

2016 Business Plan and Budget

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Services

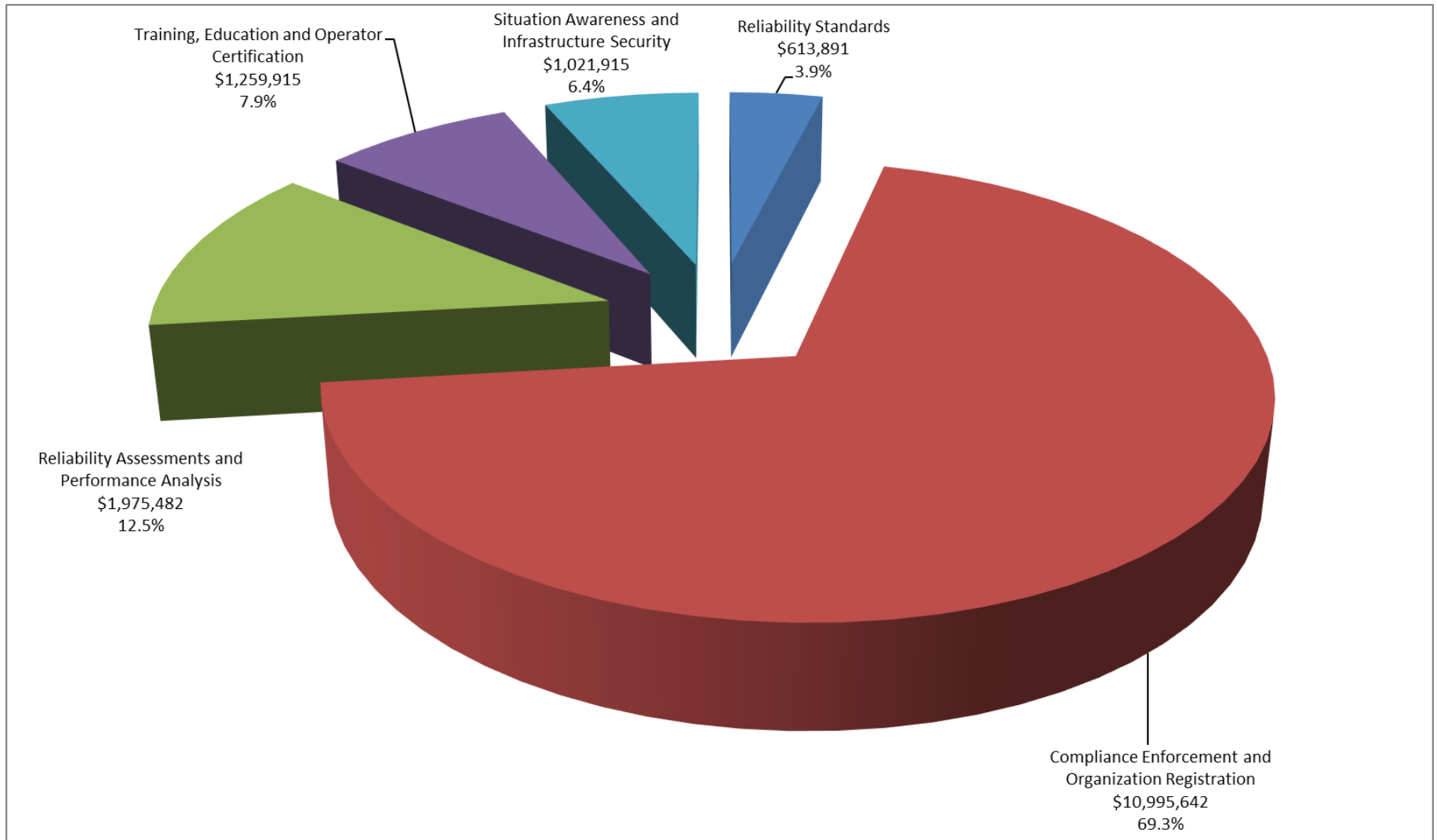
2016 Budget Overview

- Assessments held flat (decrease of 0.0 percent or \$48)
- Operating expenses decreased 0.8 percent
- Staffing
 - Reduction of 0.58 full time equivalents (FTEs) compared to 2015 budget (headcount remaining flat)
 - Budgeted pay increase – 3 percent
 - Vacancy rate applied to total personnel expenses – 10 percent

