expenses					
Meetings & Conference Calls	\$ 101,600	\$ 136,100	\$ 34,500	\$ 137,094	\$ 35,494
Travel	41,000	41,000	-	68,675	27,675
Total Meeting Expenses	\$ 142,600	\$ 177,100	\$ 34,500	\$ 205,769	\$ 63,169
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 135,455	\$ 93,900	\$ (41,555)	\$ 137,000	\$ 1,545
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,792	1,792
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 135,455	\$ 93,900	\$ (41,555)	\$ 138,792	\$ 3,337
Total Direct Expenses	\$ 894,460	\$ 960,204	\$ 65,744	\$ 1,416,164	\$ 521,704
Indirect Expenses	\$ 710,710	\$ 908,325	\$ 197,615	\$ 992,935	\$ 282,225
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,605,170	\$ 1,868,529	\$ 263,359	\$ 2,409,099	\$ 803,929
Change in Assets	\$ (11,160)	\$ 65,377	\$ 76,537	\$ 36,578	\$ 47,738
Fixed Assets, excluding Right of Use Assets (C)	\$ (11,161)	\$ 142,483	\$ 153,644	\$ 30,698	\$ 41,859
TOTAL BUDGET (B+C)	\$ 1,594,009	\$ 2,011,012	\$ 417,003	\$ 2,439,797	\$ 845,788
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 1	\$ (77,106)	\$ (77,107)	\$ 5,880	\$ 5,879
FTEs	3.30	5.00	1.70	6.00	2.70

Table A-8. Training, Education, and Stakeholder Outreach Budget Detail

Situational Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2019 Budget	2020 Budget	Increase (Decrease)
Total FTEs	2.20	2.00	(0.20)
Direct Expenses	\$ 341,741	\$ 371,466	\$ 29,725
Indirect Expenses	\$ 473,807	\$ 330,978	\$ (142,829)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,441)	\$ 10,233	\$ 17,674
Total Funding Requirement	\$ 808,107	\$ 712,677	\$ (95,430)

Table A-9. Situational Awareness and Infrastructure Security Budget

Program Scope and Functional Description

The SERC Situational Awareness (SA), Events Analysis (EA) and Infrastructure Security program identifies and analyzes events and conditions that affect or might affect reliable operations. These programs accomplish this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. SERC analyzes significant BPS events and develops lessons learned to educate stakeholders on risks and vulnerabilities that could recur elsewhere within the BPS.

2020 Key Assumptions

SERC Situation Awareness and Infrastructure Security Program 2020 key assumptions are as follows:

- SERC will support the ERO Enterprise in the identification and mitigation of significant reliability risks, as well as the identification and assessment of conditions that indicate 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 BPS.
- SERC will continue its outreach program to communicate lessons learned from analysis of SA and EA events.
- SERC will continue to review, track, and trend reliability events to support the ERO goal of fewer, less severe events in the SERC Region.
- SERC will share mitigating measures and other BPS 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 BPS.

2020 Goals and Key Deliverables

The SERC Situational Awareness and Infrastructure Security program will support the following goals:

- Continue to increase the utilization of data collection tools and data analysis to provide oversight of the BPS to support NERC reporting requirements.

- Evaluate events information to identify risk trends and benchmarking effort.
- Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives.
- Continue stakeholder outreach efforts that encourage stakeholder participation in the SA and EA programs.
- Facilitate and promote post-event collaboration and coordination with NERC and applicable governmental agencies.
- Identify and prioritize risks based on reliability impacts, assessments, projected resources, and emerging issues.
- 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 0.2 FTEs is due to the realignment of personnel supporting the Situational Awareness and Infrastructure Security program.

Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Section A – Statutory Programs Situational Awareness and Infrastructure Security Program Funding Sources and Expenditures

Situational Awareness and Infrastructure Security Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2019 Budget	2019 Projection	Variance 2019 Budget v 2019 Projection Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Inc(Dec)
Revenue					
Statutory Funding					
SERC Assessments	\$ 804,036	\$ 804,036	\$ -	\$ 652,876	\$ (151,160)
Penalty Sanctions	4,071	34,088	30,017	58,915	54,844
Total Statutory Funding	\$ 808,107	\$ 838,124	\$ 30,017	\$ 711,791	\$ (96,316)
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	-	102,530	102,530	744	744
Interest	-	1,783	1,783	1,860	1,860
Total Revenue (A)	\$ 808,107	\$ 942,437	\$ 134,330	\$ 714,395	\$ (93,712)
Expenses					
Personnel Expenses					
Salaries	\$ 240,121	\$ 366,665	\$ 126,544	\$ 258,353	\$ 18,232
Payroll Taxes	17,529	26,767	9,238	18,860	1,331
Benefits	26,828	35,463	8,635	36,683	9,855
Retirement Costs	30,960	47,232	16,272	33,240	2,280
Total Personnel Expenses	\$ 315,438	\$ 476,127	\$ 160,689	\$ 347,136	\$ 31,698
Meeting Expenses					
Meetings & Conference Calls	-	-	-	320	320
Travel	25,953	25,953	-	22,810	(3,143)
Total Meeting Expenses	\$ 25,953	\$ 25,953	\$ -	\$ 23,130	\$ (2,823)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	350	350	-	1,200	850
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 350	\$ 350	\$ -	\$ 1,200	\$ 850
Total Direct Expenses	\$ 341,741	\$ 502,430	\$ 160,689	\$ 371,466	\$ 29,725
Indirect Expenses	\$ 473,807	\$ 363,330	\$ (110,477)	\$ 330,978	\$ (142,829)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 815,548	\$ 865,760	\$ 50,212	\$ 702,444	\$ (113,104)
Change in Assets	\$ (7,441)	\$ 76,677	\$ 84,118	\$ 11,951	\$ 19,392
Fixed Assets, excluding Right of Use Assets (C)	\$ (7,441)	\$ 56,993	\$ 64,434	\$ 10,233	\$ 17,674
TOTAL BUDGET (B+C)	\$ 808,107	\$ 922,753	\$ 114,646	\$ 712,677	\$ (95,430)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 19,684	\$ 19,684	\$ 1,718	\$ 1,718
FTEs	2.20	2.00	(0.20)	2.00	(0.20)

