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SERC Reliability Corporation

2017 Business Plan and Budget

FINAL
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Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2017.

	TOTAL RESOURCES (in whole dollars)			
	2017 Budget	U.S.	Canada	Mexico
Statutory FTEs	75.00			
Non-statutory FTEs**	-			
Total FTEs	75.00			
Statutory Expenses	\$ 17,474,285			
Non-Statutory Expenses**	\$ -			
Total Expenses	\$ 17,474,285			
Statutory Inc(Dec) in Fixed Assets	\$ 8,118			
Non-Statutory Inc(Dec) in Fixed Assets**	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 8,118			
Statutory Working Capital Requirement*	\$ (1,020,855)			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ (1,020,855)			
Total Statutory Funding Requirement	\$ 16,461,548			
Total Non-Statutory Funding Requirement**	\$ -			
Total Funding Requirement	\$ 16,461,548			
Statutory Funding Assessments	\$ 15,706,023	\$ 15,706,023	\$ -	\$ -
Non-Statutory Fees**	\$ -	\$ -	\$ -	\$ -
NEL	1,025,559,971	1,025,559,971	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

Table 1. SERC Budget for 2017

Organizational Overview

SERC is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power system (BPS) in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles. Electric systems in the Region serve approximately 25.7 percent of the net energy for load (NEL) in North America and 30.9 percent of the NEL in the Eastern Interconnection.

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

- Section 215 of the *Federal Power Act*, Chapter I, Title 18, *Code of Federal Regulations*, Part 39
- Other Federal Energy Regulatory Commission (FERC) regulations and directives
- *NERC Rules of Procedure*

SERC, originally called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the Southeast. Throughout its history, SERC has successfully promoted the reliability of the BPS

using an industry Electric Reliability Organization (ERO) model that relies on reciprocity, peer influence, and the mutual reliability focus of BPS owners, operators, and users to ensure that the system remains reliable and secure.

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005, to position SERC to become a Regional Entity with an appropriate stakeholder governance structure. In April 2006, SERC changed its name to SERC Reliability Corporation. Effective January 1, 2015, SERC incorporated in the state of North Carolina.

SERC has a 2017 targeted staffing level of 75.00 Full-Time Equivalent (FTEs) (2017 total headcount of 78.00) composed of power industry professionals and support personnel.

Membership and Governance

As part of its delegated duties, SERC monitors 192 registered entities in the SERC Region for compliance with the NERC Reliability Standards. Membership in SERC is voluntary and free. SERC's member companies participate in the technical activities and governance of the organization. SERC currently has 54 member companies.

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

- Board Compliance Committee (BCC): Oversees the program that monitors and enforces compliance of registered entities in the Region to FERC-approved Reliability Standards.
- Human Resources and Compensation Committee (HRCC): Advises the President, Board officers, and the Board about employee compensation and human resources.
- Finance and Audit Committee (FAC): Advises the President, Board officers and Board about the organization's finances and internal controls.
- Nominating Committee: Responsible for identifying, vetting, and recommending candidates for Board Officer and committee positions, as needed.

Statutory Functional Scope

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

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

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

2017 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual *Business Plan and Budget* process. The *2017 – 2019 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's *2017 Business Plan and Budget*.

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

2017 Goals and Key Deliverables

1. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - A. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - B. Enforce compliance of registered entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent reviews.
 - C. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent recurrence.
2. Promote a culture of compliance that addresses reliability risks across the SERC Region and the ERO.
 - A. Ensure that the industry understands the essential purpose of Standards and Compliance expectations.
 - B. Work with the industry to maintain effective risk control programs for Compliance, reliability, and security.
 - C. Use efficient processes and proportional exercise of discretion to verify that the industry meets Compliance objectives.
3. Identify the most significant risks to reliability in the SERC Region.
 - A. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
 - B. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform Standards, Compliance, and other programs.
 - C. Ensure that the industry is well-informed of emerging trends, risk analysis, Lessons Learned, and expected actions.
4. Mitigate reliability risks.
 - A. Ensure that the industry understands security threats and addresses them effectively.
 - B. Facilitate information sharing among industry, Regions, ERO, and government.
 - C. Work with ERO to track industry accountability for critical reliability and security recommendations.
5. Promote a culture of reliability excellence.
 - A. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among registered entities.
 - B. Serve as a leading resource to industry and policy makers to supply reliability information.
6. Improve transparency, consistency, quality, and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - A. Identify, understand, and manage internal risks.
 - B. Ensure processes are effective, efficient, and continually improving.

2017 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$15,866,845 to \$17,482,403 in 2017, an increase of \$1,615,558 or 10.2 percent. The proposed 2017 assessment of \$15,706,023 is an increase of 14.4 percent from the 2016 assessment of \$13,730,986. SERC believes that in 2017 it will continue to realize material efficiencies that will allow the Region to remain an efficient provider of statutory functions, as SERC will continue to be one of the lowest-cost Regional Entities on the basis of cost per NEL. SERC's culture promotes consistent delivery of excellent results at a cost that respects the longstanding tradition of affordable and reliable electricity across SERC's geography.

