



SERC Reliability Corporation

2021 Business Plan and Budget

DRAFT

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Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2021.

TOTAL RESOURCES (in whole dollars)				
	2021 Budget	U.S.	Canada	Mexico
Statutory FTEs	100.0			
Non-statutory FTEs	-			
Total FTEs	100.0			
Statutory Expenses	\$ 25,629,079			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 25,629,079			
Statutory Incr(Decr) in Fixed Assets	\$ 200,000			
Non-Statutory Incr(Decr) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 200,000			
Statutory Working Capital Requirement	\$ (365,190)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (365,190)			
Total Statutory Funding Requirement	\$ 25,463,887			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 25,463,887			
Statutory Assessments	\$ 23,513,887	\$ 23,513,887	n/a	n/a
Non-Statutory Fees	\$ -	n/a	n/a	n/a
NEL	n/a	n/a	n/a	n/a
NEL%	100%	100%	n/a	n/a

Table 1. SERC Budget for 2021

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.

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, originally called the Southeastern Electric Reliability Council, Inc. (SERC, Inc.), was formed in 1970 as a voluntary association of members comprised of electric industry reliability stakeholders in the southeast.

SERC, Inc. was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005, to position SERC, Inc. to become a Regional Entity with an appropriate stakeholder governance structure. In May 2006, SERC, Inc. changed its name to SERC Reliability Corporation. On June 26, 2014, SERC incorporated as a 501(c)(6) corporation in the state of North Carolina. Soon after, Articles of Merger were filed officially merging the Alabama 501(c)(6) corporation into the North Carolina 501(c)(6) corporation, effective January 1, 2015.

On May 2, 2007, SERC executed an agreement with the North American Electric Reliability Corporation (NERC) for the purpose of delegating to SERC certain responsibilities and authorities of a Regional Entity as defined by Section 215 of the *Federal Power Act*, Chapter I, Title 18, *Code of Federal Regulations*, Part 39; other Federal Energy Regulatory Commission (FERC) regulations and directives; and the *NERC Rules of Procedure* (NERC ROP).

The SERC Region presently covers an area of approximately 610,000 square miles. Electric systems in the SERC Region currently serve approximately 29% of the net energy for load (NEL) in North America, 32% of the NEL in the United States, and 39% of the NEL in the Eastern Interconnection.

Membership and Governance

As part of its delegated duties, SERC currently monitors 262 registered entities in the SERC Region for compliance with the NERC Reliability Standards. Membership in SERC is voluntary and free. SERC's member companies participate in the technical activities and governance of the organization. SERC currently has 80 member companies.

Through the end of 2020, SERC will continue to be governed by a balanced stakeholder Board of Directors (Board) consisting of representatives from SERC member companies. The Board delegates most of its authority to the Board Executive Committee (BEC), which consists of fifteen Sector representatives from the Board. The BEC is responsible for overseeing the operation of SERC and reports directly to the Board.

On January 1, 2021, SERC's pending governance changes will become effective that will: 1) transition the member-based Board into a members group; and 2) transform the current BEC into a smaller, hybrid Board with the addition of at least three Independent Directors.

Effective January 1, 2021, the Board will also have established the following committees, which will report directly to the Board:

- Risk Committee: This is a new Board Committee that shall be responsible for overseeing the Corporation's risk management framework; providing oversight over management and the Technical Committees' assessments of external risks to the SERC Region; and periodically reporting these risk oversight findings to the Board.
- Human Resources and Compensation Committee (HRCC): Advises the President, Board officers, and the Board about organization and staffing needs, employee compensation, and other matters related to human resources. This Committee is a carry-over from the prior governance structure and includes minor changes in oversight responsibilities.
- Finance and Audit Committee (FAC): Advises the President, Board officers, and the Board about the organization's finances and internal controls. This Committee is a carry-over from the prior governance structure and includes minor changes in oversight responsibilities.
- Nominating Committee: Identifies, vets, and recommends candidates for Board Officer and committee positions for approval by the Board, as needed. This Committee is a carry-over from the prior governance structure and includes minor changes in oversight responsibilities.

The current Board Compliance Committee (BCC), which oversees the program that monitors and enforces compliance of registered entities in the Region to FERC-approved Reliability

Standards, will dissolve at the end of 2020, with oversight responsibilities moving to the newly-established Risk Committee.

Statutory Functional Scope

SERC provides statutory functions that support the Electric Reliability Organization (ERO), in accordance with its Delegation Agreement with NERC. SERC provides the following functions:

- Analyzes events to identify lessons learned that will improve reliability;
- Promotes BPS reliability, adequacy, and security;
- Proposes and helps develop NERC Reliability Standards and Regional Reliability Standards;
- Monitors and enforces approved mandatory Reliability Standards;
- Registers and certifies responsible entities under the reliability compliance program;
- Assesses the past, present, and future risk profile of the BPS to ensure grid reliability, adequacy, and security; and
- Provides training and education to registered entities, as it deems necessary, in support of its performance of delegated functions.

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

2021 Key Assumptions

ERO Enterprise Model and Transformation

The collective network of leadership, experience, skills, and technologies shared among NERC and the six Regional Entities is referred to as the ERO Enterprise. The ERO Enterprise is a collaborative organization with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in a unique way based on its own challenges and stakeholder needs. The ERO Enterprise model enables innovative and distinctive approaches to address these unique reliability risks and challenges locally. As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

NERC has unique responsibilities to oversee program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. NERC and the Regional Entities also coordinate activities to identify, prioritize, and address risks to reliability. The Regional Entities have a

mirrored set of responsibilities within the ERO Enterprise model, providing input into the overall development of each ERO program area, providing training and development to meet ERO qualifications, and ensuring delegated responsibilities are completed. Regional Entities also have an obligation to meet professional standards of independence and objectivity and provide the best available expertise for addressing regional risks.



ERO Enterprise Long-Term Strategy

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each Regional Entity.

In 2019, ERO Enterprise leadership came together to revise the *ERO Enterprise Long-Term Strategy* as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee’s (RISC’s) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all Standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC’s biennial *ERO Reliability Risk Priorities Report*;
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term

strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's business plan and budget may reference how activities support each of the strategic focus areas.

2021 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 ERO Enterprise, as well as in the eyes of 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 2021 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 Reliability Standards, compliance, and other programs.
 - 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 the 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; and 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; and 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 SERC staff.
- Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.

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- 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); and perform timely and transparent reviews.
 - Ensure that all violations/noncompliance 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 Enterprise.
 - Ensure that the industry understands the essential purpose of Reliability 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.

2021 Overview of Budget

SERC proposes to increase its operating budget in 2021 from \$24,525,013 to \$25,829,079, an increase of \$1,304,066 or 5.3%.

SERC's proposed 2021 assessment of \$23,513,887 represents an increase of 4.7%, or \$1,054,764 from the 2020 assessment.

SERC believes that in 2021, 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.

NERC 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, NERC ROP §1107.4 provides for exceptions or alternatives to this treatment if approved by NERC and by FERC, or any Applicable Governmental Authority. In June 2019, the SERC Board approved an amendment to SERC's Cash Reserves Policy. Included with this amendment was the creation of an Assessment Stabilization Reserve. This reserve was established 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. SERC's proposed 2021 budget reflects the release of \$1,745,000 from the Assessment Stabilization Reserve as an offset to assessments.

The following targeted budget changes allow SERC to accomplish the specific objectives outlined in the *2021 Business Plan and Budget (BP&B)* (dollars are stated as an increase in the 2021 budget compared to the 2020 budget). The most significant changes to the budget are in personnel, which includes the following two components:

Staffing changes proposed for 2021 – The targeted staffing level for 2021 is 100 Full-Time Equivalents (FTEs). This reflects an increase of two FTEs compared to the 2020 budget. The additional personnel will help drive a stronger and more robust internal Information Technology (IT) team, while reducing the heavy reliance on external IT contractors.

Cost increase for maintaining staff budgeted in 2021 – The net increase in Personnel Expenses of \$1,229,084 compared to 2020 reflects a Board approved merit increase, a vacancy rate reduction of 3% (from 8% to 5%) and an increase in employee benefit costs. The vacancy rate (of 5.0%) 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 \$73,968 reflects additional audits and increased stakeholder outreach efforts.
- **Consultants and Contracts** – SERC anticipates an overall decrease in Consultants and Contracts of \$605,444. This reflects budgeting previously stated Consultant expenses more appropriately to Office costs as Hardware and Software. Consulting expenses associated with the Independent Board search have been moved to Professional Fees in anticipation of payments to Independent Board members.
- **Office Costs** – An increase of \$357,274 is due primarily to planned upgrades of laptops and equipment and software purchases to improve the IT security infrastructure. The increase also reflects budgeting previously stated Consultant expenses more appropriately to Office costs as Hardware and Software.

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- **Professional Services** – An increase of \$345,260 is due to Consulting expenses associated with the Independent Board search being moved to Professional Fees in anticipation of payments to Independent Board members.
 - **Fixed Assets** –. Includes server replacements and new corporate services software; however, overall Fixed Asset purchases are decreased by \$130,000.

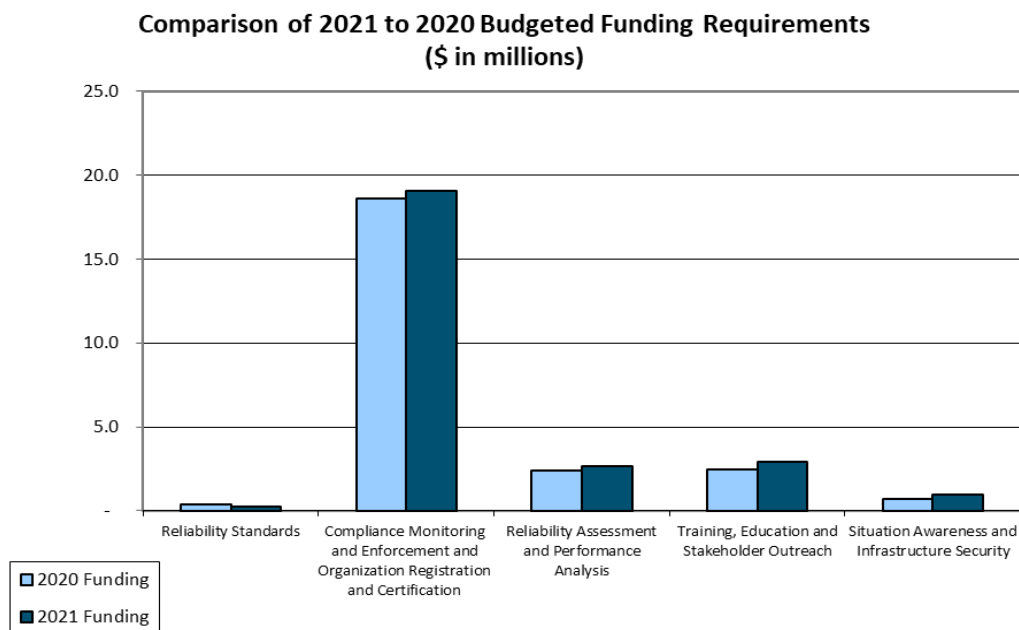
Summary by Program Area

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

Program	Budget 2020	Projection 2020	Budget 2021	Variance	
				2020 Budget v 2021 Budget	Variance %
Reliability Standards	\$ 367,933	\$ 367,999	\$ 223,255	\$ (144,678)	(39.3%)
Compliance Monitoring and Enforcement; Organization Registration and Certification	18,585,684	18,591,414	19,064,908	479,224	2.6%
Reliability Assessment and Performance Analysis	2,418,922	2,419,572	2,651,802	232,880	9.6%
Training, Education and Stakeholder Outreach	2,439,797	2,433,155	2,901,036	461,239	18.9%
Situation Awareness and Infrastructure Security	712,677	712,578	988,077	275,400	38.6%
Total By Program	\$ 24,525,013	\$ 24,524,718	\$ 25,829,078	\$ 1,304,065	5.3%
Working Capital Reserve	59,110	59,407	(365,192)	(424,302)	
Total Funding	24,584,123	24,584,125	25,463,886	879,763	3.6%

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 2021 is 100.00 FTEs, which reflects an increase of 2.8 FTEs in Analytics and Information Technology compared to the 2020 budget. These additional personnel will help drive a stronger and more robust internal IT team, while reducing the heavy reliance on external IT contractors.