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

Corporate Services

Corporate Services (in whole dollars)						
Direct Expenses and Fixed Assets						
	2019 Budget	2020 Budget	Increase (Decrease)	FTEs 2019 Budget	FTEs 2020 Budget	Increase (Decrease)
Technical Committees and Member Forums	\$ 1,109,412	\$ 998,375	\$ (111,037)	4.70	4.00	(0.70)
General and Administrative	\$ 3,195,436	\$ 3,750,386	\$ 554,950	8.75	11.00	2.25
Legal and Regulatory	\$ 1,059,741	\$ 1,681,173	\$ 621,432	4.45	3.70	(0.75)
Analytics & Information Technology	\$ 2,883,755	\$ 3,049,617	\$ 165,862	9.45	8.00	(1.45)
Human Resources	\$ 753,405	\$ 1,013,461	\$ 260,056	2.90	3.40	0.50
Accounting and Finance	\$ 505,758	\$ 511,036	\$ 5,278	2.90	3.40	0.50
Total Corporate Services	\$ 9,507,507	\$ 11,004,048	\$ 1,496,541	33.15	33.50	0.35

Table A-11. Corporate Services Budget

Program Scope and Functional Description

SERC's Corporate Services area includes the budget for all business and administrative functions of the organization:

- Technical Committees and Member Forums
- General and Administrative
- Legal and Regulatory
- Analytics and IT
- Human Resources
- Finance and Accounting

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionally to the direct programs for 2020 based on the number of FTEs in those programs.

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 BPS reliably, securely, 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 on the BPS.

2020 Key Assumptions

SERC Technical Committees and Member Forums 2020 key assumptions are as follows:

- SERC will continue its technical committee and subgroup structure for effective stakeholder involvement in 2020.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
- SERC's Reliability Risk Working Group will continue to identify, and educate SERC staff and Regional members about the reliability risks 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*.

2020 Goals and Key Deliverables

The SERC Technical Committees and Member Forums programs will address reliability risks by doing the following:

- Convene regular meetings of the standing committees and the subordinate groups, as necessary.
- Communicate to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning, and engineering of the Bulk Power System, and the advancement of the physical and cyber security of the BES.
- Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security.
- Perform special projects at the request of the SERC Board of Directors.
- Participate in the establishment of Reliability Standards.
- 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.
- Review activities within the SERC Region that affect reliability and adequacy, as necessary, to meet Reliability Standards and other reliability initiatives.
- Perform technical functions through the assignment of specific tasks to subordinate groups to address current and emerging risks.
- Provide key inputs from the SERC Reliability Risk Team for the CMEP Implementation Plan.

Resource Requirements

Personnel

FTE's in Technical Committees and Member Forums decreased 0.70 from 2019 to 2020 due to reorganization of resources in the area of Reliability Standards and Training and Stakeholder Outreach. Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Meetings

Meeting expenses in 2020 reflect a decrease from 2019 when several meetings were moved to an off-site location at an additional cost.

Travel

Travel expenses increased from 2019 to 2020 as a result of the decreased vacancy rate. As we have filled vacancies in this group, we are participating to a greater degree in activities that require travel.

Consultants

Consultant costs have increased from 2019 budget levels to 2020 as we are integrating the FRCC entities in 2019, and our percentage of ERAG costs will increase in 2020 as a result.

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. The department ensures that there is adequate attention to the execution of the SERC strategic priorities and the day-to-day management of the corporation.

2020 Key Assumptions

SERC General and Administrative 2020 key assumptions are as follows:

- 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.

2020 Goals and Key Deliverables

The SERC General and Administrative function will support the following goals:

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

Resource Requirements

Personnel

An increase of 2.25 FTE in General and Administrative consists of the following:

- Reallocation of the Strategic Development group into G&A for better alignment with the Executive Team's Mission and Vision work

Other changes in Personnel Expenses consist of the following:

- The 2020 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. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in overall benefits.

Contractors and Consultants

The 2020 budget includes support for corporate goals including facilitation of cultural reset initiative and integration of FRCC staff and registered entities.

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 affect SERC.
- Reconcile and determine SERC's legal position on all legal matters.
- Draft and review items filed with governmental agencies for legal sufficiency.
- Support SERC's corporate governance function, including providing input on matters for the Board of Directors' consideration.
- Review contracts and corporate documents.
- Ensure continuing recognition of SERC as a Regional Entity.
- Negotiate and author necessary changes to SERC's governing documents, including the SERC bylaws and Regional Delegation Agreement with NERC.
- 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 and settlement agreements, required to be filed with FERC. Provide legal support for contested Compliance actions and other assistance.
- Provide legal counsel during Compliance and Enforcement proceedings.
- 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.
- Manage relationships with SERC's outside counsel.

2020 Key Assumptions

SERC Legal and Regulatory 2020 key assumptions are as follows:

- SERC will modify its governance structure to integrate a smaller Board of Directors, add a Members Committee, and add Independent Directors to the Board of Directors through bylaw and other corresponding scope document changes.
- SERC will continue to support the processing of Enforcement violations through the development of settlement agreements and Notices of Penalty, leading settlement negotiations with the registered entities, discussing resolutions with NERC, obtaining approvals from the NERC Board of Trustees Compliance Committee, and in filings to FERC.
- SERC will proactively engage with NERC and FERC to help ensure SERC's continued recognition as a Regional Entity.

2020 Goals and Key Deliverables

The SERC Legal and Regulatory program will support the following goals:

- Modify SERC's bylaws and obtain all necessary regulatory approvals from the SERC Board of Directors, the NERC Board of Trustees, and (FERC).

- Work with Enforcement to support processing violations, including the documentation of settlement agreements and Notices of Penalty, through the filing process at FERC.
- Support SERC's corporate governance needs.
- Support SERC's corporate legal needs.
- Work with NERC and other Regions on obtaining renewal of SERC's Regional Delegation Agreement with NERC.

Resource Requirements

Personnel

Legal and Regulatory decreased the FTE allocation by 0.75 from 2019 to 2020 due to a reallocation of the former Board Liaison position to G&A.

Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Meeting Expenses

The 2020 budget includes increased meeting and travel expenses, primarily related to board and committee governance activities to better reflect historical norms and the addition of a board liaison.

Contractors and Consultants

The 2020 budget includes a consultant to the Board.