SERC has applied its penalty funds as an offset to assessments.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the *2017 Business Plan and Budget* (dollars are stated as an increase in the 2017 budget compared to the 2016 budget). SERC will continue to perform Cross-Regional Compliance Monitoring and Enforcement for other Regions, if requested. The Regional Entity that contracts with SERC for its services will pay the costs in accordance with the contract. \$71,000 is included in the *2017 Business Plan and Budget* under Other Funding and various expense accounts for the performance of these services. Additionally, the costs associated with the Regional Entity Coordinator position will be shared equally with the other Regional Entities and included in Contracts and Consultant Expense in each of the Regional Entity's respective budgets, \$42,500 each, and the related offset of \$297,500 is included in SERC's Miscellaneous Income.

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

- **Staff changes proposed in 2017** – The targeted staffing level for 2017 is 75.00 FTEs, a decrease of 3.12 FTEs (a decrease of 1.70 in headcount) as compared to the 2016 budget, due to staggering the hire dates for four FTEs, one FTE becoming full-time, and change in personnel strategy to use consultants in lieu of FTEs for Information Technology (IT) and Facilities. In 2016, SERC budgeted for three early in career engineering positions to assist in information transfer and succession planning. SERC has continued to fund these early in career positions.
- **Cost increase for maintaining staff budgeted in 2017** – The net increase in Personnel costs of \$815,566 compared to 2016 reflects a budgeted average increase in salary of 3 percent for existing staff, an increase in personnel costs for vacant executive-level positions, and an overall increase in employee benefit costs. As an offset, a 6 percent vacancy rate has been applied to all Personnel Expenses.

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

- **Meetings and Travel** – An increase of \$18,347 and \$46,511 or 7.4 percent and 9.5 percent, respectively, is due to an increase in the total number of meetings and an effort to bring remote staff to the SERC office more frequently. SERC continues the effort to have most meetings in SERC's office or member facilities.
- **Consultants and Contracts** – An increase of \$623,008 or 41.6 percent is primarily due to the change in staffing strategy of using consultants in lieu of FTEs. Additionally, SERC will be performing the Under Frequency Load Shedding study, which is performed every five years, and the Dynamic Reduction Study and a compensation and benefit study, both of which are performed every two years.
- **Office Rent** – An increase of \$73,066 or 14.1 percent is due to the additional space acquired. SERC continues to record rent on a straight-line basis, per Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet.

- **Office Costs** – A decrease of \$28,868 or 9.3 percent is primarily due to a decrease in telephone and Internet costs for the SERC office.
- **Professional Fees** – An increase of \$20,539 or 13.2 percent is primarily due to increases in corporate insurance for the addition of a cyber policy; in accounting and auditing fees for additional software maintenance; and corporate training.
- **Depreciation** – A decrease of \$248,598 or 51.4 percent is due to an increase in the capital assets that are fully depreciated.