Other shifts between program areas are a result of an internal restructuring to align resources with overall needs and result in an overall increase of 2.00 FTEs. Details are discussed in the Resource Requirements section in each program area in Section A.

Total FTEs by Program Area	Budget 2020	Projection 2020	Budget 2021	Increase (Decrease)
STATUTORY				
Operational Programs				
Reliability Standards	1.00	1.00	0.50	(0.50)
Compliance Monitoring and Enforcement; Organization Registration and Certification	49.50	49.50	50.15	0.65
Reliability Assessment and Performance Analysis	6.00	6.00	6.30	0.30
Training, Education and Stakeholder Outreach	6.00	6.00	7.95	1.95
Situation Awareness and Infrastructure Security	2.00	2.00	2.50	0.50
Total FTEs Operational Programs	64.50	64.50	67.40	2.90
Corporate Services				
Technical Committees and Member Forums	4.00	4.00	3.90	(0.10)
General & Administrative	11.00	11.00	9.00	(2.00)
Legal and Regulatory	3.70	3.70	2.90	(0.80)
Analytics & Information Technology	8.00	8.00	10.80	2.80
Human Resources	3.40	3.40	3.00	(0.40)
Finance and Accounting	3.40	3.40	3.00	(0.40)
Total FTEs Corporate Services	33.50	33.50	32.60	(0.90)
Total FTEs	98.00	98.00	100.00	2.00

Table 3. Total FTEs by Program Area

2020 Budget and Projection and 2021 Budget Comparisons

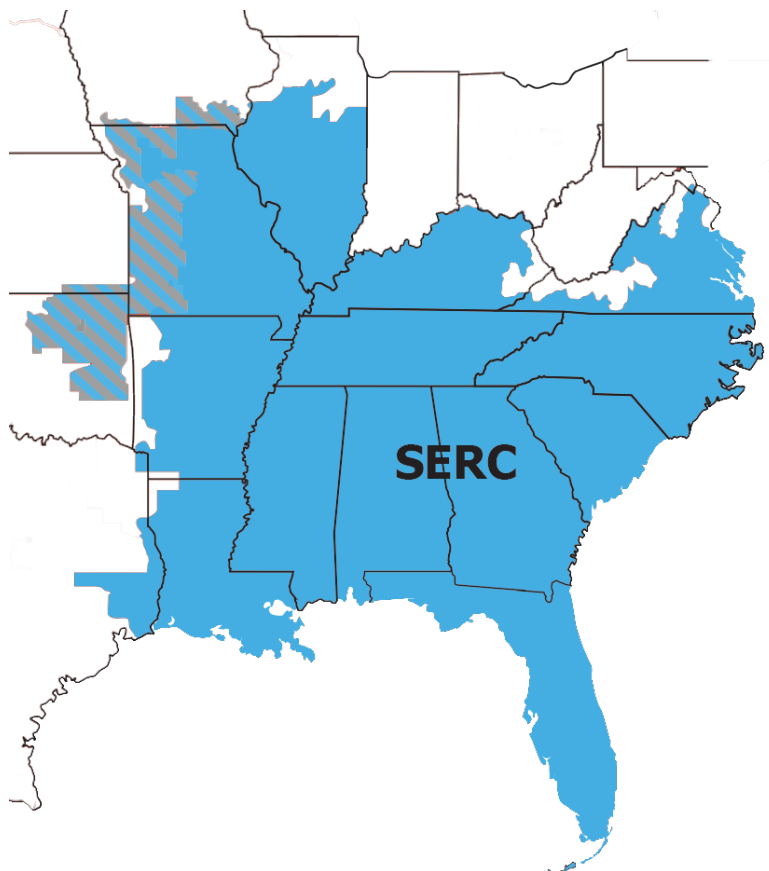
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2020 Budget & Projection, and 2021 Budget					
STATUTORY					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2020 Budget v 2020 Projection Over(Under)	Budget	2021 Budget v 2020 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 22,459,123	\$ 22,459,123	\$ -	\$ 23,513,887	\$ 1,054,764
Penalties Released*	1,900,000	1,900,000	-	1,745,000	(155,000)
Total Statutory Funding	\$ 24,359,123	\$ 24,359,123	\$ -	\$ 25,258,887	\$ 899,764
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	165,000	165,000	-	175,000	10,000
Interest	60,000	60,000	-	30,000	(30,000)
Total Funding (A)	\$ 24,584,123	\$ 24,584,123	\$ -	\$ 25,463,887	\$ 879,764
Expenses					
Personnel Expenses					
Salaries	\$ 14,135,381	\$ 14,270,084	\$ 134,703	\$ 15,157,961	\$ 1,022,580
Payroll Taxes	1,028,204	1,028,204	-	1,057,723	29,519
Benefits	1,843,729	1,918,729	75,000	1,920,040	76,311
Retirement Costs	1,824,182	1,824,182	-	1,924,856	100,674
Total Personnel Expenses	\$ 18,831,496	\$ 19,041,199	\$ 209,703	\$ 20,060,580	\$ 1,229,084
Meeting Expenses					
Meetings & Conference Calls	\$ 521,824	\$ 511,824	\$ (10,000)	\$ 415,308	\$ (106,516)
Travel	805,148	805,148	-	985,632	180,484
Total Meeting Expenses	\$ 1,326,972	\$ 1,316,972	\$ (10,000)	\$ 1,400,940	\$ 73,968
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 2,369,580	\$ 1,874,580	\$ (495,000)	\$ 1,764,136	\$ (605,444)
Office Rent	789,276	789,276	-	823,200	33,924
Office Costs	711,549	1,006,549	295,000	1,068,823	357,274
Professional Services	166,140	166,140	-	511,400	345,260
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 4,036,545	\$ 3,836,545	\$ (200,000)	\$ 4,167,559	\$ 131,014
Total Direct Expenses	\$ 24,195,013	\$ 24,194,716	\$ (297)	\$ 25,629,079	\$ 1,434,066
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 24,195,013	\$ 24,194,716	\$ (297)	\$ 25,629,079	\$ 1,434,066
Change in Assets	\$ 389,110	\$ 389,407	\$ 297	\$ (165,192)	\$ (554,302)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 330,000	\$ 330,000	\$ -	\$ 200,000	\$ (130,000)
TOTAL BUDGET (B+C)	\$ 24,525,013	\$ 24,524,716	\$ (297)	\$ 25,829,079	\$ 1,304,066
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 59,110	\$ 59,407	\$ 297	\$ (365,192)	\$ (424,302)
FTEs	98.0	98.0	-	100.0	2.0

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Table 4. Budget and Projection Comparison, 2020 to 2021

Section A – Statutory Programs

2021 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	1.00	0.50	(0.50)
Direct Expenses	\$ 197,328	\$ 135,884	\$ (61,444)
Indirect Expenses	\$ 165,489	\$ 85,887	\$ (79,602)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 5,116	\$ 1,484	\$ (3,632)
Total Funding Requirement	\$ 367,933	\$ 223,255	\$ (144,678)

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.

2021 Key Assumptions

The 2021 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 Standard 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 2021 and beyond to incorporate the peninsula into the SERC under frequency load shedding (UFLS) Standard.
- SERC anticipates that regional criteria and guideline development will continue as needed to support reliability and security.

2021 Goals and Key Deliverables

The 2021 goals and key deliverables for the SERC Reliability Standards program are as follows:

- Manage the SERC Technical Committee documents per the approved 2021 Review Work Plan;
- Support the ERO to develop, modify, and conduct periodic reviews of the Reliability Standards to ensure they are clear and properly structured for existing and emerging risks; and
- Provide information to SERC staff and stakeholders on upcoming Standard changes or implementation dates to ensure awareness and preparedness.

Resource Requirements

Personnel

The SERC Reliability Standards program decreased the FTE allocation by 0.50 from 2020 to 2021 due to a reallocation of resources.

Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Travel

Travel expenses did not change from 2020 to 2021. SERC staff will continue to participate in NERC Reliability Standards activities and share information with SERC Technical Committees, which will involve a limited amount of travel, similar to the amount of travel in 2020.

Reliability Standards Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2020 Budget & Projection, and 2021 Budget					
RELIABILITY STANDARDS					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2020 Budget v 2020 Projection Over(Under)	Budget	2021 Budget v 2020 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 338,061	\$ 338,061	\$ -	\$ 206,730	\$ (131,331)
Penalties Released	29,457	29,457	-	12,945	(16,512)
Total Statutory Funding	\$ 367,518	\$ 367,518	\$ -	\$ 219,675	\$ (147,843)
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	372	-	(372)	200	(172)
Interest	930	930	-	223	(707)
Total Funding (A)	\$ 368,820	\$ 368,448	\$ (372)	\$ 220,098	\$ (148,722)
Expenses					
Personnel Expenses					
Salaries	\$ 140,742	\$ 142,149	\$ 1,407	\$ 96,823	\$ (43,919)
Payroll Taxes	10,274	10,274	-	6,778	(3,496)
Benefits	17,341	17,341	-	9,243	(8,098)
Retirement Costs	18,121	18,121	-	12,190	(5,931)
Total Personnel Expenses	\$ 186,478	\$ 187,885	\$ 1,407	\$ 125,034	\$ (61,444)
Meeting Expenses					
Meetings & Conference Calls	\$ 1,110	\$ 1,110	\$ -	\$ 1,110	\$ -
Travel	9,540	9,540	-	9,540	-
Total Meeting Expenses	\$ 10,650	\$ 10,650	\$ -	\$ 10,650	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	200	200	-	200	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 200	\$ 200	\$ -	\$ 200	\$ -
Total Direct Expenses	\$ 197,328	\$ 198,735	\$ 1,407	\$ 135,884	\$ (61,444)
Indirect Expenses	\$ 165,489	\$ 164,148	\$ (1,341)	\$ 85,887	\$ (79,602)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 362,817	\$ 362,883	\$ 66	\$ 221,771	\$ (141,046)
Change in Assets	\$ 6,003	\$ 5,565	\$ (438)	\$ (1,673)	\$ (7,676)
Fixed Assets, excluding Right of Use Assets (C)	\$ 5,116	\$ 5,116	\$ -	\$ 1,484	\$ (3,632)
TOTAL BUDGET (B+C)	\$ 367,933	\$ 367,999	\$ 66	\$ 223,255	\$ (144,678)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 887	\$ 449	\$ (438)	\$ (3,157)	\$ (4,044)
FTEs	1.00	1.00	-	0.50	(0.50)

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)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	49.50	50.15	0.65
Direct Expenses	\$ 10,140,718	\$ 10,301,585	\$ 160,867
Indirect Expenses	\$ 8,191,711	\$ 8,614,510	\$ 422,799
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 253,255	\$ 148,813	\$ (104,442)
Total Funding Requirement	\$ 18,585,684	\$ 19,064,908	\$ 479,224

Table A-3. Compliance Monitoring and Enforcement; Organization Registration and Certification Program Budget

Program Scope and Functional Description

SERC's 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: Organization Registration and Certification, Compliance Monitoring, Risk Assessment & Mitigation, and Enforcement.