Professional Services

An increase in legal fees is primarily due to the costs of outside counsel to provide advice on modifications to the SERC bylaws and other governing documents, as well as any potential outside counsel needed for corporate and employment-related matters.

Analytics and IT

Program Scope and Functional Description

The Analytics and IT department of SERC provides technology innovation, and develops insights through data for the corporation. Analytics and IT comprises the following functions:

- Information Technology
- Data Analytics

The Information Technology (IT) function offers computer and network services, including design and maintenance for the SERC computer and network 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 computer infrastructure at both public and private facilities.
- Ensure protection of SERC and entity data.
- Provide onsite end user support and services to conduct SERC business.

The Data Analytics (DA) function 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
- Evaluate Data to Determine Risk
- Data Visualization and Reporting
- Insight Development
- Calculation of operations metrics

SERC supports the NERC Project Management Office (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*.

2020 Key Assumptions

SERC Analytics and IT 2020 key assumptions are as follows:

- SERC and NPCC will continue to work together on the Compliance Portal, enabling SERC to share the total cost of maintenance and development.
- SERC's allocated portion of shared Compliance Portal expenses will increase as a result of the transfer of entities from FRCC.

- SERC will migrate to the new Align tool as its releases are implemented. Therefore, with fewer development requirements expected for the Compliance Portal, spending in this area will decrease.
- SERC will migrate to shared ERO services (e.g., Cisco WebEx, KnowBe4).
- SERC IT will continue to purchase and maintain a hardware and software lifecycle necessary to conduct business.
- SERC will continue to use contracted staff for IT support.
- SERC will continue utilizing secure third party hosting centers.
- SERC will continue to support ERO sponsored security programs (e.g., CRISP, Illusive).

2020 Goals and Key Deliverables

The SERC Analytics and IT department will support the following goals:

- Improve the capabilities of SERC's Business Intelligence Center (BIC) to include internally focused operations reporting.
- Upgrade IT infrastructure per lifecycle management.
- Improve cyber and physical security controls to defend against emerging threats.
- IT will move to a single document management solution.
- SERC will implement new ERO sponsored security and IT consolidation efforts.

Resource Requirements

Personnel

SERC has realigned certain roles and responsibilities from other program areas to centralize data analytics and move project management support into General & Administrative, resulting in a decrease of 1.45 FTEs in Analytics and IT.

Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Travel Expenses

Travel expense increases are due to increased employee participation in various committees, including NERC supported projects, as well as training and certification related travel.

Contractors and Consultants

The 2020 budget includes contractor support for IT staff, infrastructure hosting, software and application development, systems maintenance, database administration, and cyber and physical security assessments.

Human Resources

Program Scope and Functional Description

The SERC Human Resources function provides the organization with structure and the ability to meet business needs through managing its most valuable resources—its employees. By its nature, the Human Resources department takes on a variety of responsibilities, including strategic and succession planning, hiring for fit, protecting against liability, employee engagement, compensation analysis, and benefits administration.

2020 Key Assumptions

SERC Human Resources 2020 key assumptions are as follows:

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

2020 Goals and Key Deliverables

SERC Human Resources will support the following goals:

- Increase employee engagement and empowerment.
- Attract, develop, and retain highly competent and motivated staff.
- Review compensation and benefits continually to ensure organization and industry competitiveness.
- Create growth and development plans for key employees.
- Lead efforts to make SERC a best place to work.

Resource Requirements

Personnel

Changes in Personnel Expenses consist of the following:

- The 2020 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. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in overall benefits.

Contractors and Consultants

The 2020 budget includes contractor support for leadership development.

Finance and Accounting

Program Scope and Functional Description

The SERC Finance department provides accounting, analytical, and treasury services for SERC by performing the following functions:

- Develop SERC's Business Plan and Budget, and provide ongoing financial analysis regarding actual expenditures and forecasts.
- Prepare monthly, quarterly, and annual financial statements.
- Review and refine fiscal controls to support the changing business environment.
- Coordinate with external auditors to ensure timely completion of the annual audit.
- Prepare and file required federal and state tax returns.
- Maintain banking relationships and manage cash flow and investments.
- Manage accounts payable, accounts receivable, and fixed assets.

2020 Key Assumptions

SERC Finance and Accounting 2020 key assumptions are as follows:

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

2020 Goals and Key Deliverables

SERC Finance and Accounting will support the following goals:

- Identify and prioritize opportunities, and create efficiency through new processes, procedures, and technology.
- Provide timely, relevant, and accurate reporting and financial analysis to SERC management, the FAC, and the SERC Board.
- Ensure SERC has effective financial controls and exercises fiscal prudence.

Resource Requirements

Personnel

Finance has increased the FTE allocation by 0.50 from 2019 to 2020 with the addition of a Staff Accountant position.

Other changes in Personnel Expenses consist of the following:

- The 2020 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- 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 2020. SERC is anticipating an additional increase in premiums for the second half of 2020 related to medical insurance, causing an increase in medical benefits.