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

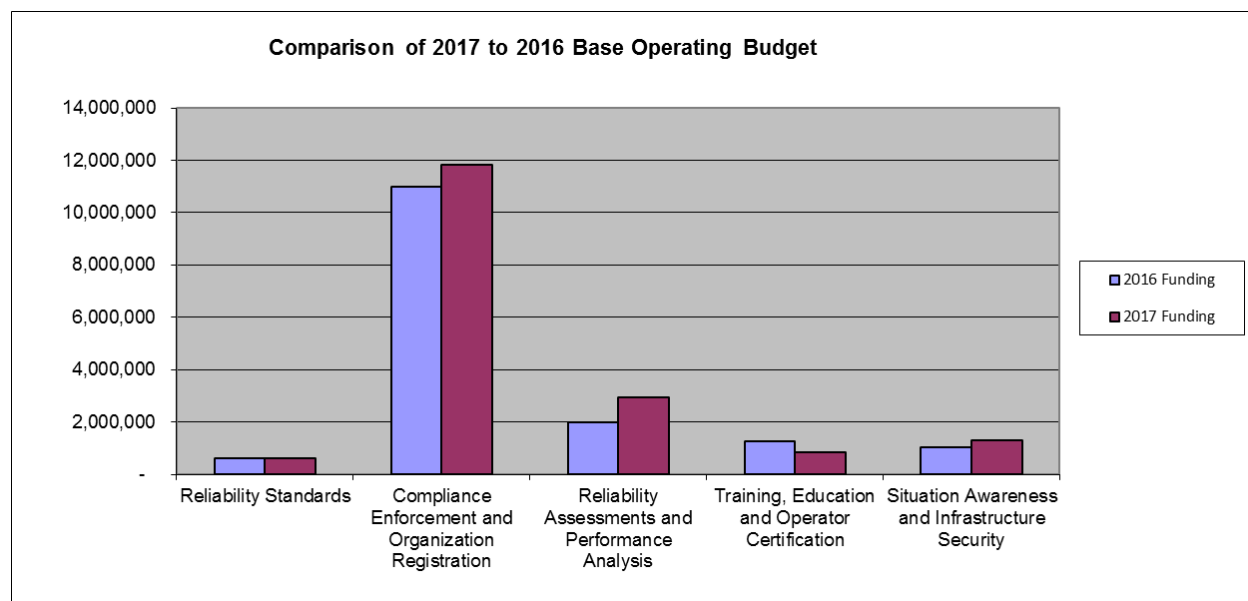
Summary by Program

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

Base Operating Budget	Budget	Projection	Budget	Change	
	2016	2016	2017	2017 Budget v 2016 Budget	% Change
Reliability Standards	613,891	648,459	614,004	113	0.0%
Compliance Enforcement and Organization Registration	10,995,642	12,092,038	11,816,885	821,243	7.5%
Reliability Assessments and Performance Analysis	1,975,482	1,929,190	2,927,001	951,519	48.2%
Training, Education and Operator Certification	1,259,915	503,123	838,985	(420,930)	-33.4%
Situation Awareness and Infrastructure Security	1,021,915	1,343,274	1,285,528	263,613	25.8%
Total	15,866,845	16,516,084	17,482,403	1,615,558	10.2%
Working Capital Reserve	(832,284)	(1,546,244)	(1,020,855)	(188,571)	
Total Funding	15,034,561	14,969,840	16,461,548	1,426,987	9.5%

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

Table 2. Budget by Program Area



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

Figure 1. Budget by Program Area Chart

Reliability Standards – The \$113 increase in total funding, from \$613,891 in 2016 to \$614,004 budgeted in 2017, is due to a reduction of 0.28 FTEs as described in the Resource Requirements section of the program areas budget. This decrease is offset by the overall 6 percent vacancy rate that has been applied to personnel costs, based on historical data. This is a reduction from the vacancy rate applied in the 2016 budget, causing an increase.

Compliance Enforcement and Organization Registration – The 7.5 percent increase in total funding, from \$10,995,642 budgeted in 2016 to \$11,816,885 budgeted in 2017, results from an increase in indirect expenses being allocated to the Compliance Enforcement and Organization Registration program. This increase is due to the increase of total costs in Administrative Services. Additionally, a 6 percent vacancy rate has been applied to personnel costs, based on

historical data. This is a reduction from the vacancy rate applied in the 2016 budget, causing an increase. As an offsetting decrease, FTEs were reduced by 2.61 as described in the Resource Requirements section of the program areas budget.

Reliability Assessments and Performance Analysis – The 48.2 percent increase in total funding, from \$1,975,482 in 2016 to \$2,927,001 budgeted in 2017, is due to the increase of 1.52 FTEs as described in the Resource Requirements section of the program area budget. A 6 percent vacancy rate has been applied to personnel costs, based on historical data. This is a reduction from the vacancy rate applied in the 2016 budget, causing an additional increase. Additionally, an increase in indirect expenses being allocated to the Reliability Assessments and Performance Analysis program is due to the increase of FTEs in the Reliability Assessments and Performance Analysis program and the total costs in Administrative Services. Consultants and contracts also increased due to the Under Frequency Load Shedding study, which is performed every five years, and the Dynamic Reduction Study, which is performed every two years.

Training, Education and Operator Certification – The 33.4 percent decrease in total funding, from \$1,259,915 budgeted in 2016 to \$838,985 budgeted in 2017, is primarily due to a decrease in consultants due to one-time costs budgeted in 2016 to expand the Restoration Drill to include more simulation exercises; for system simulator development for the SERC system; and for contractor support to develop training materials, a qualification program, and to implement a systematic approach to training. Additionally, FTEs were reduced by 0.53 as described in the Resource Requirements section of the program areas budget. This decrease is offset by the overall 6 percent vacancy rate that has been applied to personnel costs, based on historical data. This is a reduction from the vacancy rate applied in the 2016 budget, causing an increase.

Situation Awareness and Infrastructure Security – The 25.8 percent increase in total funding, from \$1,021,915 budgeted in 2016 to \$1,285,528 budgeted in 2017, is due to the increase of 0.47 FTEs as described in the Resource Requirements section of the program area budget. A 6 percent vacancy rate has been applied to personnel costs, based on historical data. This is a reduction from the vacancy rate applied in the 2016 budget, causing an increase. The increase in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the increase of FTEs and the increase of total costs in Administrative Services.

The following table displays total FTEs by program area.

Total FTE's by Program Area	Budget 2016	Projection 2016	Direct FTEs 2017 Budget	Shared FTEs ¹ 2017 Budget	Total FTEs 2017 Budget	Change from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.98	1.61	1.70	-	1.70	(0.28)
Compliance Monitoring and Enforcement and Organization Registration and Certification	36.92	31.57	34.31	-	34.31	(2.61)
Reliability Assessment and Performance Analysis	6.60	5.11	8.12	-	8.12	1.52
Training and Education	2.23	0.61	1.70	-	1.70	(0.53)
Situation Awareness and Infrastructure Security	3.40	3.74	3.87	-	3.87	0.47
Total FTEs Operational Programs	51.13	42.64	49.70	-	49.70	(1.43)
Administrative Programs						
Technical Committees and Member Forums	5.99	4.61	4.70	-	4.70	(1.29)
General & Administrative	13.00	12.19	13.25	-	13.25	0.25
Legal and Regulatory	3.00	2.18	2.55	-	2.55	(0.45)
Information Technology	-	-	-	-	-	-
Human Resources	2.20	1.90	1.90	-	1.90	(0.30)
Finance and Accounting	2.80	2.90	2.90	-	2.90	0.10
Total FTEs Administrative Programs	26.99	23.78	25.30	-	25.30	(1.69)
Total FTEs	78.12	66.42	75.00	-	75.00	(3.12)