Other Key Factors or Assumptions

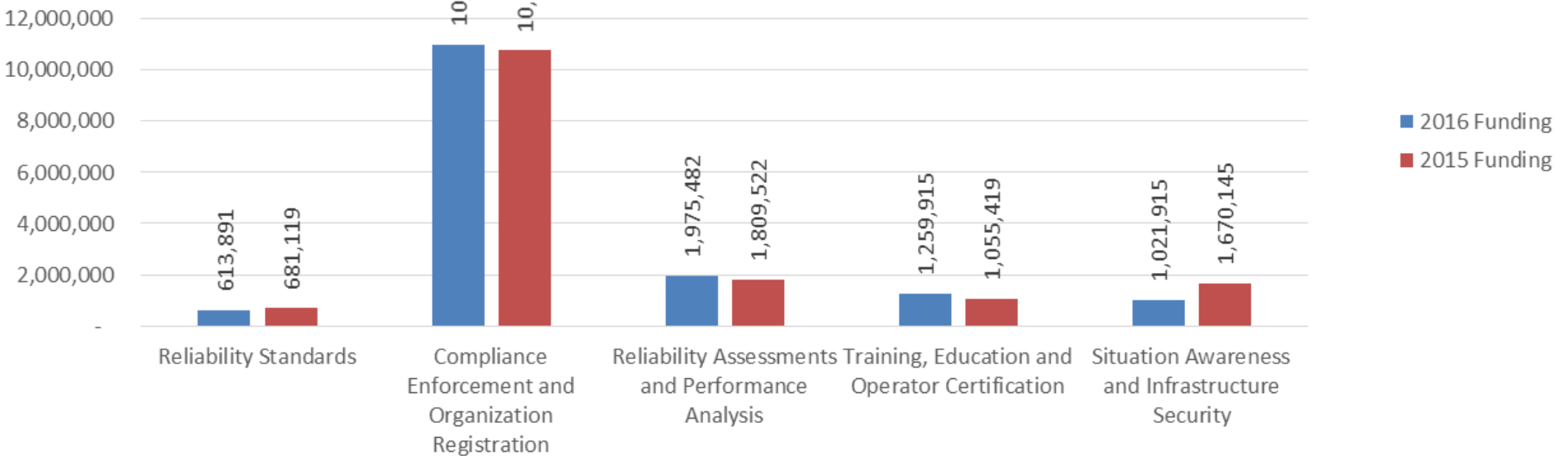
- Cross Regional Monitoring – budgeted \$150,000
 - Planned Operations and Planning and Critical Infrastructure and Protection audits of Florida Reliability Coordinating Council (FRCC) and Southwest Power Pool (SPP)
 - No anticipated enforcement activities
 - SERC will continue to perform all necessary duties related to compliance monitoring
- Meeting Expenses
 - Scheduling most meetings in-house or at Members' facilities, substantially reducing the hotel hosting costs and staff travel requirements

2016 Final Budget



Program Comparison

Comparison of 2016 to 2015 Base Operating Budget



	2015	2016	Variance	Comments
	Budget	Budget	Over(Under)	
Funding				
NERC Assessments	\$ 13,731,034	\$ 13,730,986	\$ (48)	
Penalty Sanctions	1,787,000	648,500	(1,138,500)	
Workshops	259,355	210,075	(49,280)	In-house meetings, reduced fees charged
Interest	1,000	1,000	-	
Miscellaneous	294,000	444,000	150,000	Cross regional monitoring costs increased
Total Funding	\$ 16,072,389	\$ 15,034,561	\$ (1,037,828)	
Expenses				
Personnel Expenses	\$ 12,565,389	\$ 12,392,934	\$ (172,455)	Change in staffing strategy
Meeting Expenses	906,749	780,431	(126,318)	In-house meetings, reduced costs
Consultants & Contracts	1,177,609	1,497,173	319,564	Change in staffing strategy
Office Rent	464,809	517,917	53,108	
Office Costs	430,551	310,879	(119,672)	One time costs associated with relocation
Professional Services	111,400	155,200	43,800	
Miscellaneous	-	5,000	5,000	
Depreciation	418,070	483,480	65,410	
Total Expenses	\$ 16,074,577	\$ 16,143,014	\$ 68,437	
Inc(Dec) in Fixed Assets	(78,737)	(276,169)	(197,432)	
TOTAL CHANGE IN WORKING CAPITAL	\$ 76,549	\$ (832,284)	\$ (908,833)	

Staffing Changes

Program	2015 Budget	Change	2016 Budget
Reliability Standards	2.61	(0.63)	1.98
Compliance	37.5	(0.58)	36.92
Reliability Assessments	5.9	0.70	6.60
Training	2.61	(0.38)	2.23
Situation Awareness/Events Analysis	5.95	(2.55)	3.40
Technical Committees	5.13	0.86	5.99
General & Administrative	<u>19.0</u>	<u>2.00</u>	<u>21.0</u>
Total	<u>78.7</u>	<u>(0.58)</u>	<u>78.12</u>

- Reclassifications/repurposing of FTEs
- Supplement resources through use of contractors
- SERC anticipates performing all delegated functions by using FTEs and contractors.

Process Improvements

- Utilize consistent audit practices and focus on higher target reliability risks to increase efficiency of compliance monitoring and mitigate overall compliance costs.
- Implementation of inherent risk assessments.
- Continue to work with others to identify best practices that may result in or contributed to reliability improvements within the Bulk Electric System.
- Continue to invest in technology and innovation to allow efficient collaboration.
 - No redundant investments with Enterprise IT investment NERC is making on behalf of ERO Enterprise

2017-2018 Projections

- No changes in personnel
- 1-5 percent escalation rate applied to expense categories
- Total budget increase of \$15,000 in 2017
- Total budget increase of \$284,000 in 2018
- Assessments increase under 5 percent
 - Zero penalties budgeted – penalty collections will impact assessments and working capital reserves

Alignment of Regional Entity and ERO

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

Efficiency and Controlling Costs

- Vacancy rate applied to personnel costs
- SERC's new office location has a large meeting space
 - Most meetings will be scheduled in-house or at Members' facilities, substantially reducing the hotel hosting costs
 - Continue use of WebEx
- Reduced 2016 budget based on historical actuals and 2015 projection

Working Capital and Operating Reserve

- Operating Reserve policy: equal to up to 10 percent of its budgeted annual statutory operating costs.
 - Current budgeted operating reserve – \$2.456 million
 - 10 percent operating reserve - \$1.6 million;
 - Temporary increase to reserve approximately \$856,000.
- Line of credit available to be used as a supplement to, and in conjunction with, the working capital.
- 2015 excess operating reserves over and above 2015 budgeted levels applied as a reduction to 2016 Assessment.

Questions?