Corporate Services Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2019 Budget & Projection, and 2020 Budget					
CORPORATE SERVICES					
	2019 Budget	2019 Projection	Variance 2019 Budget v 2019 Projection Over(Under)	2020 Budget	Variance 2020 Budget v 2019 Budget Inc(Dec)
Revenue					
Statutory Funding					
SERC Assessments	\$ (547,584)	\$ (547,584)	\$ -	\$ -	\$ 547,584
Penalty Sanctions	-	-	-	-	-
Total Statutory Funding	\$ (547,584)	\$ (547,584)	\$ -	\$ -	\$ 547,584
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	18,400	-	(18,400)	-	(18,400)
Interest	1,000	-	(1,000)	-	(1,000)
Total Revenue (A)	\$ (528,184)	\$ (547,584)	\$ (19,400)	\$ -	\$ 528,184
Expenses					
Personnel Expenses					
Salaries	\$ 4,547,960	\$ 4,846,109	\$ 298,149	\$ 4,847,169	\$ 299,209
Payroll Taxes	328,367	319,678	(8,689)	350,164	21,797
Benefits	544,349	895,174	350,825	747,807	203,458
Retirement Costs	592,262	580,378	(11,884)	628,557	36,295
Total Personnel Expenses	\$ 6,012,938	\$ 6,641,339	\$ 628,401	\$ 6,573,697	\$ 560,759
Meeting Expenses					
Meetings & Conference Calls	\$ 197,600	\$ 375,600	\$ 178,000	\$ 291,350	\$ 93,750
Travel	171,801	216,801	45,000	201,973	30,172
Total Meeting Expenses	\$ 369,401	\$ 592,401	\$ 223,000	\$ 493,323	\$ 123,922
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,497,651	\$ 1,564,581	\$ 66,930	\$ 1,996,580	\$ 498,929
Office Rent	785,196	785,196	-	789,276	4,080
Office Costs	511,531	657,380	145,849	655,032	143,501
Professional Services	110,340	150,340	40,000	166,140	55,800
Miscellaneous	450	-	(450)	-	(450)
Total Operating Expenses	\$ 2,905,168	\$ 3,157,497	\$ 252,329	\$ 3,607,028	\$ 701,860
Total Direct Expenses	\$ 9,287,507	\$ 10,391,237	\$ 1,103,730	\$ 10,674,048	\$ 1,386,541
Indirect Expenses	\$ (9,287,507)	\$ (10,391,237)	\$ (1,103,730)	\$ (10,674,048)	\$ (1,386,541)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (528,184)	\$ (547,584)	\$ (19,400)	\$ -	\$ 528,184
Fixed Assets, excluding Right of Use Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (528,184)	\$ (547,584)	\$ (19,400)	\$ -	\$ 528,184
FTEs	33.15	30.70	(2.45)	33.50	0.35

Table A-12. Corporate Services Budget Detail

Section B – Supplemental Financial Information

2020 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Working Capital Reserve Analysis 2019-2020	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2018	\$ 2,945,995
Plus: 2019 Funding (from Load-Serving Entities (LSE) or designees)	18,347,134
Plus: 2019 Other funding sources	3,125,511
Less: 2019 Projected expenses & capital expenditures	(23,276,025)
Projected Working Capital Reserve (Deficit), December 31, 2019	\$ 1,142,615
Desired Working Capital Reserve, December 31, 2020¹	\$ 1,201,726
Less: Projected Working Capital Reserve, December 31, 2019	(1,142,615)
Increase(Decrease) in Assessments to Achieve Desired Working Capital Reserve	\$ 59,111
2020 Expenses and Capital Expenditures	\$ 24,525,013
Less: Penalty Sanctions ²	(1,900,000)
Less: Other Funding Sources	(225,001)
Adjustment to achieve desired Working Capital Reserve	59,111
2020 SERC Assessment	\$ 22,459,123

¹ As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to up to 10% of its budgeted annual statutory operating costs.

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.

² Represents collections on or prior to June 30, 2019 and additional sanctions approved by NERC, less anticipated use of such funds in 2019. See Table B-2 for full disclosure.

Table B-1. Working Capital Reserve Analysis 2019- 2020

Explanation of Changes in Reserve Policy from Prior Years

Pursuant to SERC's Cash Reserves Policy, the desired working capital reserve included in the *2020 Business Plan and Budget* totals \$1,201,726. SERC adjusted the 2020 ERO Assessment by \$59,111 to increase its Working Capital Reserve to the desired amount.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 11, of the *2020 Business Plan and Budget*. All significant variances have been disclosed by program area on the preceding pages.

Penalty Sanctions

The NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard, as well as § 1107.2 of the ROP, specify that penalty monies received by NERC during the 12 months ended June 30 are to be used in the subsequent budget year to offset assessments. In 2015, the NERC Board approved an updated Working Capital and Operating Reserves Policy that was approved by FERC. This updated policy allows NERC, with Board and FERC approval pursuant to § 1107.4 of the ROP, to place penalty funds into an Assessment Stabilization Reserve for use in future years to offset assessments. SERC is pursuing a similar strategy to establish this same reserve at the regional entity level, with FERC approval.

As standard practice, NERC and the Regional Entities do not budget for, or assume collection of, penalties that are yet to be determined or approved. However, penalties that are approved and already received will be included in the budgeting process. Additionally, penalties that have been determined, approved by NERC and/or FERC, but are yet to be received, may also be considered when material to the organization and the calculation of assessments.

Subject to FERC approval of the transfer of registered entities from FRCC RE to SERC and of the proposed use of penalty collections as described in this paragraph, SERC will be applying \$829,718 of penalty sanctions collected during the period July 1, 2018 – June 30, 2019 toward the funding of expenses incurred in 2019 associated with the registered entity transfer. In addition, SERC will apply \$1,900,000 of penalty sanctions approved by NERC, and currently being reviewed by FERC for assessment stabilization purposes to reduce the 2020 assessment. Should this penalty not be collected until after June 30, 2019, SERC requests NERC's and FERC's approval, pursuant to §1107.4 of the ROP and as an exception to §1107.2, to use this amount for assessment stabilization purposes in calculating SERC's 2020 assessment. Any penalty sanctions collected in addition to those listed on Table B-2 will be deposited in the Assessment Stabilization Reserve to be used for future assessment offsets; SERC also requests NERC's and FERC's approval, pursuant to §1107.4 of the ROP, to deposit any additional penalty collections received on or before June 30, 2019 into SERC's Assessment Stabilization Reserve. Should FERC not approve the anticipated \$1,900,000 in penalty sanctions, SERC anticipates using a combination of existing working capital and operating reserves, SERC's line of credit, and deferring certain expenses to supplement approved funding.

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 Stakeholder Outreach; 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.

All penalties received prior to July 1, 2019, are detailed below, including the amount and date received.

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2019.

Penalty Sanctions Received on or Prior to June 30, 2019		
Payment	Date Received	Amount Received
2020 Budget Penalty Payments:		
Penalty payment 1	9/14/2018	100,000
Penalty payment 2	9/18/2018	200,000
Penalty payment 3	9/19/2018	200,000
Penalty payment 4	10/29/2018	95,000
Penalty payment 5	11/2/2018	220,000
Penalty payment 6	2/26/2019	14,718
Penalty payment 7	TBD	1,900,000
Total Penalties Received		2,729,718
Less: Penalty payments applied toward 2019 FRCC funding		(829,718)
Penalties Offset to Assessments		1,900,000

Table B-2. Penalty Sanctions Received

Table B-3 lists the budget for Supplemental Funding.