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

Table 3. Total FTEs by Program Area

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

2016 Budget and Projection and 2017 Budget Comparisons

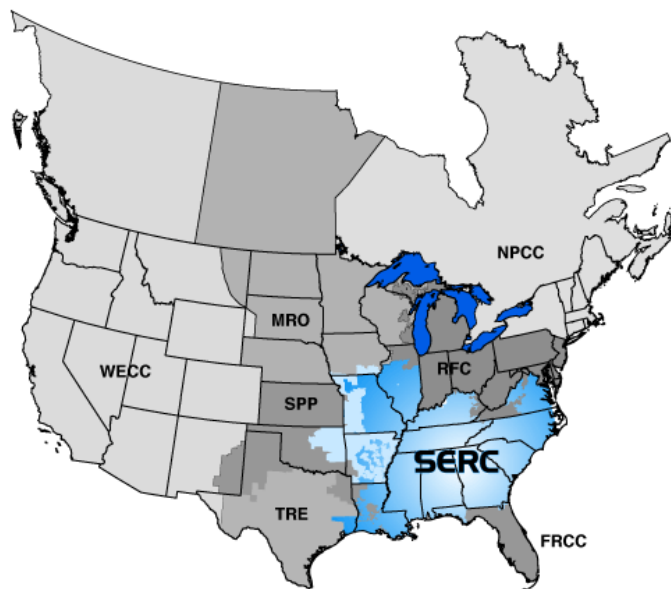
The following table lists the 2016 budget and projection compared to the 2017 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
STATUTORY					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,730,986	\$ 13,730,986	\$ -	\$ 15,706,023	\$ 1,975,037
Penalty Sanctions	648,500	648,500	-	195,000	(453,500)
Total NERC Funding	\$ 14,379,486	\$ 14,379,486	\$ -	\$ 15,901,023	\$ 1,521,537
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	210,075	183,090	(26,985)	176,025	(34,050)
Interest	1,000	2,853	1,853	1,000	-
Miscellaneous	444,000	505,204	61,204	383,500	(60,500)
Total Funding (A)	\$ 15,034,561	\$ 15,070,633	\$ 36,072	\$ 16,461,548	\$ 1,426,987
Expenses					
Personnel Expenses					
Salaries	\$ 9,457,718	\$ 9,506,805	\$ 49,087	\$ 10,095,783	\$ 638,065
Payroll Taxes	642,524	703,569	61,045	747,086	104,562
Benefits	993,030	1,020,270	27,240	1,087,450	94,420
Retirement Costs	1,299,662	1,168,163	(131,499)	1,278,181	(21,481)
Total Personnel Expenses	\$ 12,392,934	\$ 12,398,807	\$ 5,873	\$ 13,208,500	\$ 815,566
Meeting Expenses					
Meetings	\$ 247,421	\$ 258,892	\$ 11,471	\$ 265,768	\$ 18,347
Travel	488,466	487,347	(1,119)	534,977	46,511
Conference Calls	44,544	36,315	(8,229)	44,544	-
Total Meeting Expenses	\$ 780,431	\$ 782,554	\$ 2,123	\$ 845,289	\$ 64,858
Operating Expenses					
Consultants & Contracts	\$ 1,497,173	\$ 2,079,307	\$ 582,134	\$ 2,120,181	\$ 623,008
Office Rent	517,917	573,047	55,130	590,983	73,066
Office Costs	310,879	363,093	52,214	282,011	(28,868)
Professional Services	155,200	212,265	57,065	175,739	20,539
Miscellaneous	5,000	19,131	14,131	16,700	11,700
Depreciation	483,480	398,219	(85,261)	234,882	(248,598)
Total Operating Expenses	\$ 2,969,649	\$ 3,645,062	\$ 675,413	\$ 3,420,496	\$ 450,847
Total Direct Expenses	\$ 16,143,014	\$ 16,826,423	\$ 683,409	\$ 17,474,285	\$ 1,331,271
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 16,143,014	\$ 16,826,423	\$ 683,409	\$ 17,474,285	\$ 1,331,271
Change in Assets	\$ (1,108,453)	\$ (1,755,790)	\$ (647,337)	\$ (1,012,737)	\$ 95,716
Fixed Assets					
Depreciation	\$ (483,480)	\$ (398,219)	\$ 85,261	\$ (234,882)	\$ 248,598
Computer & Software CapEx	207,311	55,568	(151,743)	100,000	(107,311)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	143,000	143,000
Leasehold Improvements	-	133,105	133,105	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	(276,169)	(209,546)	66,623	8,118	284,287
TOTAL BUDGET (=B + C)	\$ 15,866,845	\$ 16,616,877	\$ 750,032	\$ 17,482,403	\$ 1,615,558
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (832,284)	\$ (1,546,244)	\$ (713,960)	\$ (1,020,855)	\$ (188,571)
FTEs	78.12	66.42	(11.70)	75.00	(3.12)

Table 4. Budget and Projection Comparison, 2016 to 2017

Section A – Statutory Programs

2017 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

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

Reliability Standards Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	1.98	1.70	(0.28)
Direct Expenses	\$ 354,272	\$ 334,302	\$ (19,970)
Indirect Expenses	\$ 270,314	\$ 279,424	\$ 9,110
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (10,695)	\$ 278	\$ 10,973
Total Funding Requirement	\$ 613,891	\$ 614,004	\$ 113

Table A-1. Reliability Standards Budget

Program Scope and Functional Description

The SERC Reliability Standards program will develop regional Reliability Standards in accordance with the *Delegation Agreement* as well as develop regional criteria. The program will also promote the development and maintenance of NERC Reliability Standards that enable NERC and Regional Entities to measure the reliability performance of BPS owners, operators, and users.