Organization Registration and Certification

- Registers owners, operators, and users of the BPS for compliance with Reliability Standards; and
- 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; and
- Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions (TFEs) process.

Risk Assessment and Mitigation (RAM)

- Conducts registered entity Inherent Risk Assessments;
- Serves as the technical point of contact for all noncompliance issues discovered and/or self-reported;
- Performs risk-harm assessment on noncompliances, which includes determining the scope and root cause of the noncompliance, and the potential and actual risk or harm to BPS reliability;

- Reviews and approves the registered entity's mitigating activities to ensure the registered entity performs the actions necessary to correct the noncompliance and prevent recurrence in order to protect BPS reliability;
- Administers the SERC Regional self-logging program; and
- Performs Compliance Evaluations, when required, on Events reported by registered entities.

Enforcement

SERC Enforcement staff are responsible for resolving violations/noncompliances of NERC Reliability Standards and/or SERC Regional Reliability Standards, and imposing penalties or sanctions, as appropriate. SERC Enforcement staff follows these steps:

- Notifies the registered entity of the findings regarding the violation/noncompliance and any applicable penalties or sanctions;
- Negotiates settlement with the registered entity or issues a Notice of Alleged Violation, if SERC and the registered entity cannot reach a settlement agreement;
- Submits the proposed enforcement action, along with any proposed penalty or sanctions, to NERC for review, approval, and subsequent submittal to FERC; and
- Prosecutes the case before a Hearing Body if a registered entity challenges the findings of the violation and/or penalty or sanction.

2021 Key Assumptions

Compliance

The 2021 key assumptions for the SERC Compliance program, which includes Compliance Monitoring and Risk Assessment & Mitigation are as follows:

- Risk-based Compliance Monitoring engagements will increase. SERC expects to increase compliance audits, spot checks, and guided self-certifications for Compliance Monitoring engagements as we have smaller, more risk-focused engagements with the highest risk entities. Compliance Monitoring 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-compliances 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 TFE requests will continue to decline as the CIP program for registered entities matures.

Organization Registration and Certification

The 2021 key assumptions for the SERC Organization Registration and Certification program are as follows:

- 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 2021 key assumptions for the SERC Enforcement program 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 due to the entities which transferred to SERC from Florida;
- SERC will process or dismiss Possible Violations in a timely and fair manner; and
- There will be no significant increase in travel for Enforcement staff to process Possible Violations.

2021 Goals and Key Deliverables

Compliance

The 2021 goals and key deliverables for the Compliance program, which includes Compliance Monitoring and Risk Assessment & Mitigation are as follows:

- Conduct scheduled Compliance Monitoring activities pursuant to the 2021 Implementation Plan. Compliance Monitoring engagements for 2021 will consider on-site audits, off-site audits, spot checks, and guided self-certifications. As RAM completes or refreshes registered entities' Inherent Risk Assessments, the 2021 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/noncompliance 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/noncompliance 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/noncompliance processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation/noncompliance 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.

Organization Registration and Certification

The 2021 goals and key deliverables for the SERC Organization Registration and Certification program are as follows:

- 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

The 2021 goals and key deliverables for the SERC Enforcement program are as follows:

- Manage Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities.
- Hold registered entities 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 Enforcement will
 - conduct outreach activities to help entities increase the percentage of self-identified violations/noncompliance (Self Reports, Self-Logs, and Self Certifications);

- decrease the time needed to process violations/noncompliance and keep the average age of violations/noncompliance 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

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 50.15 FTEs in the CMEP area. Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Meeting and Travel

Compliance monitoring activity has increased over previous years as a result of consolidation of Regional Entities and execution of a risk-based compliance monitoring strategy. As SERC implements its risk-based strategy, it is increasing its focus on immense, large, and high inherent risk entities in the SERC Region. This results in increased travel requirements for Compliance Monitoring staff as SERC visits more CIP-014 sites, which can require additional on-site weeks for audit engagements. This increases SERC's travel costs.

With the number of Reliability Coordinators, Balancing Authorities, and Transmission Operators in the SERC Region, SERC has seen an increased level of work related to Registrations and Certifications. At this point, SERC is forecasting to at least double the number of entity certifications in 2021, and expects this to increase further. This is mainly being driven by entities building new control centers and replacing Energy Management Systems, each of which is a trigger for a certification.

CMEP is fully staffed. This has not been the case in previous years and impacts the budget for all SERC activities that require travel (corporate training, Human Resources training, staff development training, holiday and corporate activities, and ERO Compliance Workshops, etc.).

Contractors and Consultants

The cost for 2021 reflects a decrease of \$126,000, attributable to the Consortium User Group (CUG) expenses transferring from RAM to the IT department.

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					
2020 Budget & Projection, and 2021 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT; ORGANIZATION REGISTRATION AND CERTIFICATION					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2020 Budget v 2020 Projection Over(Under)	Budget	2021 Budget v 2020 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 17,096,873	\$ 17,096,873	\$ -	\$ 17,442,549	\$ 345,676
Penalties Released	1,458,140	1,458,140	-	1,298,394	(159,746)
Total Statutory Funding	\$ 18,555,013	\$ 18,555,013	\$ -	\$ 18,740,943	\$ 185,930
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	29,418	11,000	(18,418)	32,090	2,672
Interest	46,048	46,047	(1)	22,322	(23,726)
Total Funding (A)	\$ 18,630,479	\$ 18,612,060	\$ (18,419)	\$ 18,795,355	\$ 164,876
Expenses					
Personnel Expenses					
Salaries	\$ 7,213,371	\$ 7,285,505	\$ 72,134	\$ 7,474,586	\$ 261,215
Payroll Taxes	526,576	526,576	-	523,221	(3,355)
Benefits	836,603	836,603	-	812,343	(24,260)
Retirement Costs	928,548	928,548	-	942,920	14,372
Total Personnel Expenses	\$ 9,505,098	\$ 9,577,232	\$ 72,134	\$ 9,753,070	\$ 247,972
Meeting Expenses					
Meetings & Conference Calls	\$ 35,825	\$ 35,825	\$ -	\$ 18,500	\$ (17,325)
Travel	438,270	438,270	-	501,485	63,215
Total Meeting Expenses	\$ 474,095	\$ 474,095	\$ -	\$ 519,985	\$ 45,890
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 126,000	\$ 126,000	\$ -	\$ -	\$ (126,000)
Office Rent	-	-	-	-	-
Office Costs	35,525	35,525	-	28,530	(6,995)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 161,525	\$ 161,525	\$ -	\$ 28,530	\$ (132,995)
Total Direct Expenses	\$ 10,140,718	\$ 10,212,852	\$ 72,134	\$ 10,301,585	\$ 160,867
Indirect Expenses	\$ 8,191,711	\$ 8,125,306	\$ (66,406)	\$ 8,614,510	\$ 422,799
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 18,332,429	\$ 18,338,158	\$ 5,729	\$ 18,916,095	\$ 583,666
Change in Assets	\$ 298,050	\$ 273,903	\$ (24,148)	\$ (120,740)	\$ (418,790)
Fixed Assets, excluding Right of Use Assets (C)	\$ 253,255	\$ 253,256	\$ 1	\$ 148,813	\$ (104,442)
TOTAL BUDGET (B+C)	\$ 18,585,684	\$ 18,591,414	\$ 5,730	\$ 19,064,908	\$ 479,224
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 44,795	\$ 20,647	\$ (24,149)	\$ (269,553)	\$ (314,348)
FTEs	49.50	49.50	-	50.15	0.65

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)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	6.00	6.30	0.30
Direct Expenses	\$ 1,395,289	\$ 1,550,926	\$ 155,637
Indirect Expenses	\$ 992,935	\$ 1,082,182	\$ 89,247
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 30,698	\$ 18,694	\$ (12,004)
Total Funding Requirement	\$ 2,418,922	\$ 2,651,802	\$ 232,880

Table A-5. Reliability Assessments and Performance Analysis (RAPA) Budget**Program Scope and Functional Description**

SERC's RAPA program provides 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. The program supports SERC's 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 model building, studies, and analysis. The assessment program uses information from internal data 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 BPSs.

2021 Key Assumptions

The 2021 key assumptions for the SERC RAPA program are as follows:

- SERC will continue to support NERC's RAPA program to analyze 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.

2021 Goals and Key Deliverables

The SERC RAPA program will support the following goals:

- Continue to support NERC Reliability Assessments, Performance Analysis, and System Analysis programs;
- 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 tools based upon findings;
- Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified periods; and
- Continue NERC and Regional coordination to improve processes, and information required to implement enhanced Regional analytical efforts.

Resource Requirements

Personnel

An increase of 0.30 FTEs in RAPA staff is necessary due to the realignment of personnel supporting the RAPA program.

Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Meeting & Travel Expenses

The moderate increase in Meeting Expenses from 2020 to 2021 is the result of greater meeting participation due to the increase in SERC membership. The increase in travel expenses from 2020 to 2021 is due to SERC staff travel in support of NERC initiatives and to support RAPA meetings as needed, as well as to participate in training and certification activities. Additionally, with the increase in personnel in the RAPA group, travel expenses increase proportionately.

Contractors and Consultants

The 2021 budget includes contractor support for a probabilistic assessment performed through the Resource Adequacy Working Group, as well as the shift of contractor support for the Dynamic Reduction Models from 2020 to 2021.