Other Revenue Breakdown By Program (Excludes Assessments & Penalty Sanctions)	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget
Reliability Standards				
Workshops & Miscellaneous	\$ -	\$ 30,759	\$ 372	\$ 372
Interest	\$ -	\$ 535	\$ 930	\$ 930
Total	\$ -	\$ 31,294	\$ 1,302	\$ 1,302
Compliance Monitoring, Enforcement & Org. Registration				
Workshops & Miscellaneous	\$ 34,500	\$ 2,235,157	\$ 29,418	\$ (5,082)
Interest	-	38,874	46,048	46,048
Total	\$ 34,500	\$ 2,274,031	\$ 75,466	\$ 40,966
Reliability Assessment and Performance Analysis				
Workshops & Miscellaneous	\$ -	\$ 307,590	\$ 2,233	\$ 2,233
Interest	-	5,350	5,581	5,581
Total	\$ -	\$ 312,940	\$ 7,814	\$ 7,814
Training, Education and Stakeholder Outreach				
Workshops & Miscellaneous	\$ 107,650	\$ 363,975	\$ 132,233	\$ 24,583
Interest	-	4,458	5,581	5,581
Total	\$ 107,650	\$ 368,433	\$ 137,814	\$ 30,164
Situation Awareness and Infrastructure Security				
Workshops & Miscellaneous	\$ -	\$ 102,530	\$ 744	\$ 744
Interest	-	1,783	1,860	1,860
Total	\$ -	\$ 104,313	\$ 2,604	\$ 2,604
Corporate Services				
Workshops & Miscellaneous	\$ 18,400	-	-	\$ (18,400)
Interest	\$ 1,000	-	-	\$ (1,000)
Total	\$ 19,400	\$ -	\$ -	\$ (19,400)
Total Outside Funding	\$ 161,550	\$ 3,091,011	\$ 225,000	\$ 63,450

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

Compliance Monitoring, Enforcement, and Organization Registration – The decrease in miscellaneous funding in 2020 from the 2019 Budget is due to the termination of SERC’s Compliance Enforcement Agent agreement with FRCC. (The large amount of Workshops & Miscellaneous Funding in the 2019 Projection represents the receipt of third quarter and fourth quarter FRCC assessment collections.) Additional workshop fees from projected increased attendance partially offset the decrease.

Training and Education – Increased attendance at System Operator Conferences is anticipated in 2020 due to the addition of FRCC registered entities.

Corporate Services – Additional attendance at Technical Committee Workshops is expected to increase revenue in 2020. Interest is increasing due to new treasury management initiatives.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020	
				Budget	Variance %
Total Salaries	\$ 10,276,729	\$ 12,443,871	\$ 14,135,381	\$ 3,858,652	37.5%
Total Payroll Taxes	\$ 746,769	\$ 874,329	\$ 1,028,204	\$ 281,435	37.7%
Total Benefits	\$ 1,172,398	\$ 1,669,962	\$ 1,843,729	\$ 671,331	57.3%
Total Retirement	\$ 1,330,427	\$ 1,576,639	\$ 1,824,182	\$ 493,755	37.1%
Total Personnel Costs	\$ 13,526,323	\$ 16,564,801	\$ 18,831,496	\$ 5,305,173	39.2%
FTEs	78.0	88.0	98.0	20.0	25.6%
Cost per FTE					
Salaries	\$ 131,753	\$ 141,408	\$ 144,239	\$ 12,486	9.5%
Payroll Taxes	9,574	9,936	10,492	918	9.6%
Benefits	15,031	18,977	18,814	3,783	25.2%
Retirement	17,057	17,916	18,614	1,557	9.1%
Total Cost per FTE	\$ 173,414	\$ 188,236	\$ 192,158	\$ 18,744	10.8%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

The budget reflects a Board approved merit increase and an increase in medical insurance premiums. A vacancy rate has been applied to all personnel costs. The vacancy rate applied to all personnel costs reflects a decrease from 10% in 2019 to 8% in 2020. Approximately \$4.4 million of the overall increase in Personnel Expenses is attributable to the addition of 20 FTEs to support activities associated with registered entities transferred to SERC from FRCC.

Table B-5 lists the budget for Meeting Expenses.

Meeting, Conference & Travel Expense	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget	
					Variance %
Meeting & Conference Expenses	\$ 336,700	\$ 608,300	\$ 521,824	\$ 185,124	55.0%
Travel Expenses	\$ 648,922	\$ 788,922	\$ 805,148	\$ 156,226	24.1%
Total Meeting, Conference & Travel Expenses	\$ 985,622	\$ 1,397,222	\$ 1,326,972	\$ 341,350	34.6%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

The 2020 budget includes increased meeting expenses, primarily related to board and committee governance activities to reflect the increase in board size associated with the transfer of FRCC entities. Meeting expenses in Training and Education show an increase for larger System Operator Conferences. CMEP anticipates additional meeting expenses for the expanded compliance and enforcement staff.

Budgeted expense for conference calls has been decreased to reflect expected reductions in expense with the ERO shared WebEx contract.

Travel expenses reflect an increase in travel for both CMEP training and additional audits due to the transfer of FRCC registered entities to SERC. Expanded Stakeholder Outreach efforts will also increase travel expenses.

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

Consultants and Contracts	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020	
				Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	120,375	156,000	126,000	5,625	4.7%
Reliability Assessment and Performance Analysis	225,000	255,000	110,000	(115,000)	(51.1%)
Training and Outreach	135,455	93,900	137,000	1,545	1.1%
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	1,497,651	1,564,581	1,996,580	498,929	33.3%
Total Consultants and Contracts	\$ 1,978,481	\$ 2,069,481	\$ 2,369,580	\$ 391,099	19.8%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

Reliability Assessments – A decrease of \$115k in the program is a result of certain contractor-supported studies performed in 2019 that will not be performed in 2020. Contractor support is included for a probabilistic assessment performed through the Resource Adequacy Working Group, and for the performance of special reliability assessments of the SERC footprint.