2017 Key Assumptions

SERC's 2017 key assumptions are:

- The volume of NERC Reliability Standard changes is expected to decrease compared with prior years as the standards are expected to reach steady state.
- SERC resources will support ERO initiatives in the areas of:
 - Improvement in the timely and efficient development of clear, reasonable, and technically sound mandatory Reliability Standards.
 - Standards guidance including related training activities.
- Support for ERO activities necessary to incorporate regional standards into continent-wide standards as appropriate as the continent-wide Reliability Standards are reviewed through the Enhanced Periodic Review process.
- SERC regional standards development activity will continue to be limited.
- The ERO goal is to implement a cost-effectiveness analysis or assessment of proposed standards. This goal will require additional stakeholder review and input on developing standards.

2017 Goals and Key Deliverables

SERC's 2017 goals and key deliverables are the following:

- Manage the SERC Regional Reliability Standards and SERC Technical Committee Documents per the approved 2017 Review Work Plan.
- Review and update the SERC Regional Reliability Standards development procedure, as necessary.
- Support the ERO in development of clear, reasonable, and technically sound mandatory Reliability Standards in a timely and efficient manner.

Resource Requirements

Personnel

A decrease of 0.28 FTEs in Reliability Standards consists of the following:

- A decrease of 0.25 FTE. SERC repurposed a technical analyst position into General and Administrative as a business analyst. The previous technical analyst position was allocated to Reliability Standards, Training and Education, Situation Awareness and Infrastructure, and Technical Committees.
- A decrease of 0.03 FTE is due to a realignment of management positions.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

There are no contractor and consultant resource requirements.

Reliability Standards Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
RELIABILITY STANDARDS					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 588,776	\$ 588,776	\$ -	\$ 607,334	\$ 18,558
Penalty Sanctions	25,115	25,115	-	6,670	(18,445)
Total NERC Funding	\$ 613,891	\$ 613,891	\$ -	\$ 614,004	\$ 113
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 613,891	\$ 613,891	\$ -	\$ 614,004	\$ 113
Expenses					
Personnel Expenses					
Salaries	\$ 264,723	\$ 263,466	\$ (1,257)	\$ 255,902	\$ (8,821)
Payroll Taxes	19,590	19,497	(93)	18,937	(653)
Benefits	31,619	27,813	(3,806)	23,841	(7,778)
Retirement Costs	37,277	33,392	(3,885)	33,222	(4,055)
Total Personnel Expenses	\$ 353,209	\$ 344,168	\$ (9,041)	\$ 331,902	\$ (21,307)
Meeting Expenses					
Meetings	\$ -	\$ 125	\$ 125	\$ -	\$ -
Travel	1,063	2,309	1,246	2,400	1,337
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 1,063	\$ 2,434	\$ 1,371	\$ 2,400	\$ 1,337
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 354,272	\$ 346,602	\$ (7,670)	\$ 334,302	\$ (19,970)
Indirect Expenses	\$ 270,314	\$ 309,769	\$ 39,455	\$ 279,424	\$ 9,110
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 624,586	\$ 656,371	\$ 31,785	\$ 613,726	\$ (10,860)
Change in Assets	\$ (10,695)	\$ (42,480)	\$ (31,785)	\$ 278	\$ 10,973
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (10,695)	(7,912)	2,783	278	10,973
Inc(Dec) in Fixed Assets (C)	(10,695)	(7,912)	2,783	278	10,973
TOTAL BUDGET (=B + C)	\$ 613,891	\$ 648,459	\$ 34,568	\$ 614,004	\$ 113
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (34,568)	\$ (34,568)	\$ -	\$ -
FTEs	1.98	1.61	(0.37)	1.70	(0.28)

Table A-2. Reliability Standards Budget Detail

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

The following table lists the budget for the Compliance Monitoring and Enforcement and Organization Registration and Certification program.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	36.92	34.31	(2.61)
Direct Expenses	\$ 6,155,109	\$ 6,171,838	\$ 16,729
Indirect Expenses	\$ 5,039,944	\$ 5,639,443	\$ 599,499
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (199,411)	\$ 5,604	\$ 205,015
Total Funding Requirement	\$ 10,995,642	\$ 11,816,885	\$ 821,243

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

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is implemented by SERC's Compliance and Enforcement personnel, who are independent of stakeholders and registered entities. To accomplish this objective, SERC's Compliance Monitoring and Enforcement and Organization Registration and Certification Program area is further divided into four areas: Compliance Monitoring, Compliance Programs and Services, Entity Assessment and Mitigation, and Enforcement.