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					
2020 Budget & Projection, and 2021 Budget					
RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
	2020 Budget	2020 Projection	Variance 2020 Budget v 2020 Projection Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 2,240,194	\$ 2,240,194	\$ -	\$ 2,445,873	\$ 205,679
Penalties Released	176,744	176,744	-	163,108	(13,636)
Total Statutory Funding	\$ 2,416,938	\$ 2,416,938	\$ -	\$ 2,608,981	\$ 192,043
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	2,233	-	(2,233)	2,524	291
Interest	5,581	5,581	-	2,804	(2,777)
Total Funding (A)	\$ 2,424,752	\$ 2,422,519	\$ (2,233)	\$ 2,614,309	\$ 189,557
Expenses					
Personnel Expenses					
Salaries	\$ 869,968	\$ 878,667	\$ 8,699	\$ 929,064	\$ 59,096
Payroll Taxes	63,508	63,508	-	65,035	1,527
Benefits	102,048	102,047	(1)	106,764	4,716
Retirement Costs	111,960	111,961	1	117,183	5,223
Total Personnel Expenses	\$ 1,147,484	\$ 1,156,183	\$ 8,699	\$ 1,218,046	\$ 70,562
Meeting Expenses					
Meetings & Conference Calls	\$ 56,125	\$ 56,125	\$ -	\$ 60,000	\$ 3,875
Travel	63,880	63,880	-	85,080	21,200
Total Meeting Expenses	\$ 120,005	\$ 120,005	\$ -	\$ 145,080	\$ 25,075
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 110,000	\$ 110,000	\$ -	\$ 170,000	\$ 60,000
Office Rent	-	-	-	-	-
Office Costs	17,800	17,800	-	17,800	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 127,800	\$ 127,800	\$ -	\$ 187,800	\$ 60,000
Total Direct Expenses	\$ 1,395,289	\$ 1,403,988	\$ 8,699	\$ 1,550,926	\$ 155,637
Indirect Expenses	\$ 992,935	\$ 984,886	\$ (8,049)	\$ 1,082,182	\$ 89,247
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,388,224	\$ 2,388,874	\$ 650	\$ 2,633,108	\$ 244,884
Change in Assets	\$ 36,528	\$ 33,645	\$ (2,883)	\$ (18,799)	\$ (55,327)
Fixed Assets, excluding Right of Use Assets (C)	\$ 30,698	\$ 30,698	\$ -	\$ 18,694	\$ (12,004)
TOTAL BUDGET (B+C)	\$ 2,418,922	\$ 2,419,572	\$ 650	\$ 2,651,802	\$ 232,880
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 5,830	\$ 2,947	\$ (2,883)	\$ (37,493)	\$ (43,323)
FTEs	6.00	6.00	-	6.30	0.30

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

Training, Education, and Stakeholder Outreach

Training, Education and Stakeholder Outreach (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	6.00	7.95	1.95
Direct Expenses	\$ 1,416,164	\$ 1,511,835	\$ 95,671
Indirect Expenses	\$ 992,935	\$ 1,365,610	\$ 372,675
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 30,698	\$ 23,591	\$ (7,107)
Total Funding Requirement	\$ 2,439,797	\$ 2,901,036	\$ 461,239

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 offers targeted coaching, training, and education to registered entities.

2021 Key Assumptions

The 2021 key assumptions for the SERC Training, Education, and Stakeholder Outreach programs 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.
- 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.
- SERC's training program will maintain SERC's status as a NERC certified Continuing Education Provider. SERC's Education program 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.

2021 Goals and Key Deliverables

The SERC Training, Education, and Stakeholder Outreach programs 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 risks to the BPS.

Resource Requirements

Personnel

The Training and Education group has increased its FTE allocation from 2020 to 2021 by 1.95 to reflect an increase in training and targeted outreach efforts. Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Meetings

The 2021 budget includes a decrease for the cost of SERC System Operator Conferences. All peninsula entities have been assimilated into the existing four conferences allowing SERC to reduce projected costs.

Travel

As SERC membership and staffing in the Training and Education group increases, there is an increase in travel in 2021. This is a result of training and certification activities for SERC staff, as well as some travel to stakeholder forums.

Contractors and Consultants

The 2021 budget includes contractor support for the System Operator Conferences.

Section A – Statutory Programs Training, Education, and Stakeholder Outreach Program Funding Sources and Expenditures

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

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2020 Budget & Projection, and 2021 Budget					
TRAINING AND OUTREACH					
	2020 Budget	2020 Projection	Variance 2020 Budget v 2020 Projection Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 2,131,119	\$ 2,131,119	\$ -	\$ 2,511,468	\$ 380,349
Penalties Released	176,744	176,744	-	205,827	29,083
Total Statutory Funding	\$ 2,307,863	\$ 2,307,863	\$ -	\$ 2,717,295	\$ 409,432
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	132,233	130,000	(2,233)	139,185	6,952
Interest	5,581	5,581	-	3,539	(2,042)
Total Funding (A)	\$ 2,445,677	\$ 2,443,444	\$ (2,233)	\$ 2,860,019	\$ 414,342
Expenses					
Personnel Expenses					
Salaries	\$ 805,778	\$ 807,185	\$ 1,407	\$ 914,536	\$ 108,758
Payroll Taxes	58,822	58,822	-	64,211	5,389
Benefits	103,247	103,247	-	111,815	8,568
Retirement Costs	103,756	103,756	-	115,340	11,584
Total Personnel Expenses	\$ 1,071,603	\$ 1,073,010	\$ 1,407	\$ 1,205,902	\$ 134,299
Meeting Expenses					
Meetings & Conference Calls	\$ 137,094	\$ 137,094	\$ -	\$ 113,094	\$ (24,000)
Travel	68,675	68,675	-	96,492	27,817
Total Meeting Expenses	\$ 205,769	\$ 205,769	\$ -	\$ 209,586	\$ 3,817
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 137,000	\$ 137,000	\$ -	\$ 94,345	\$ (42,655)
Office Rent	-	-	-	-	-
Office Costs	1,792	1,792	-	2,002	210
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 138,792	\$ 138,792	\$ -	\$ 96,347	\$ (42,445)
Total Direct Expenses	\$ 1,416,164	\$ 1,417,571	\$ 1,407	\$ 1,511,835	\$ 95,671
Indirect Expenses	\$ 992,935	\$ 984,886	\$ (8,049)	\$ 1,365,610	\$ 372,675
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,409,099	\$ 2,402,457	\$ (6,642)	\$ 2,877,445	\$ 468,346
Change in Assets	\$ 36,578	\$ 40,987	\$ 4,409	\$ (17,426)	\$ (54,004)
Fixed Assets, excluding Right of Use Assets (C)	\$ 30,698	\$ 30,698	\$ -	\$ 23,591	\$ (7,107)
TOTAL BUDGET (B+C)	\$ 2,439,797	\$ 2,433,155	\$ (6,642)	\$ 2,901,036	\$ 461,239
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 5,880	\$ 10,289	\$ 4,409	\$ (41,017)	\$ (46,897)
FTEs	6.00	6.00	-	7.95	1.95

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

Situational Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	2.00	2.50	0.50
Direct Expenses	\$ 371,466	\$ 551,222	\$ 179,756
Indirect Expenses	\$ 330,978	\$ 429,437	\$ 98,459
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 10,233	\$ 7,418	\$ (2,815)
Total Funding Requirement	\$ 712,677	\$ 988,077	\$ 275,400

Table A-9. Situational Awareness and Infrastructure Security Budget**Program Scope and Functional Description**

The SERC Situational Awareness and Infrastructure Security (SAIS) program identifies and analyzes events and conditions that affect or might affect reliable operations. This program accomplishes 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.

2021 Key Assumptions

The 2021 key assumptions for the SERC SAIS program 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 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 SAIS 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 SAIS groups to identify conditions or best practices that improve reliability within the BPS.

2021 Goals and Key Deliverables

The SERC SAIS 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 efforts;

- Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives;
- Continue stakeholder outreach efforts that encourage stakeholder participation in the SAIS program;
- 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; and
- Monitor and evaluate CIP-related threats, vulnerabilities, and events for information sharing internally (SERC staff) and externally (registered entities).

Resource Requirements

Personnel

An increase of 0.50 FTEs is due to the realignment of personnel supporting the SAIS program.

Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Travel

Travel expenses increase due to additional FTEs in the program participating in various committees, including NERC supported projects, as well as training and certification-related travel.

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					
2020 Budget & Projection, and 2021 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2020 Budget	2020 Projection	Variance 2020 Budget v 2020 Projection Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 652,876	\$ 652,876	\$ -	\$ 907,267	\$ 254,391
Penalties Released	58,915	58,915	-	64,726	5,811
Total Statutory Funding	\$ 711,791	\$ 711,791	\$ -	\$ 971,993	\$ 260,202
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	744	-	(744)	1,001	257
Interest	1,860	1,860	-	1,113	(747)
Total Funding (A)	\$ 714,395	\$ 713,651	\$ (744)	\$ 974,107	\$ 259,712
Expenses					
Personnel Expenses					
Salaries	\$ 258,353	\$ 260,937	\$ 2,584	\$ 391,291	\$ 132,938
Payroll Taxes	18,860	18,860	-	27,390	8,530
Benefits	36,683	36,683	-	44,216	7,533
Retirement Costs	33,240	33,240	-	49,346	16,106
Total Personnel Expenses	\$ 347,136	\$ 349,720	\$ 2,584	\$ 512,243	\$ 165,107
Meeting Expenses					
Meetings & Conference Calls	\$ 320	\$ 320	\$ -	\$ 1,500	\$ 1,180
Travel	22,810	22,810	-	37,000	14,190
Total Meeting Expenses	\$ 23,130	\$ 23,130	\$ -	\$ 38,500	\$ 15,370
Operating Expenses, excluding Depreciation					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	1,200	1,200	-	479	(721)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 1,200	\$ 1,200	\$ -	\$ 479	\$ (721)
Total Direct Expenses	\$ 371,466	\$ 374,050	\$ 2,584	\$ 551,222	\$ 179,756
Indirect Expenses	\$ 330,978	\$ 328,295	\$ (2,683)	\$ 429,437	\$ 98,459
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 702,444	\$ 702,345	\$ (99)	\$ 980,659	\$ 278,215
Change in Assets	\$ 11,951	\$ 11,306	\$ (645)	\$ (6,552)	\$ (18,503)
Fixed Assets, excluding Right of Use Assets (C)	\$ 10,233	\$ 10,233	\$ -	\$ 7,418	\$ (2,815)
TOTAL BUDGET (B+C)	\$ 712,677	\$ 712,578	\$ (99)	\$ 988,077	\$ 275,400
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 1,718	\$ 1,073	\$ (645)	\$ (13,970)	\$ (15,688)
FTEs	2.00	2.00	-	2.50	0.50

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

Corporate Services

Corporate Services (in whole dollars) Direct Expenses and Fixed Assets						
	2020 Budget	2021 Budget	Increase (Decrease)	FTEs 2020 Budget	FTEs 2021 Budget	Increase (Decrease)
Technical Committees and Member Forums	\$ 998,375	\$ 1,089,562	\$ 91,187	4.00	3.90	(0.10)
General and Administrative	\$ 3,750,386	\$ 4,224,800	\$ 474,414	11.00	9.00	(2.00)
Legal and Regulatory	\$ 1,681,173	\$ 1,344,517	\$ (336,656)	3.70	2.90	(0.80)
Analytics & Information Technology	\$ 3,049,617	\$ 3,734,775	\$ 685,158	8.00	10.80	2.80
Human Resources	\$ 1,013,461	\$ 934,097	\$ (79,364)	3.40	3.00	(0.40)
Accounting and Finance	\$ 511,036	\$ 449,876	\$ (61,160)	3.40	3.00	(0.40)
Total Corporate Services	\$ 11,004,048	\$ 11,777,627	\$ 773,579	33.50	32.60	(0.90)

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 2021 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 to the BPS.

2021 Key Assumptions

The 2021 key assumptions for the SERC Technical Committees and Member Forums programs are as follows:

- SERC will continue its Technical Committee and subgroup structure for effective stakeholder involvement in 2021.
- 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 to continue to meet the needs of our members.
- SERC Technical Committees and Member Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees*.