Corporate Services:

- **Committee and Member Forums** – An increase of \$28k due to FRCC ERAG expense that will be absorbed by SERC.
- **Legal and Regulatory** – An increase of \$450k is a result of executive search fees for the addition of independent board members expected in 2021.
- **Analytics and IT** – SERC outsources the majority of IT related support, and is expecting an increase for support of additional FTEs due to the addition of registered entities transferred from FRCC, in addition to a contract increase of 3% in 2020.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget		Projection		Variance	
	2019	2019	Budget	2020	2019 Budget v 2020 Budget	Variance %
Office Rent	\$ 785,196	\$ 785,196	\$ 785,196	\$ 789,276	\$ 4,080	0.5%
Utilities	-	-	-	-	-	0.0%
Maintenance	-	-	-	-	-	0.0%
Total Office Rent	\$ 785,196	\$ 785,196	\$ 785,196	\$ 789,276	\$ 4,080	0.5%

Table B-7. Office Rent

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

There is no significant budget variance in Office Rent.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget		Projection		Variance	
	2019	2019	2019	2020	2019 Budget v 2020 Budget	Variance %
Telephone	\$ 103,250	\$ 108,910	\$ 138,900	\$ 35,650	34.5%	
Office Supplies	68,300	86,533	102,396	34,096	49.9%	
Computer Supplies and Maintenance		-	-	-		
Computers and Supplies	80,000	128,371	108,000	28,000	35.0%	
Software	122,796	122,796	168,558	45,762	37.3%	
Network Supplies	-	70,000	16,700	16,700		
Publications & Subscriptions	2,033	2,033	8,135	6,102	300.1%	
Dues	16,795	16,795	31,106	14,311	85.2%	
Postage	500	500	500	-	0.0%	
Express Shipping	4,600	4,600	4,500	(100)	(2.2%)	
Copying	6,000	6,735	6,300	300	5.0%	
Equipment Repair/Service Contracts	31,712	31,712	32,154	442	1.4%	
Bank Charges	4,200	4,200	3,600	(600)	(14.3%)	
Taxes	25,000	25,000	25,000	-	0.0%	
Merchant Credit Card Fees	10,800	10,800	11,700	900	8.3%	
Insurance - Commercial	60,000	60,000	54,000	(6,000)	(10.0%)	
Total Office Costs	\$ 535,986	\$ 678,985	\$ 711,549	\$ 175,563	32.8%	

Table B-8. Office Costs

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

Overall, office costs reflect an increase due to addition of 20 new FTEs.

Telephone cost increases are due to additional equipment and cell phone lines required for new staff.

Office Supplies increased for new staff and to better reflect historical norms.

Computers and Supplies are increasing for planned upgrades of laptops and equipment as part of the IT department's refresh program.

Software costs in 2020 reflect an additional expense for Finance and Accounting Accounts Payable software, and the annual license renewal of Power System Simulator for Engineers used by RAPA.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2019	Projection 2019	Budget 2020	Variance	
				2019 Budget v 2020 Budget	Variance %
Outside Legal	82,500	122,500	137,000	54,500	66.1%
Accounting & Auditing Fees	27,840	27,840	29,140	1,300	4.7%
Total Services	\$ 110,340	\$ 150,340	\$ 166,140	\$ 55,800	50.6%

Table B-9. Professional Services

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

Outside Legal expenses are increasing as SERC continues a review of its bylaws.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2019	Projection 2019	Budget 2020	Variance 2019 Budget v 2020 Budget		Variance %
Miscellaneous	\$ 3,000	\$ 3,000	\$ 1,200	\$ (1,800)	(60.0%)	
Total Miscellaneous Expenses	\$ 3,000	\$ 3,000	\$ 1,200	\$ (1,800)	(60.0%)	

Table B-10. Miscellaneous

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

There is no significant budget variance in Miscellaneous Expense.

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

Other Non-Operating Expenses	Budget		Projection		Variance	
	2019	2019	Budget	2020	2019 Budget v 2020 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-	-
Office Relocation	-	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	-

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

There are no costs budgeted for these items in 2019 or 2020.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget	Projection	Budget	2020	Variance	Variance %
	2019	2019	Budget	2020	2019 Budget v 2020 Budget	
Computer & Software CapEx	\$ 220,000	\$ 380,000	\$ 330,000	\$ 330,000	\$ 110,000	50.0%
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	1,250,000	-	-	-	
	\$ 220,000	\$ 1,630,000	\$ 330,000	\$ 330,000	\$ 110,000	50.0%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2020 Budget versus 2019 Budget

An increase of \$110,000 is due to a server refresh and the purchase of Corporate Services software.

Table B-13 compares the 2020 budget with projections for 2021-2022, based on the following assumptions:

Personnel Expenses

- No changes in FTEs
- A Board approved annual increase in personnel costs for 3% merit pay increases in 2021 and 2022
- Annual increase in insurance premiums
- Continuation of historic vacancy rates

Meeting Expenses

- Meetings and travel costs include a 1% inflationary increase for both 2021 and 2022.

Operating Expenses

- Consultants and contracts reduced in 2021 due to the one-time independent board member search fee (2020 expense). Associated independent board member compensation was added to professional services.
- A 1% inflation rate was applied to office costs.
- Office rent and miscellaneous remain flat for both 2020 and 2021.