Compliance

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

- Compliance Monitoring
 - Conducts Compliance audits, spot checks, and investigations.
 - Personnel serve as subject matter experts for all standards and for implementing the process for Technical Feasibility Exceptions to the Critical Infrastructure Protection (CIP) Standards.
- Compliance Programs and Services
 - Implements and deploys CMEP-related analytics and Compliance Assessments.
- Entity Assessment and Mitigation
 - Conducts Entity Inherent Risk Assessments and Internal Control Evaluations.
 - Staff serves as the single point of contact for all non-Compliance issues discovered and/or self-reported to the Region.
 - Determines the scope of the violation and the actual and potential risk to the BPS reliability.
 - Reviews the registered entity's mitigating activities to ensure that the entity corrects the issue and prevents recurrence.
 - Analyzes self-logging applications and determines eligibility.

- Organization Registration and Certification
 - Registers owners, operators, and users of the BPS for compliance with Reliability Standards.
 - Certifies applicable entities.

Enforcement

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

1. Notify the registered entity of the findings regarding the violation and any applicable penalties or sanctions.
2. Negotiate settlement with the registered entity.
3. Submit the proposed Enforcement action, along with any proposed penalty or sanctions, to NERC for review, approval, and subsequent submittal to FERC.
4. If a registered entity challenges the findings of the violation and/or penalty, the Enforcement staff prosecutes the case before the Board Compliance Committee, which acts as SERC's hearing body.

2017 Key Assumptions

Compliance

- SERC will collaborate with NERC in the development of procedures, IT platforms, and tools.
- SERC will address complaints submitted to the Regions that allege a violation of a Reliability Standard.
- Risk-Based Monitoring activities are expected to increase. SERC has modified its time-based six-year audit cycle to a Risk-Based Compliance Monitoring approach. Based on risk, there will be an increase in audits and spot checks for non-three-year entities. The three-year audit cycle remains unchanged.
- SERC will employ consistent audit practices and focus on higher-target reliability risks to increase the efficiency of Compliance Monitoring and mitigate overall Compliance costs.
- SERC will continue training Compliance staff on risk principles and enhanced audit practices, including credentialing and Risk-Based Compliance Monitoring and Enforcement processes. Training activity will affect staffing needs and costs (e.g., travel, lodging, and labor).
- Staff will obtain and/or maintain professional credentials, such as industry certifications, NERC System Operator Certification, Cyber Security certifications, Professional Engineering licenses, and certified auditor credentials, to ensure that staff skills remain current on industry trends and standards.
- SERC will 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 demonstrate the following:
 - Compliance staff and other personnel, as necessary, understand guidance documents.
 - An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct.
 - An annual assessment process exists to evaluate audit team content and capability needs.

- A training program exists that addresses initial and continuing training for capability and competency development.
- The use of Compliance Monitoring methods other than audits is expected to increase as Risk-Based Compliance Monitoring is implemented. These other methods include spot checks and Guided Self-Certifications.
- Non-CIP violations are expected to remain low as most registered entities have been previously audited, and the standards and Reliability Standards Audit Worksheets (RSAWs) have matured.
 - Dedicated CIP Compliance personnel have been allocated to support registered entities undergoing a CIP audit.
- SERC estimates it will perform nine on-site CIP and Operations and Planning audits. The exact number of off-site audits or spot checks will depend on the results of an entity's Risk Assessment.
- The Technical Feasibility Exception (TFE) processing implementation will continue. This implementation will probably include equipment class-based exceptions, audit sampling, and a simpler process for reporting and reviewing.
- SERC will provide to NERC timely and accurate information about changes in registrations.
- SERC will review the analyses of system events to confirm that all necessary entities are registered, and registered entities initiate corrective actions, as appropriate.
- SERC will collaborate with NERC to determine if a certification review is appropriate or if a new certification is required to accommodate a change in a registered entity's status.
- In certifying registered entities, SERC will collaborate with NERC and implement the NERC-approved certification process to assess a registered entity's capability for performing its registered function(s) and to use the tools NERC provides.
- SERC will document the information obtained during the certification process and make recommendations to NERC regarding certification.
- SERC estimates that it will conduct five certification activities.
- The volume of documents for Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration will increase as registered entities better delineate shared responsibilities and promote efficiency and effectiveness in Compliance. This increase will affect the workload for Registration and Compliance Monitoring within SERC.
- Consideration will be given to reallocating existing staff and/or contract resources, or using available reserves to provide the resource support necessary to support the successful implementation (or transition) of these major activities: Risk-Based Compliance Monitoring and Enforcement and Risk-Based Registration.
- As the Risk-Based Compliance Monitoring and Enforcement program matures, SERC will provide training to ensure that personnel have the necessary skills.
- SERC utilizes resources to design and implement Risk-Based Compliance Monitoring and Enforcement for minimal-risk non-compliance through the Compliance Exception process.

Enforcement

- The rate of incoming Possible Violations may increase slightly in 2017 due to the transition to CIP Version 5.

- Actions to process or dismiss Possible Violations will be timely and transparent to the industry.
- There will be no significant increase in travel for Enforcement staff to process Possible Violations and Mitigation Plans.
- SERC's goal is that no SERC BCC hearings will be held to resolve contested findings of a violation or penalty.