2021 Goals and Key Deliverables

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

- Convene regular meetings of the standing committees and their subordinate groups, as necessary;
- Communicate to the Board and SERC staff on issues pertaining to operation, planning, and engineering of the BPS, and the advancement of the physical and cyber security of the BPS;
- Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security;
- Perform special projects at the request of the Board;
- 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; and
- Provide key inputs from the SERC Reliability Risk Team for the CMEP Implementation Plan.

Resource Requirements

Personnel

FTE's in the Technical Committees and Member Forums programs decreased 0.10 from 2020 to 2021 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 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Meetings

Meeting expenses in 2021 reflect a modest increase due to the increased participation in Technical Committees.

Travel

Travel expenses increased from 2020 to 2021 as a result of the decreased vacancy rate. As SERC has filled vacancies in this group, SERC is participating in activities that require travel to a greater degree, including supporting ERO activities and facilitating SERC Technical Committees and subgroups.

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.

2021 Key Assumptions

The 2021 key assumptions for the SERC General and Administrative function 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.

2021 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; and
- Provide pertinent and timely information to members/stakeholders to improve efficiency of interactions with SERC staff.

Resource Requirements

Personnel

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

- Reallocation of the Chief Financial Officer (CFO)-Treasurer role to General & Administrative offset by a shift in allocation for some staff to RAPA and Training operations.

Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Contractors and Consultants

The 2021 budget includes support for corporate goals.

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 Chief Executive Office, Board, 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 facilitating implementation of governance changes to transition the Board into a more strategic oversight body and providing input on matters for the Board's 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 Enforcement actions and other assistance;
- Provide legal counsel during Compliance and Enforcement proceedings and support the approval process of Enforcement filings before the NERC Board of Trustees Compliance Committee and FERC;
- 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; and
- Manage relationships with SERC's outside counsel.

2021 Key Assumptions

The 2021 key assumptions for the SERC Legal and Regulatory function are as follows:

- SERC will modify its governance structure to integrate a smaller Board, add a Members Committee, and add Independent Directors to the Board through bylaw and other corresponding scope document changes.
- SERC will continue to support the processing of Enforcement actions 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; and
- SERC will proactively engage with NERC and FERC to help ensure SERC's continued recognition as a Regional Entity.

2021 Goals and Key Deliverables

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

- Modify SERC's Bylaws and obtain all necessary regulatory approvals from the SERC Board, the NERC Board of Trustees, and FERC;
- Work with Enforcement to support processing Enforcement actions, 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; and
- Work with NERC and other Regions on obtaining renewal of SERC's Regional Delegation Agreement with NERC.

Resource Requirements

Personnel

The Legal and Regulatory group decreased the FTE allocation by 0.80 from 2020 to 2021 due to a reallocation of staff with the Enforcement group.

Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Meeting Expenses

The 2021 budget includes a decrease in meeting and travel expenses, primarily due to the fact that there will be one annual offsite meeting for the SERC membership rather than the previous two annual offsite Board meetings. This change in offsite Board meetings is a result of pending governance changes that, when implemented on January 1, 2021, will: 1) transition the member-based Board into a members group that will meet one time a year offsite; and 2) establish a smaller Board that will meet quarterly in Charlotte, NC at SERC's offices.

Contractors and Consultants

The 2021 budget includes expenses and fees for the addition of at least three Independent Directors on the Board.

Professional Services

An increase in legal fees is primarily due to the fact that all outside counsel expenses for the Corporation are being consolidated into the Legal and Regulatory department budget to provide advice on legal, governance, and other governing documents, as well as corporate and employment-related matters.

Advanced Analytics and Information Technology & Security

Program Scope and Functional Description

SERC's Advanced Analytics and IT and Security departments provide technology innovation, support data collection efforts across SERC, and develop insights through data to inform several risk-based programs across SERC. The Advanced Analytics and IT and Security program includes the following functions:

- IT & Security
- Advanced Analytics

The 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. SERC's Security function will continue efforts to enhance the company's security posture to ensure cybersecurity is an essential component of the organization's culture. The IT and Security program executes the following functions:

- Hosts, maintains, secures, develops, and improves SERC's information systems;
- Maintains network and computer infrastructure;
- Ensures protection of SERC and entity data;
- Provides onsite end user support and services to conduct SERC business;
- Provides a security awareness training program to increase awareness; and
- Provides project management and deployment of technical solutions;

The Advanced Analytics 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 areas across the SERC Region. Advanced Analytics executes the following functions:

- Collection and cleansing of data;
- Evaluation of data to determine risk;
- Visualization and reporting of data;
- Insight development; and
- Calculation of operations metrics for SERC.

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 BP&B 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 BP&B.

2021 Key Assumptions

The 2021 key assumptions for the SERC Advanced Analytics and IT and Security program are as follows:

- SERC will continue to evaluate and consider shared ERO services and partnerships.
- SERC will continue to purchase and maintain a hardware and software lifecycle necessary to conduct business.
- SERC will continue utilizing secure third-party hosting centers.
- SERC will continue to support ERO-sponsored security programs and initiatives.
- SERC will continue to assess, enhance, and strengthen SERC's security posture.

2021 Goals and Key Deliverables

The SERC Advanced Analytics and IT and Security departments will support the following goals:

- Improve the capabilities of SERC's Business Intelligence Center (BIC) to include internally focused operations reporting;
- Update and consolidate SERC committee and reliability portals, as the compliance portal is phased out to continue to provide the remaining functionality;
- Upgrade IT infrastructure per lifecycle management;
- Implement multi-year plan that implements IT and Security framework and strategy;
- Improve cyber and physical security controls to defend against emerging threats;
- Formalize and define IT and Security policies, processes and procedures;
- Implement new ERO-sponsored security and IT consolidation efforts.

Resource Requirements

Personnel

SERC has increased staffing levels in the Advanced Analytics and IT and Security departments to support the overall IT strategy around improved security and program management and analytics. This results in an increase of 2.80 FTEs in these two departments

Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Travel Expenses

Travel expense increases of \$7,100 for these departments 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 2021 budget includes contractor support for IT staff, infrastructure hosting, software and application development, systems maintenance, database administration, and cyber and physical security assessments.

The responsibility for vendor management and support is consolidated in the IT function. SERC continues to evaluate our contractors and consultants for efficiency and quality support. The changes are expected to result in a decrease in 2021 of \$227,000 between the two departments.

Telephone

The IT-related costs for office telephone service and wireless communication is expected to increase in 2021. This is due to an increase in the number of SERC employees and increased cost for the secondary fiber connection.

Dues and Subscriptions

The budget for licenses, dues, and subscriptions will increase in 2021 due to participation in an industry group for the development of Advanced Analytics innovation.

Supplies

The 2021 budget for the Advanced Analytics and IT and Security program is increasing due to planned activity around replacement or addition of computers, hardware equipment, tools, and software licenses. Some expenses are directly due to increase in staff or lifecycle management projects.

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 culture fit, protecting against liability, employee engagement, compensation analysis, and employee benefits administration.

2021 Key Assumptions

The 2021 key assumptions for the SERC Human Resources function 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.

2021 Goals and Key Deliverables

The SERC Human Resources department 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; and
- Lead efforts to make SERC a highly desirable place to work.

Resource Requirements

Personnel

The Human Resources department has decreased the FTE allocation by 0.40 from 2020 to 2021, with a shift in allocation for the CFO-Treasurer role to G&A.

Changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

Contractors and Consultants

The 2021 budget includes contractor support for leadership development and staff training.

Finance and Accounting

Program Scope and Functional Description

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

- Develop SERC's BP&B, 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; and
- Manage accounts payable, accounts receivable, and fixed assets.

2021 Key Assumptions

The 2021 key assumptions for the Finance and Accounting function are as follows:

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

2021 Goals and Key Deliverables

The SERC Finance and Accounting department 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 Board; and
- Ensure SERC has effective financial controls and exercises fiscal prudence.

Resource Requirements

Personnel

The Finance department has decreased the FTE allocation by 0.40 from 2020 to 2021, with a shift in allocation for the CFO-Treasurer role to G&A.

Other changes in Personnel Expenses consist of the following:

- The 2021 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 is anticipating an increase in health premiums for the second half of 2021.

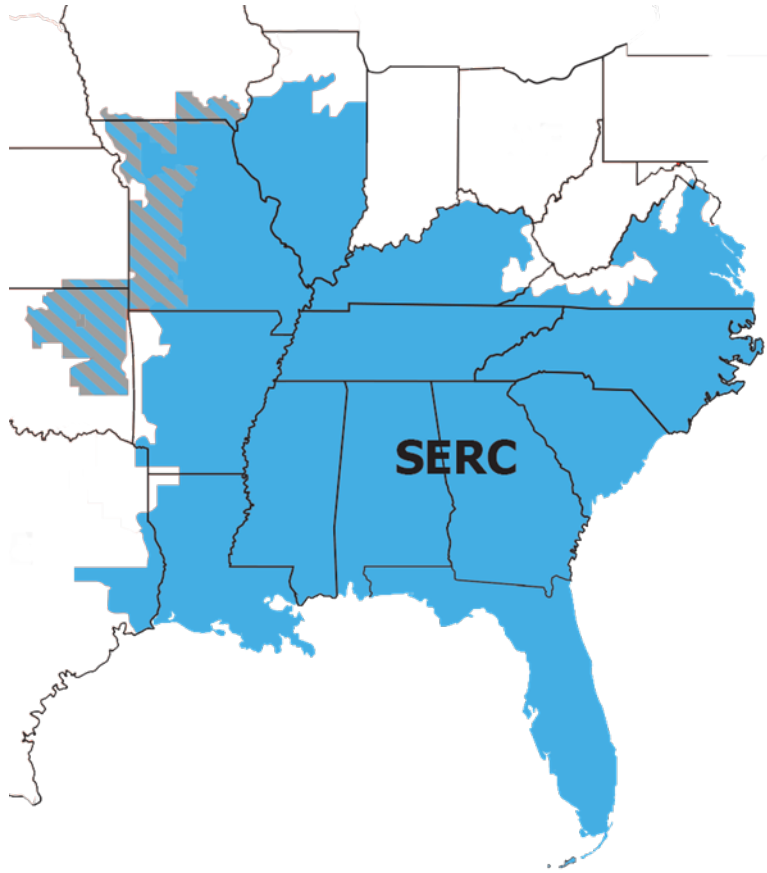
Corporate Services Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2020 Budget & Projection, and 2021 Budget					
CORPORATE SERVICES					
	2020 Budget	2020 Projection	Variance 2020 Budget v 2020 Projection Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Statutory Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	-	24,000	24,000	-	-
Interest	-	-	-	-	-
Total Funding (A)	\$ -	\$ 24,000	\$ 24,000	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 4,847,169	\$ 4,895,641	\$ 48,472	\$ 5,351,661	\$ 504,492
Payroll Taxes	350,164	350,164	-	371,088	20,924
Benefits	747,807	822,807	75,000	835,659	87,852
Retirement Costs	628,557	628,557	-	687,877	59,320
Total Personnel Expenses	\$ 6,573,697	\$ 6,697,169	\$ 123,472	\$ 7,246,285	\$ 672,588
Meeting Expenses					
Meetings & Conference Calls	\$ 291,350	\$ 281,350	\$ (10,000)	\$ 221,104	\$ (70,246)
Travel	201,973	201,973	-	256,035	54,062
Total Meeting Expenses	\$ 493,323	\$ 483,323	\$ (10,000)	\$ 477,139	\$ (16,184)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,996,580	\$ 1,501,580	\$ (495,000)	\$ 1,499,791	\$ (496,789)
Office Rent	789,276	789,276	-	823,200	33,924
Office Costs	655,032	950,032	295,000	1,019,812	364,780
Professional Services	166,140	166,140	-	511,400	345,260
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 3,607,028	\$ 3,407,028	\$ (200,000)	\$ 3,854,203	\$ 247,175
Total Direct Expenses	\$ 10,674,048	\$ 10,587,520	\$ (86,528)	\$ 11,577,627	\$ 903,579
Indirect Expenses	\$ (10,674,048)	\$ (10,587,520)	\$ 86,528	\$ (11,577,627)	\$ (903,579)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ 24,000	\$ 24,000	\$ -	\$ -
Fixed Assets, excluding Right of Use Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 24,000	\$ 24,000	\$ -	\$ -
FTEs	33.50	33.40	(0.10)	32.60	(0.90)