Statement of Activities and Capital Expenditures								
2019 Budget & Projected 2020 and 2021 Budgets								
Statutory								
	2020	2021	\$ Change	% Change	2022	\$ Change	% Change	
	Budget	Projection	20 v 21	20 v 21	Projection	21 v 22	21 v 22	
Revenue								
Statutory Funding								
SERC Assessments	\$ 22,459,123	\$ 23,477,218	\$ 1,018,095	4.5%	\$ 24,548,382	\$ 1,071,164	4.6%	
Penalty Sanctions	1,900,000	2,500,000	600,000	31.6%	900,000	(1,600,000)	(64.0%)	
Total Statutory Funding	\$ 24,359,123	\$ 25,977,218	\$ 1,618,095	6.6%	\$ 25,448,382	\$ (528,836)	(2.0%)	
Membership Fees	\$ -	\$ -	\$ -		\$ -	\$ -		
Workshops & Miscellaneous	165,000	165,000	-	0.0%	165,000	-	0.0%	
Interest	60,000	60,000	-	0.0%	60,000	-	0.0%	
Total Revenue (A)	\$ 24,584,123	\$ 26,202,218	\$ 1,618,095	6.6%	\$ 25,673,382	\$ (528,836)	(2.0%)	
Expenses								
Personnel Expenses								
Salaries	\$ 14,135,381	\$ 14,559,442	\$ 424,061	3.0%	\$ 14,996,226	\$ 436,783	3.0%	
Payroll Taxes	1,028,204	1,059,050	30,846	3.0%	1,090,822	31,772	3.0%	
Benefits	1,843,729	1,935,915	92,186	5.0%	2,032,711	96,796	5.0%	
Retirement Costs	1,824,182	1,878,907	54,725	3.0%	1,935,275	56,367	3.0%	
Total Personnel Expenses	\$ 18,831,496	\$ 19,433,315	\$ 601,819	3.2%	\$ 20,055,033	\$ 621,718	3.2%	
Meeting Expenses								
Meetings & Conference Calls	\$ 521,824	\$ 527,042	\$ 5,218	1.0%	\$ 532,313	\$ 5,270	1.0%	
Travel	805,148	813,199	8,051	1.0%	821,331	8,132	1.0%	
Total Meeting Expenses	\$ 1,326,972	\$ 1,340,242	\$ 13,270	1.0%	\$ 1,353,644	\$ 13,402	1.0%	
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 2,369,580	1,919,580	(450,000)	(19.0%)	1,938,776	19,196	1.0%	
Office Rent	789,276	794,276	5,000	0.6%	799,276	5,000	0.6%	
Office Costs	711,549	718,664	7,115	1.0%	725,851	7,187	1.0%	
Professional Services	166,140	466,140	300,000	180.6%	470,801	4,661	1.0%	
Miscellaneous	-	-	-		-	-		
Total Operating Expenses	\$ 4,036,545	\$ 3,898,660	\$ (137,885)	(3.4%)	\$ 3,934,704	\$ 36,044	0.9%	
Total Direct Expenses	\$ 24,195,013	\$ 24,672,218	\$ 477,205	2.0%	\$ 25,343,382	\$ 671,164	2.7%	
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 24,195,013	\$ 24,672,218	\$ 477,205	2.0%	\$ 25,343,382	\$ 671,164	2.7%	
Change in Assets	\$ 389,110	\$ 1,530,000	\$ 1,140,890	293.2%	\$ 330,000	\$ (1,200,000)	(78.4%)	
Incr(Dec) in Fixed Assets (C)	\$ 330,000	\$ 330,000	\$ -	0.0%	\$ 330,000	\$ -	0.0%	
TOTAL BUDGET (B+C)	\$ 24,525,013	\$ 25,002,218	\$ 477,205	1.9%	\$ 25,673,382	\$ 671,164	2.7%	
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 59,110	\$ 1,200,000	\$ 1,140,890	(100.0%)	\$ -	\$ (1,200,000)	(100.0%)	
FTEs	98.0	98.0	-	0.0%	98.0	-	0.0%	

Table B-13. Budget 2020 Compared with 2020-2021 Projections

Section C – Non-Statutory Activities

2018 Business Plan and Budget



Section C – Non-Statutory Activities

2020 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.

Section D – Additional Consolidated Financial Statements

2020 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2020 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards	Compliance Monitoring and Enforcement; Organization Registration and Certification	Reliability Assessment and Performance Analysis	Training and Outreach	Situation Awareness and Infrastructure Security	Corporate Services
Revenue										
Statutory Funding										
SERC Assessments	\$ 22,459,123	\$ 22,459,123	\$ -	\$ 22,459,123	\$ 338,061	\$ 17,096,873	\$ 2,240,194	\$ 2,131,119	\$ 652,876	\$ -
Penalty Sanctions	1,900,000	1,900,000	-	1,900,000	29,457	1,458,140	176,744	176,744	58,915	-
Total Statutory Funding	\$ 24,359,123	\$ 24,359,123	\$ -	\$ 24,359,123	\$ 367,518	\$ 18,555,013	\$ 2,416,938	\$ 2,307,863	\$ 711,791	\$ -
Non-statutory Funding										
Workshops & Miscellaneous	\$ 165,000	\$ 165,000	\$ -	\$ 165,000	\$ 372	\$ 29,418	\$ 2,233	\$ 132,233	\$ 744	\$ -
Interest	60,000	60,000	-	60,000	930	46,048	5,581	5,581	1,860	-
Total Revenue (A)	\$ 24,584,123	\$ 24,584,123	\$ -	\$ 24,584,123	\$ 368,820	\$ 18,630,479	\$ 2,424,752	\$ 2,445,677	\$ 714,395	\$ -
Expenses										
Personnel Expenses										
Salaries	\$ 14,135,381	\$ 14,135,381	\$ -	\$ 14,135,381	\$ 140,742	\$ 7,213,371	\$ 869,968	\$ 805,778	\$ 258,353	\$ 4,847,169
Payroll Taxes	1,028,204	1,028,204	-	1,028,204	10,274	526,576	63,508	58,822	18,860	350,164
Benefits	1,843,729	1,843,729	-	1,843,729	17,341	836,603	102,048	103,247	36,683	747,807
Retirement Costs	1,824,182	1,824,182	-	1,824,182	18,121	928,548	111,960	103,756	33,240	628,557
Total Personnel Expenses	\$ 18,831,496	\$ 18,831,496	\$ -	\$ 18,831,496	\$ 186,478	\$ 9,505,098	\$ 1,147,484	\$ 1,071,603	\$ 347,136	\$ 6,573,697
Meeting Expenses										
Meetings & Conference Calls	\$ 521,824	\$ 521,824	\$ -	\$ 521,824	\$ 1,110	\$ 35,825	\$ 56,125	\$ 137,094	\$ 320	\$ 291,350
Travel	805,148	805,148	-	805,148	9,540	438,270	63,880	68,675	22,810	201,973
Total Meeting Expenses	\$ 1,326,972	\$ 1,326,972	\$ -	\$ 1,326,972	\$ 10,650	\$ 474,095	\$ 120,005	\$ 205,769	\$ 23,130	\$ 493,323
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 2,369,580	\$ 2,369,580	\$ -	\$ 2,369,580	\$ -	\$ 126,000	\$ 110,000	\$ 137,000	\$ -	\$ 1,996,580
Office Rent	789,276	789,276	-	789,276	-	-	-	-	-	789,276
Office Costs	711,549	711,549	-	711,549	200	35,525	17,800	1,792	1,200	655,032
Professional Services	166,140	166,140	-	166,140	-	-	-	-	-	166,140
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 4,036,545	\$ 4,036,545	\$ -	\$ 4,036,545	\$ 200	\$ 161,525	\$ 127,800	\$ 138,792	\$ 1,200	\$ 3,607,028
Total Direct Expenses	\$ 24,195,013	\$ 24,195,013	\$ -	\$ 24,195,013	\$ 197,328	\$ 10,140,718	\$ 1,395,289	\$ 1,416,164	\$ 371,466	\$ 10,674,048
Indirect Expenses	\$ -	\$ (0)	\$ -	\$ (0)	\$ 165,489	\$ 8,191,711	\$ 992,935	\$ 992,935	\$ 330,978	\$ (10,674,048)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 24,195,013	\$ 24,195,013	\$ -	\$ 24,195,013	\$ 362,817	\$ 18,332,429	\$ 2,388,224	\$ 2,409,099	\$ 702,444	\$ -
Change in Assets	\$ 389,110	\$ 389,110	\$ -	\$ 389,110	\$ 6,003	\$ 298,050	\$ 36,528	\$ 36,578	\$ 11,951	\$ -
Depreciation										
Computer & Software CapEx	\$ 330,000	\$ 330,000	\$ -	\$ 330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,000
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	5,116	253,255	30,698	30,698	10,233	(330,000)
Fixed Assets, excluding Right of Use Assets (C)	\$ 330,000	\$ 330,000	\$ -	\$ 330,000	\$ 5,116	\$ 253,255	\$ 30,698	\$ 30,698	\$ 10,233	\$ -
TOTAL BUDGET (B+C)	\$ 24,525,013	\$ 24,525,013	\$ -	\$ 24,525,013	\$ 367,933	\$ 18,585,684	\$ 2,418,922	\$ 2,439,797	\$ 712,677	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 59,110	\$ 59,110	\$ -	\$ 59,110	\$ 887	\$ 44,795	\$ 5,830	\$ 5,880	\$ 1,718	\$ -
FTEs	98.0	98.0	-	98.0	1.0	49.5	6.0	6.0	2.0	33.5