Table A-12. Corporate Services Budget Detail

Section B – Supplemental Financial Information

2021 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Reserve Analysis			
STATUTORY			
	Total Reserves	Working Capital Reserve	Assessment Stabilization Reserve ¹
Beginning Reserves, January 1, 2020	\$ 7,500,528	\$ 1,855,528	\$ 5,645,000
Plus: 2020 Funding (form Load-Serving Entities (LSE) or desgnees)	\$ 24,359,123	\$ 24,359,123	\$ -
Plus: 2020 Other funding sources	225,000	225,000	-
Penalties released from Assessment Stabilization Reserve in 2020	(1,900,000)	-	(1,900,000)
Penalty Sanctions January 1 - June 30, 2020	-	-	-
Less: 2020 Projected expenses & capital expenditures	(24,524,716)	(24,524,716)	-
Projected Reserves, December 31, 2020	\$ 5,659,935	\$ 1,914,935	\$ 3,745,000
Targeted Reserve, December 31, 2021 ²	\$ 3,549,745	\$ 1,549,745	\$ 2,000,000
Less: Projected Reserves, December 31, 2020	(5,659,935)	(1,914,935)	(3,745,000)
Increase/(decrease) to 2021 Assessments	\$ (2,110,190)	\$ (365,190)	\$ (1,745,000)
2021 Expenses and Capital Expenditures	\$ 25,829,079		
Less: Penalties released from Assessment Stabilization Reserve	(1,745,000)		
Adjustment to achieve targeted Working Capital Reserve	(365,190)		
Less: Other funding sources	(205,001)		
2021 SERC Assessment	\$ 23,513,888		

¹ Penalty sanctions are added to the Assessment Stabilization Reserve upon approval of the enforcement action by FERC, and released to offset future assessments, as approved by SERC's Board of Directors.

² The Targeted Working Capital and Assessment Stabilization Reserves were approved by the SERC Board of Directors on April 23, 2020.

Table B-1. Working Capital Reserve Analysis 2020- 2021

Explanation of the Working Capital Reserve

Pursuant to SERC's Cash Reserves Policy, as approved by the BEC on June 26, 2019, SERC maintains a Working Capital Reserve to satisfy cash flow needs for daily operations, as well as for contingencies that were not anticipated at the time the BP&B was prepared. The targeted Working Capital Reserve included in the SERC's 2021 BP&B totals \$1,549,745. SERC reduced the 2021 ERO Assessments by \$365,190 to adjust its Working Capital Reserve to the targeted amount.

Explanation of the Assessment Stabilization Reserve

Pursuant to SERC's Cash Reserves Policy, SERC maintains an Assessment Stabilization Reserve to mitigate annual assessment volatility. With NERC and FERC approval, Penalty sanctions are added to the reserve, and released to offset assessments in future years. SERC is requesting to place \$5,645,000 of Penalty sanctions received between July 1, 2019 and December 31, 2019, into the Assessment Stabilization Reserve, and to release \$1,745,000 from the Assessment Stabilization Reserve to offset 2021 SERC Assessments.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 13, of the 2021 BP&B. All significant variances have been disclosed by program area on the preceding pages.

Penalty Sanctions

All penalty monies received between July 1, 2019 and June 30, 2020, are detailed below, including the amount and date received.

Pursuant to the NERC ROP Section 1107.4, SERC is requesting an exception to NERC ROP 1107.2. *All funds from financial Penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or for the second subsequent fiscal year, if received on or after July 1.* Specifically, SERC is requesting an exception in order to place \$5,645,000 of Penalty sanctions received between July 1, 2019 and December 31, 2019, into the Assessment Stabilization Reserve, and to release \$1,745,000 from the Assessment Stabilization Reserve to offset 2021 SERC Assessments.

Allocation Method: Penalty sanctions released to offset 2021 assessments have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement; Organization Registration and Certification; RAPA; Training, Education and Stakeholder Outreach; and SAEA. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2020.

Penalty Sanctions Received on or Prior to June 30, 2020			
Payment	Date Received	Amount Received	
Penalty payment 1	8/19/2019	\$	120,000
Penalty payment 2	8/27/2019		775,000
Penalty payment 3	10/2/2019		4,750,000
Total Penalties Received		\$	5,645,000

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 2020	Projection 2020	Budget 2021	Variance 2020 Budget v 2021 Budget
Reliability Standards				
Workshops & Miscellaneous	\$ 372	\$ -	\$ 200	\$ (172)
Interest	\$ 930	\$ 930	\$ 223	\$ (707)
Total	\$ 1,302	\$ 930	\$ 423	\$ (879)
Compliance Monitoring, Enforcement & Org. Registration				
Workshops & Miscellaneous	\$ 29,418	\$ 11,000	\$ 32,090	\$ 2,672
Interest	\$ 46,048	\$ 46,047	\$ 22,322	\$ (23,726)
Total	\$ 75,466	\$ 57,047	\$ 54,412	\$ (21,054)
Reliability Assessment and Performance Analysis				
Workshops & Miscellaneous	\$ 2,233	\$ -	\$ 2,524	\$ 291
Interest	\$ 5,581	\$ 5,581	\$ 2,804	\$ (2,777)
Total	\$ 7,814	\$ 5,581	\$ 5,328	\$ (2,486)
Training, Education and Stakeholder Outreach				
Workshops & Miscellaneous	\$ 132,233	\$ 130,000	\$ 139,185	\$ 6,952
Interest	\$ 5,581	\$ 5,582	\$ 3,539	\$ (2,042)
Total	\$ 137,814	\$ 135,582	\$ 142,724	\$ 4,910
Situation Awareness and Infrastructure Security				
Workshops & Miscellaneous	\$ 744	\$ -	\$ 1,000	\$ 256
Interest	\$ 1,860	\$ 1,860	\$ 1,113	\$ (747)
Total	\$ 2,604	\$ 1,860	\$ 2,113	\$ (491)
Corporate Services				
Workshops & Miscellaneous	\$ -	\$ 24,000	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 24,000	\$ -	\$ -
Total Outside Funding	\$ 225,000	\$ 225,000	\$ 205,000	\$ (20,000)

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Compliance Monitoring, Enforcement, and Organization Registration and Certification –

The increase in miscellaneous funding in 2021 from the 2020 Budget is due to anticipated additional attendance.

Training and Education – Increased attendance at System Operator Conferences is anticipated in 2021.

Interest Income – Interest income is decreased due to an anticipated drop in the bond market affecting treasury investments.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2020	Projection 2020	Budget 2021	Variance		
				2020 Budget v 2021 Budget	Variance %	
Salaries						
Total Salaries	\$ 14,135,382	\$ 14,270,084	\$ 15,157,961	\$ 1,022,579	7.2%	
Total Payroll Taxes	\$ 1,028,204	\$ 1,028,204	\$ 1,057,723	\$ 29,519	2.9%	
Total Benefits	\$ 1,843,730	\$ 1,918,729	\$ 1,920,040	\$ 76,310	4.1%	
Total Retirement	\$ 1,824,180	\$ 1,824,182	\$ 1,924,856	\$ 100,676	5.5%	
Total Personnel Costs	\$ 18,831,496	\$ 19,041,199	\$ 20,060,580	\$ 1,229,084	6.5%	
FTEs	98.0	98.0	100.0	2.0	2.0%	
Cost per FTE						
Salaries	\$ 144,239	\$ 145,613	\$ 151,580	\$ 7,341	5.1%	
Payroll Taxes	10,492	10,492	10,577	85	0.8%	
Benefits	18,814	19,579	19,200	387	2.1%	
Retirement	18,614	18,614	19,249	634	3.4%	
Total Cost per FTE	\$ 192,158	\$ 194,298	\$ 200,606	\$ 8,448	4.4%	

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

The budget reflects a Board approved merit increase and an increase in health insurance premiums. A vacancy rate has been applied to all Personnel Expenses. The vacancy rate applied to all Personnel Expenses reflects a decrease from 8% in 2020 to 5% in 2021.

Table B-5 lists the budget for Meeting Expenses.

Meeting, Conference & Travel Expense	Budget 2020	Projection 2020	Budget 2021	Variance	
				2020 Budget v 2021 Budget	Variance %
Meeting & Conference Expenses	\$ 521,824	\$ 511,824	\$ 415,308	\$ (106,516)	(20.4%)
Travel Expenses	\$ 805,148	\$ 805,148	\$ 985,632	\$ 180,484	22.4%
Total Meeting, Conference & Travel Expenses	\$ 1,326,972	\$ 1,316,972	\$ 1,400,940	\$ 73,968	5.6%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

The 2021 budget includes decreased Meeting Expenses, primarily related to Board and committee governance activities to reflect fewer in-person meetings. Compliance and Training meeting expenses were also reduced as all peninsula entities have been assimilated into the existing conferences allowing SERC to reduce projected costs. The overall reduction was partially offset by the addition of G&A meeting expenses related to NERC-led leadership initiatives.

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 due to more appropriately classifying Compliance travel associated with employee training as a travel expense. Technical Committee and SAEA travel increased as vacancies in these groups were filled, and participation to a greater degree in activities that require travel, including supporting ERO activities. RAPA increase in travel expenses 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. Growth in the Outreach program area to support over 50 assistance engagements per year caused an increase in travel-related expenses.

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

Consultants and Contracts	Budget 2020	Projection 2020	Budget 2021	Variance	
				2020 Budget v 2021 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	126,000	126,000	-	(126,000)	(100.0%)
Reliability Assessment and Performance Analysis	110,000	110,000	170,000	60,000	54.5%
Training and Outreach	137,000	137,000	94,345	(42,655)	(31.1%)
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	1,996,580	1,501,580	1,499,791	(496,789)	(24.9%)
Total Consultants and Contracts	\$ 2,369,580	\$ 1,874,580	\$ 1,764,136	\$ (605,444)	(25.6%)

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Compliance Monitoring – A decrease of \$126,000 in the program is a result of certain contractor support in 2020 that will not be required in 2021.

RAPA - 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.