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:

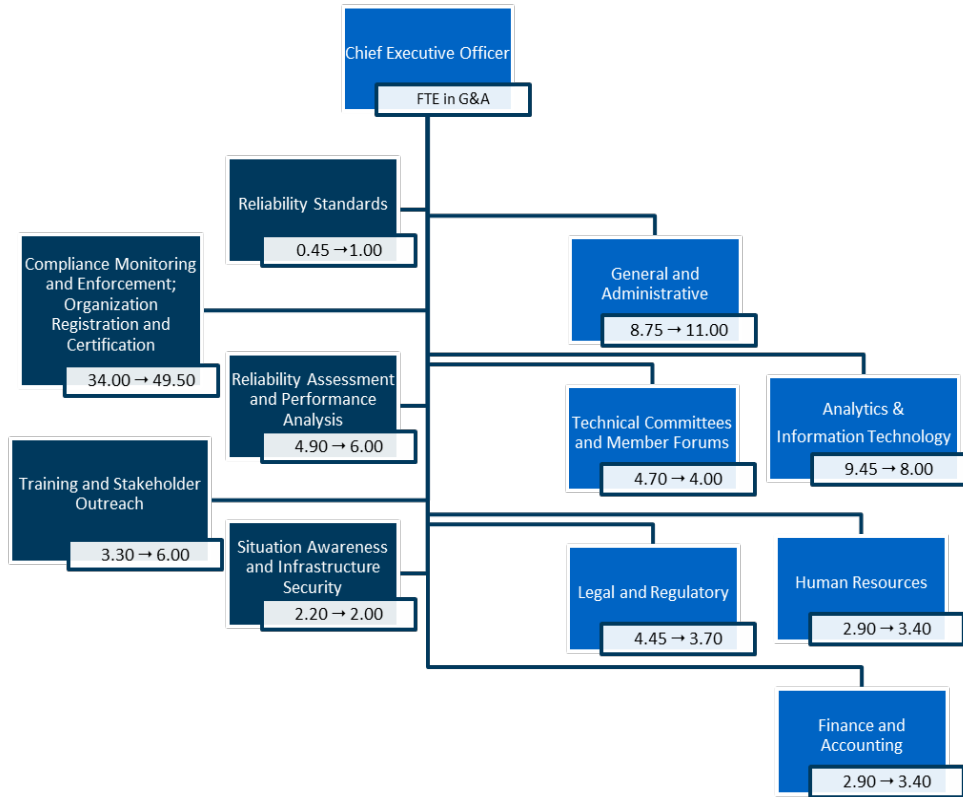
- December 31, 2018, per audit
- December 31, 2019, projected
- December 31, 2020, as budgeted

Statement of Financial Position			
2018 Audited, 2019 Projection, and 2020 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-18	31-Dec-19	31-Dec-20
ASSETS			
Cash and cash equivalents	\$ 7,392,961	\$ 4,000,345	\$ 5,184,455
Investments	316,185	3,316,185	3,375,295
Accounts receivable, net	298	-	-
Prepaid expenses and other assets	127,347	140,000	140,000
Property and equipment, net	817,741	1,997,741	1,777,741
Total Assets	\$ 8,654,532	\$ 9,454,271	\$ 10,477,491
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 38,624	\$ 40,000	\$ 40,000
Accrued expenses	3,082,900	3,623,915	3,623,915
Deferred revenue	997,016	1,900,000	2,500,000
Other liabilities	772,256	750,000	725,000
Total Liabilities	\$ 4,890,796	\$ 6,313,915	\$ 6,888,915
Unrestricted net assets	3,763,736	3,140,356	3,588,576
Total Liabilities and Net Assets	\$ 8,654,532	\$ 9,454,271	\$ 10,477,491

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

Appendix A Organization Chart

The SERC Organization chart shown here compares 2019 and 2020 SERC personnel counts.



2019 FTE: 78.00

2020 FTE: 98.00

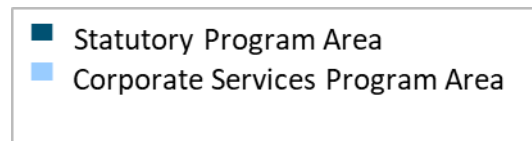


Figure 2. SERC Organization Chart

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 Reliability 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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