Training & Outreach - The 2021 budget includes decreased contractor expenses associated with meeting support to reflect fewer in-person meetings. Compliance and Training meeting expenses were also reduced as all peninsula entities have been assimilated into the existing conferences allowing us to reduce projected costs

Corporate Services:

- **Legal and Regulatory** – Outside Legal expenses are decreasing as expenses associated with the Independent Director search will no longer be required.
- **IT** – Decrease due to expenses that were previously budgeted under Consultants and Contractors more appropriately defined as Software and Network Supplies within Office costs.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2020	Projection 2020	Budget 2021	Variance	
				2020 Budget v 2021 Budget	Variance %
Office Rent	\$ 789,276	\$ 789,276	\$ 823,200	\$ 33,924	4.3%
Utilities	-	-	-	-	0.0%
Maintenance	-	-	-	-	0.0%
Total Office Rent	\$ 789,276	\$ 789,276	\$ 823,200	\$ 33,924	4.3%

Table B-7. Office Rent

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Increase in building's operational Common Area Maintenance expenses.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget		Projection		Variance	
	2020	2020	2021	2021 Budget	2020 Budget v 2021 Budget	Variance %
Telephone	\$ 138,900	\$ 159,461	\$ 158,201	\$ 19,301	13.9%	
Office Supplies	102,396	111,605	96,590	(5,806)	(5.7%)	
Computer Supplies and Maintenance	-	-	-	-		
Computers and Supplies	108,000	167,461	87,000	(21,000)	(19.4%)	
Software	168,558	377,683	457,966	289,408	171.7%	
Network Supplies	16,700	14,058	75,000	58,300	349.1%	
Publications & Subscriptions	8,135	9,389	11,980	3,845	47.3%	
Dues	31,106	31,247	36,486	5,380	17.3%	
Postage	500	572	600	100	20.0%	
Express Shipping	4,500	4,408	7,400	2,900	64.4%	
Copying	6,300	5,324	6,000	(300)	(4.8%)	
Equipment Repair/Service Contracts	32,154	30,372	36,000	3,846	12.0%	
Bank Charges	3,600	3,600	3,000	(600)	(16.7%)	
Taxes	25,000	25,000	26,600	1,600	6.4%	
Merchant Credit Card Fees	11,700	12,369	12,000	300	2.6%	
Insurance - Commercial	54,000	54,000	54,000	-	0.0%	
Total Office Costs	\$ 711,549	\$ 1,006,549	\$ 1,068,823	\$ 357,274	50.2%	

Table B-8. Office Costs

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

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

Office Supplies decreased to better reflect historical norms.

Computer Supplies and Maintenance - Fewer planned upgrades of laptops and equipment as part of the IT department's refresh program will be required in 2021, offset by an increase due expenses that were previously budgeted under Consultants and Contractors more appropriately defined as Software and Network Supplies.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget		Projection		Budget		Variance		
	2020		2020		2021		2020 Budget v 2021	Variance %	
Outside Legal	\$	137,000	\$	137,000	\$	122,400	\$	(14,600)	(10.7%)
Independent Director Fees	\$	-	\$	-	\$	350,000	\$	350,000	
Accounting & Auditing Fees		29,140		29,140		39,000		9,860	33.8%
Total Services	\$	166,140	\$	166,140	\$	511,400	\$	345,260	207.8%

Table B-9. Professional Services

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Outside Legal expenses are decreasing as the SERC Bylaw review was completed in 2020. Professional fees includes monies associated with Independent Director Fees.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2020	Projection 2020	Budget 2021	Variance	
				2020 Budget v 2021 Budget	Variance %
Miscellaneous	\$ 1,200	\$ -	\$ -	\$ (1,200)	(100.0%)
Total Miscellaneous Expenses	\$ 1,200	\$ -	\$ -	\$ (1,200)	

Table B-10. Miscellaneous

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

There is no significant budget variance in Miscellaneous Expenses.

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

Other Non-Operating Expenses	Budget	Projection	Budget	Variance	
	2020	2020	2021	2020 Budget v 2021 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 – 2021 Budget versus 2020 Budget

There are no costs budgeted for these items in 2020 or 2021.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2020	Projection 2020	Budget 2021	Variance	
				2020 Budget v 2021 Budget	Variance %
Computer & Software CapEx	\$ 330,000	\$ 330,000	\$ 200,000	\$ (130,000)	(39.4%)
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
	\$ 330,000	\$ 330,000	\$ 200,000	\$ (130,000)	(39.4%)

Table B-12. Fixed Assets

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Fixed Asset purchases include server replacements and new corporate services software; however, overall Fixed Asset purchases are decreased by \$130,000 due to purchases of certain software and equipment being more appropriately classified as Non-capital Expenses.

Table B-13 compares the 2021 budget with projections for 2022-2023, based on the following assumptions:

Personnel Expenses

- A Board approved annual increase in personnel costs for 3% merit pay increases in 2022 and 2023;
- Annual increase in insurance premiums; and
- Continuation of 5% vacancy rate.

Meeting Expenses

- Meetings and travel costs include a 1% inflationary increase for both 2022 and 2023.

Operating Expenses

- Modest increase in office lease operating costs
- Other operating expenses remain flat for both 2022 and 2023 in anticipation of efficiency gains.

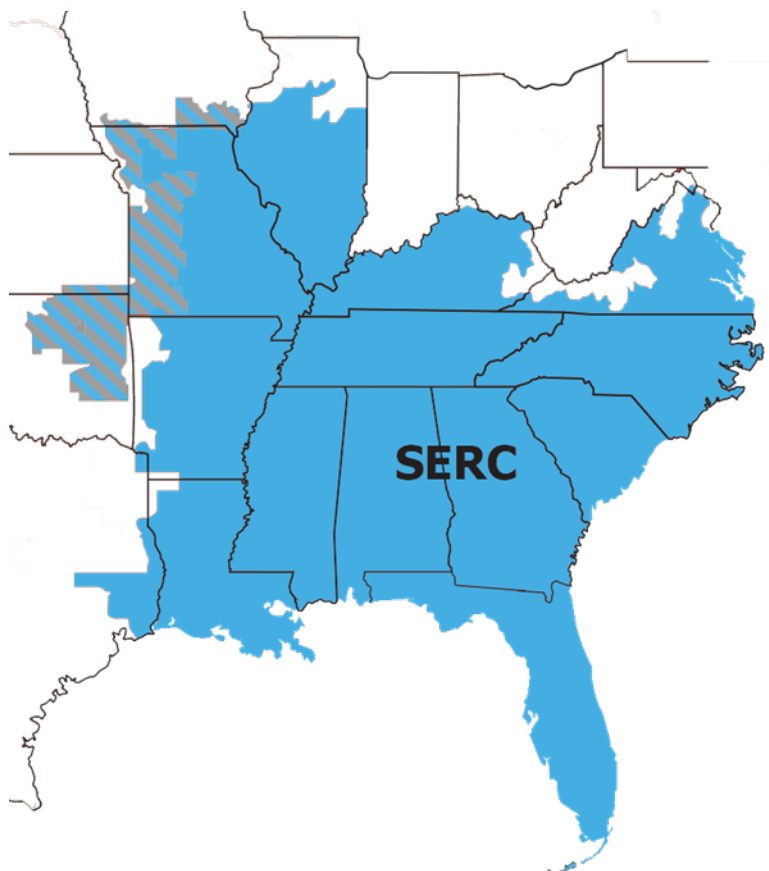
Statement of Activities and Capital Expenditures							
2021 Budget & Projected 2022 and 2023 Budgets							
	Statutory			2023 Projection	\$ Change 22 v 23	% Change 22 v 23	
	2021 Budget	2022 Projection	\$ Change 21 v 22				
Funding							
Statutory Funding							
SERC Assessments	\$ 23,513,887	\$ 24,704,905	\$ 1,191,018	5.1%	\$ 25,913,170	\$ 1,208,265	4.9%
Penalties Released*	1,745,000	1,500,000	(245,000)	(14.0%)	650,000	(850,000)	(56.7%)
Total Statutory Funding	\$ 25,258,887	\$ 26,204,905	\$ 946,018	3.7%	\$ 26,563,170	\$ 358,265	1.4%
Membership Fees	\$ -	\$ -	\$ -		\$ -	\$ -	
Workshops & Miscellaneous	175,000	175,000	-	0.0%	185,000	10,000	5.7%
Interest	30,001	30,001	-	0.0%	30,001	-	0.0%
Total Funding (A)	\$ 25,463,888	\$ 26,409,906	\$ 946,018	3.7%	\$ 26,778,171	\$ 368,265	1.4%
Expenses							
Personnel Expenses							
Salaries	\$ 15,157,961	\$ 15,472,700	\$ 314,739	2.1%	\$ 15,936,881	\$ 464,181	3.0%
Payroll Taxes	1,057,723	1,089,455	31,732	3.0%	1,122,138	32,684	3.0%
Benefits	1,920,040	1,977,641	57,601	3.0%	2,036,970	59,329	3.0%
Retirement Costs	1,924,856	1,982,602	57,746	3.0%	2,042,080	59,478	3.0%
Total Personnel Expenses	\$ 20,060,580	\$ 20,522,397	\$ 461,817	2.3%	\$ 21,138,069	\$ 615,672	3.0%
Meeting Expenses							
Meetings & Conference Calls	\$ 415,308	\$ 419,461	\$ 4,153	1.0%	\$ 423,656	\$ 4,195	1.0%
Travel	985,632	995,488	9,856	1.0%	1,005,443	9,955	1.0%
Total Meeting Expenses	\$ 1,400,940	\$ 1,414,949	\$ 14,009	1.0%	\$ 1,429,099	\$ 14,149	1.0%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 1,764,136	1,764,136	\$ -	0.0%	1,681,777	\$ (82,359)	(4.7%)
Office Rent	823,200	828,200	5,000	0.6%	833,200	5,000	0.6%
Office Costs	1,068,823	1,068,823	-	0.0%	1,079,511	10,688	1.0%
Professional Services	511,400	511,400	-	0.0%	516,514	5,114	1.0%
Miscellaneous	-	-	-		-	-	
Total Operating Expenses	\$ 4,167,559	\$ 4,172,559	\$ 5,000	0.1%	\$ 4,111,003	\$ (61,556)	(1.5%)
Total Direct Expenses	\$ 25,629,079	\$ 26,109,906	\$ 480,827	1.9%	\$ 26,678,171	\$ 568,265	2.2%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 25,629,079	\$ 26,109,906	\$ 480,827	1.9%	\$ 26,678,171	\$ 568,265	2.2%
Change in Assets	\$ (165,191)	\$ 300,000	\$ 465,191	(281.6%)	\$ 100,000	\$ (200,000)	(66.7%)
Fixed Assets							
Computer & Software CapEx	200,000	300,000	100,000	50.0%	100,000	(200,000)	(66.7%)
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	-	-		-	-	
Allocation of Fixed Assets	-	-	-		-	-	
Incr(Dec) in Fixed Assets (C)	\$ 200,000	\$ 300,000	\$ 100,000	50.0%	\$ 100,000	\$ (200,000)	(66.7%)
TOTAL BUDGET (B+C)	\$ 25,829,079	\$ 26,409,906	\$ 580,827	2.2%	\$ 26,778,171	\$ 368,265	1.4%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (365,191)	\$ -	\$ 365,191	(100.0%)	\$ -	\$ -	
FTEs	100.0	100.0	-	0.0%	100.0	-	0.0%

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Table B-13. Budget 2021 Compared with 2022-2023 Projections

Section C – Non-Statutory Activities

2018 Business Plan and Budget



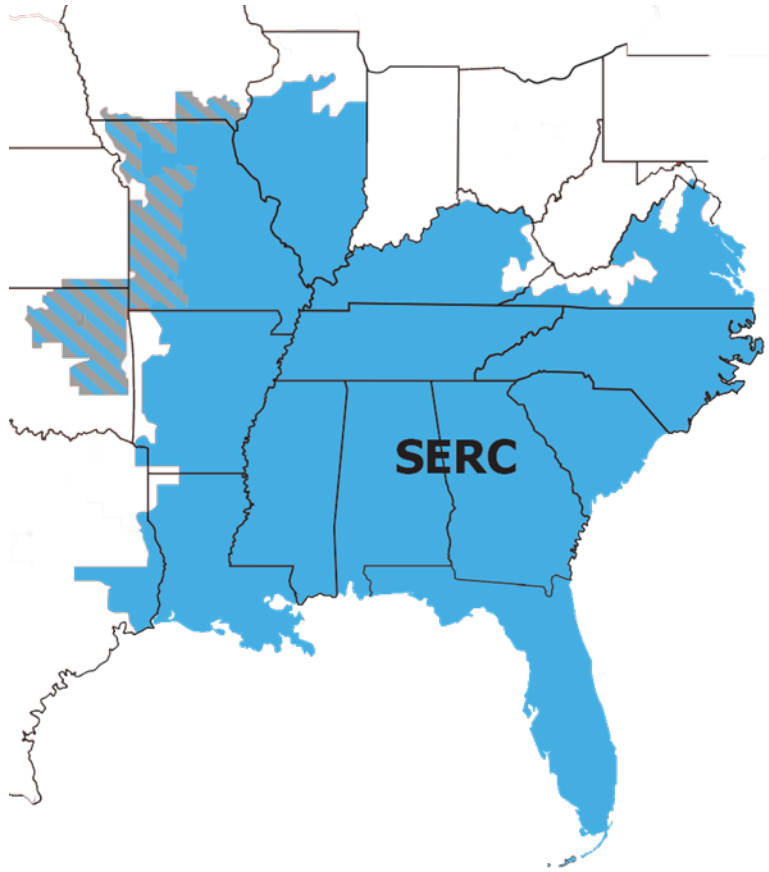
Section C – Non-Statutory Activities

2021 Non-Statutory Business Plan and Budget

SERC does not provide any non-statutory functions at this time. However, 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

2021 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2021 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
Funding										
Statutory Funding										
SERC Assessments	\$ 23,513,887	\$ 23,513,887	\$ -	\$ 23,513,887	\$ 206,730	\$ 17,442,549	\$ 2,445,873	\$ 2,511,468	\$ 907,267	\$ -
Penalties Released	1,745,000	1,745,000	-	1,745,000	12,945	1,298,394	163,108	205,827	64,726	-
Total Statutory Funding	\$ 25,258,887	\$ 25,258,887	\$ -	\$ 25,258,887	\$ 219,675	\$ 18,740,943	\$ 2,608,981	\$ 2,717,295	\$ 971,993	\$ -
Non-statutory Funding										
Workshops & Miscellaneous	175,000	175,000	-	175,000	200	32,090	2,524	139,185	1,001	-
Interest	30,001	30,001	-	30,001	223	22,322	2,804	3,539	1,113	-
Total Funding (A)	\$ 25,463,888	\$ 25,463,888	\$ -	\$ 25,463,888	\$ 220,098	\$ 18,795,355	\$ 2,614,309	\$ 2,860,019	\$ 974,107	\$ -
Expenses										
Personnel Expenses										
Salaries	\$ 15,157,961	\$ 15,157,961	\$ -	\$ 15,157,961	\$ 96,823	\$ 7,474,586	\$ 929,064	\$ 914,536	\$ 391,291	\$ 5,351,661
Payroll Taxes	1,057,723	1,057,723	-	1,057,723	6,778	523,221	65,035	64,211	27,390	371,088
Benefits	1,920,040	1,920,040	-	1,920,040	9,243	812,343	106,764	111,815	44,216	835,659
Retirement Costs	1,924,856	1,924,856	-	1,924,856	12,190	942,920	117,183	115,340	49,346	687,877
Total Personnel Expenses	\$ 20,060,580	\$ 20,060,580	\$ -	\$ 20,060,580	\$ 125,034	\$ 9,753,070	\$ 1,218,046	\$ 1,205,902	\$ 512,243	\$ 7,246,285
Meeting Expenses										
Meetings & Conference Calls	\$ 415,308	\$ 415,308	\$ -	\$ 415,308	\$ 1,110	\$ 18,500	\$ 60,000	\$ 113,094	\$ 1,500	\$ 221,104
Travel	985,632	985,632	-	985,632	9,540	501,485	85,080	96,492	37,000	256,035
Total Meeting Expenses	\$ 1,400,940	\$ 1,400,940	\$ -	\$ 1,400,940	\$ 10,650	\$ 519,985	\$ 145,080	\$ 209,586	\$ 38,500	\$ 477,139
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 1,764,136	\$ 1,764,136	\$ -	\$ 1,764,136	\$ -	\$ -	\$ 170,000	\$ 94,345	\$ -	\$ 1,499,791
Office Rent	823,200	823,200	-	823,200	-	-	-	-	-	823,200
Office Costs	1,068,823	1,068,823	-	1,068,823	200	28,530	17,800	2,002	479	1,019,812
Professional Services	511,400	511,400	-	511,400	-	-	-	-	-	511,400
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 4,167,559	\$ 4,167,559	\$ -	\$ 4,167,559	\$ 200	\$ 28,530	\$ 187,800	\$ 96,347	\$ 479	\$ 3,854,203
Total Direct Expenses	\$ 25,629,079	\$ 25,629,079	\$ -	\$ 25,629,079	\$ 135,884	\$ 10,301,585	\$ 1,550,926	\$ 1,511,835	\$ 551,222	\$ 11,577,627
Indirect Expenses	\$ -	\$ (0)	\$ -	\$ (0)	\$ 85,887	\$ 8,614,510	\$ 1,082,182	\$ 1,365,610	\$ 429,437	\$ (11,577,627)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 25,629,079	\$ 25,629,079	\$ -	\$ 25,629,079	\$ 221,771	\$ 18,916,095	\$ 2,633,108	\$ 2,877,445	\$ 980,659	\$ -
Change in Assets	\$ (165,191)	\$ (165,191)	\$ -	\$ (165,191)	\$ (1,673)	\$ (120,740)	\$ (18,799)	\$ (17,426)	\$ (6,552)	\$ -
Capital Expenditures										
Depreciation	\$ 200,000	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	1,484	148,813	18,694	23,591	7,418	(200,000)
Fixed Assets, excluding Right of Use Assets (C)	\$ 200,000	\$ 200,000	\$ -	\$ 200,000	\$ 1,484	\$ 148,813	\$ 18,694	\$ 23,591	\$ 7,418	\$ -
TOTAL BUDGET (B+C)	\$ 25,829,079	\$ 25,829,079	\$ -	\$ 25,829,079	\$ 223,255	\$ 19,064,908	\$ 2,651,802	\$ 2,901,036	\$ 988,077	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (365,191)	\$ (365,191)	\$ -	\$ (365,191)	\$ (3,157)	\$ (269,553)	\$ (37,493)	\$ (41,017)	\$ (13,970)	\$ -
FTEs	100.0	100.0	-	100.0	0.5	50.2	6.3	8.0	2.5	32.6

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:

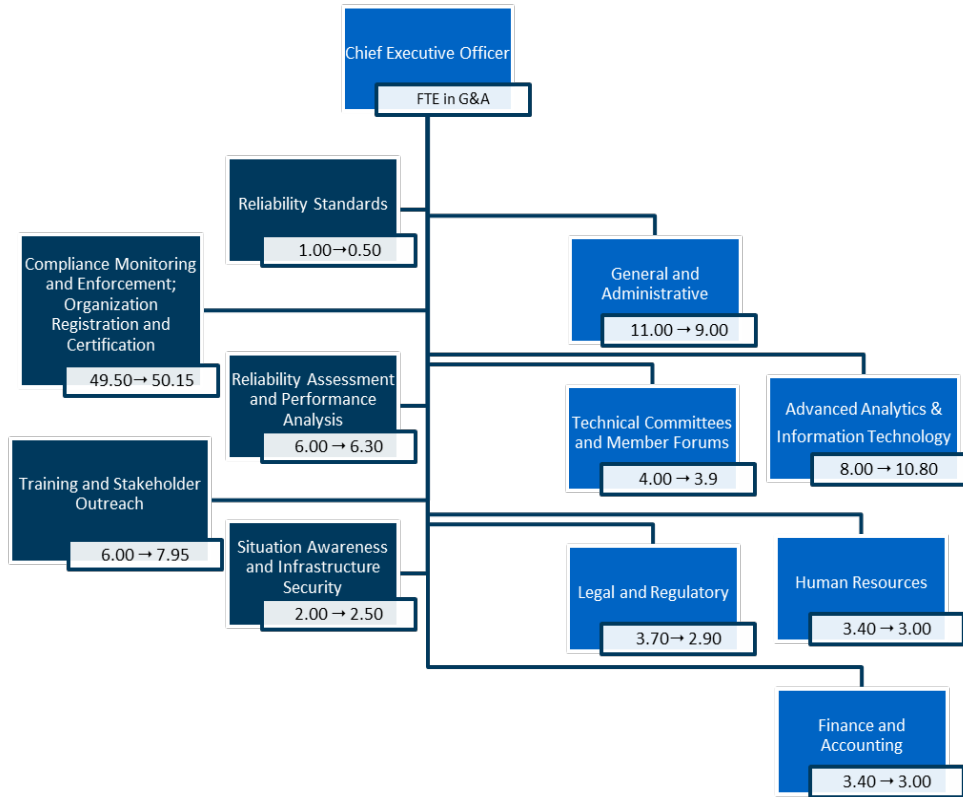
- December 31, 2019, per audit
- December 31, 2020, projected
- December 31, 2021, as budgeted

Statement of Financial Position			
2019 Audited, 2020 Projection, and 2021 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-19	31-Dec-20	31-Dec-21
ASSETS			
Cash and cash equivalents	\$ 4,654,100	\$ 7,261,669	\$ 8,396,477
Investments	7,474,128	5,474,128	4,474,128
Accounts receivable, net	-	-	-
Prepaid expenses and other assets	247,867	140,000	140,000
Property and equipment, net	2,091,183	1,921,183	1,621,183
Total Assets	\$ 14,467,278	\$ 14,796,980	\$ 14,631,788
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 2,669	\$ 40,000	\$ 40,000
Accrued expenses	4,016,580	4,000,000	4,000,000
Deferred revenue	27,830	30,000	30,000
Other liabilities	828,488	778,488	728,488
Total Liabilities	\$ 4,875,567	\$ 4,848,488	\$ 4,798,488
Unrestricted net assets	9,591,711	9,948,492	9,833,300
Total Liabilities and Net Assets	\$ 14,467,278	\$ 14,796,980	\$ 14,631,788

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

Appendix A Organization Chart

The SERC Organization chart shown here compares 2020 and 2021 SERC personnel counts.



2020 FTE: 98.00
2021 FTE: 100.00

- Statutory Program Area
- Corporate Services Program Area

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
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
SAIS	Situation Awareness and Infrastructure Security
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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