2017 Goals and Key Deliverables

Compliance

- Conduct scheduled Compliance Monitoring activities pursuant to the 2017 Implementation Plan.
 - Compliance Monitoring engagements for 2017 are currently scheduled to include on-site audits, off-site audits, and spot checks. SERC anticipates nine CIP and Operations and Planning on-site audits. At this time, the Inherent Risk Assessments are being done for entities that could fall into the 2017 schedule for off-site audit or spot check engagements.
- Facilitate efficient and collaborative transition to new and revised standards through:
 - Workshops focused on upcoming enforceable standards.
 - Review of registered entities' progress toward compliance with upcoming standards.
- Work with ERO to consolidate to a common set of RSAWs, or successors, for all standards.
- Work with the industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security.
 - Mature Compliance reform through a Risk-Based Compliance Monitoring approach.
 - Mature Risk-Based Compliance Monitoring techniques and principles consistently.
 - Collaborate with the industry regarding best practices to encourage effective internal controls models.
 - Initiate Compliance phase-in learning periods for new standards.
- Monitor each registered entity, by role, for its standards and requirements commensurate with the reliability risk.
- Train Compliance staff on risk principles and implementation of enhanced audit practices, including credentialing for audit team leads and other audit team members, as appropriate, to manage employee development.
- Continue outreach to registered entities for implementation of CIP V5 transition.
- Develop and deliver Lessons Learned from all aspects of the Compliance Monitoring processes and corrective action activities resulting from entity performance.
- Continue implementing the Bulk Electric System (BES) exception process.
- Evaluate the certification program for sufficiency and effectiveness. Modify the program, as needed.
- Develop the Implementation Plan.
- Deploy the plan for registration commensurate with risk to the BPS.

- Work with the ERO to develop common and consistent registration processes, information systems, and methods among Regions.
- Ensure that all key registered entities are certified to have essential capabilities.
- Develop and implement the Compliance Monitoring and Enforcement reform through risk-based techniques, including the following:
 - Focus on serious risk violations to improve the effectiveness of SERC operations.
 - Reduce unnecessary costs of compliance on registered entities, while ensuring that reliability objectives are achieved.
- Review and accept Mitigation Plans that contain effective corrective actions.
- Ensure timely mitigation of all violations to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS. Timely mitigation will cause the aging curve to trend positively.
- Develop mature violation processing management tools and training based on the risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
- Identify trends in violations and their causes.
- Provide Lessons Learned and outreach to registered entities, including CIP V5 implementation training.

Enforcement

- Manage all Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities.
- Hold the industry accountable for violations that create a serious risk to the BPS. Ensure resulting actions are timely and transparent to the industry, including appropriate use of Compliance Exceptions, Find, Fix, and Track (FFT), Spreadsheet Notice of Penalty (SNOP), and Full Notice of Penalty (NOP). To achieve this, SERC will do the following:
 - Increase the percentage of self-identified non-compliances (Self Reports and Self Certifications).
 - Decrease the Caseload Index and violation aging.
 - Allocate a higher percentage of lower and moderate risk violations to the BPS to be processed through Compliance Exceptions, FFT, or SNOP.
 - Expand the use of Compliance Exceptions.

Resource Requirements

Personnel

A decrease of 2.61 FTEs in Compliance consists of the following:

- A net increase of 0.9 FTE. SERC reallocated existing positions previously recorded in Legal and Regulatory into Compliance for additional Enforcement support.
- A net decrease of 0.42 FTE. SERC reclassified existing positions previously recorded in Compliance into Situation Awareness due to the organizational realignment of a managerial position and an engineer to better align actual work performed.
- A decrease of 0.17 FTE. SERC reallocated an existing position previously recorded in Compliance into Reliability Assessment and Performance Analysis due to the organizational realignment of a managerial position.

- A net decrease of 1.92 FTEs related to staggering entry dates.
- A decrease of 1.0 FTE due to the elimination of an engineer position.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

The 2017 budget includes contractor support in lieu of FTEs to supplement the Audit and Enforcement programs.

Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,377,385	\$ 10,377,385	\$ -	\$ 11,611,268	\$ 1,233,883
Penalty Sanctions	468,257	468,257	-	134,617	(333,640)
Total NERC Funding	\$ 10,845,642	\$ 10,845,642	\$ -	\$ 11,745,885	\$ 900,243
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	150,000	197,718	47,718	71,000	(79,000)
Total Funding (A)	\$ 10,995,642	\$ 11,043,360	\$ 47,718	\$ 11,816,885	\$ 821,243
Expenses					
Personnel Expenses					
Salaries	\$ 4,396,706	\$ 4,279,867	\$ (116,839)	\$ 4,334,934	\$ (61,772)
Payroll Taxes	307,769	316,712	8,943	320,783	13,014
Benefits	471,441	497,536	26,095	526,268	54,827
Retirement Costs	604,302	551,046	(53,256)	564,671	(39,631)
Total Personnel Expenses	\$ 5,780,218	\$ 5,645,161	\$ (135,057)	\$ 5,746,656	\$ (33,562)
Meeting Expenses					
Meetings	\$ 23,140	\$ 27,677	\$ 4,537	\$ 13,500	\$ (9,640)
Travel	271,550	320,269	48,719	309,282	37,732
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 294,690	\$ 347,946	\$ 53,256	\$ 322,782	\$ 28,092
Operating Expenses					
Consultants & Contracts	\$ 54,543	\$ 165,322	\$ 110,779	\$ 83,000	\$ 28,457
Office Rent	-	-	-	-	-
Office Costs	15,658	14,588	(1,070)	19,400	3,742
Professional Services	10,000	-	(10,000)	-	(10,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 80,201	\$ 179,910	\$ 99,709	\$ 102,400	\$ 22,199
Total Direct Expenses	\$ 6,155,109	\$ 6,173,017	\$ 17,908	\$ 6,171,838	\$ 16,729
Indirect Expenses	\$ 5,039,944	\$ 6,074,165	\$ 1,034,221	\$ 5,639,443	\$ 599,499
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,195,053	\$ 12,247,182	\$ 1,052,129	\$ 11,811,281	\$ 616,228
Change in Assets	\$ (199,411)	\$ (1,203,822)	\$ (1,004,411)	\$ 5,604	\$ 205,015
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(199,411)	(155,144)	44,267	5,604	205,015
Inc(Dec) in Fixed Assets (C)	\$ (199,411)	\$ (155,144)	\$ 44,267	\$ 5,604	\$ 205,015
TOTAL BUDGET (=B + C)	\$ 10,995,642	\$ 12,092,038	\$ 1,096,396	\$ 11,816,885	\$ 821,243
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (1,048,678)	\$ (1,048,678)	\$ -	\$ -
FTEs	36.92	31.57	(5.35)	34.31	(2.61)

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

Reliability Assessment and Performance Analysis Program

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

Reliability Assessments and Performance Analysis (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	6.60	8.12	1.52
Direct Expenses	\$ 1,110,087	\$ 1,591,012	\$ 480,925
Indirect Expenses	\$ 901,046	\$ 1,334,663	\$ 433,617
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (35,651)	\$ 1,326	\$ 36,977
Total Funding Requirement	\$ 1,975,482	\$ 2,927,001	\$ 951,519

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

Program Scope and Functional Description

SERC's RAPA program provides data gathering and analysis of events on the BES. The RAPA function identifies reliability risks to the BES in the SERC footprint for the purpose of integrated risk analysis. RAPA's mission is to promote a culture of reliability excellence among the owners of BES assets. The program accomplishes this mission by identifying risks to reliability, analyzing performance, and prioritizing significant risks.

SERC conducts an independent reliability assessment of the BES within the SERC Region, including data gathering and analysis. The assessment program uses information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data System (DADS), and the Misoperations Information Data Analysis System (MIDAS). SERC evaluates the overall reliability, performance, and adequacy of the SERC Region and reports its results to NERC. SERC's work supports NERC's obligation to perform similar analysis of the interconnected North American BPS.

2017 Key Assumptions

- Workloads will increase to support the ERO Reliability Assessment strategic goals. NERC and regional coordination is expected to increase to improve processes, data collections, and information required to implement enhanced regional analytical efforts.
- Workloads will increase to support internal training requirements for SERC's risk identification and mitigation effort. Internal and external outreach efforts will increase to promote awareness and reliability resolution discussions. SERC will use project management and analytical software to collaborate, balance workloads, and manage resources effectively.
- Workloads will increase to support regional and NERC initiatives associated with reliability impacts from the Environmental Protection Agency Clean Power Plan Rule and other special assessments that NERC and southeastern state representatives may require. Additional contractor and consulting services will be acquired as needed to manage resources effectively.

2017 Goals and Key Deliverables

- Increase regional analysis to support the NERC reliability analysis efforts and the SERC reliability risk management and performance analysis process.
- Continue to support ongoing improvements to SERC and Eastern Interconnection planning models and model data management.
- Increase staff capability to analyze projected, historical, and operational data to measure seasonal system reliability performance.
- Assess and improve the distribution methods of assessment work products to increase wide-spread dissemination of reliability information.
- Continue to support NERC Performance Analysis data collections, data validation, and analytical efforts.
- Complete reliability assessment studies and support through the NERC Reliability Assessment Subcommittee (RAS) and the ERO RAPA group. These studies include summer, winter, post-seasonal, long-term, scenario, and probabilistic reliability assessments. Regional planning requirements include SERC seasonal and long-term operational scenario studies.
- Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified time frames.
- Continue to support and implement the integrated reliability risk management program to determine risk control initiatives and necessary mitigation actions, and to inform the SERC Compliance functions.
- Publish 2017 SERC primary reliability risk identification reports for ERO and SERC committee discussions. In addition, report on risk control efforts to mitigate identified risk.

Resource Requirements

Personnel

An increase of 1.52 FTEs in Reliability Assessment and Performance Analysis consists of the following:

- A net increase of 1.50 FTE was reclassified from Technical Committees and Members Forum program and Situation Awareness and Infrastructure Security program, 0.75 FTE from each, into the Reliability Assessment and Performance Analysis program, to better align actual work performed.
- A net increase of 0.05 FTE results from staggering entry dates and changing a part-time FTE to a full-time FTE.
- A net decrease of 0.03 FTE. SERC reallocated an existing position previously recorded in Reliability Assessment and Performance Analysis into Compliance due to the organizational realignment of a managerial position.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

The 2017 budget includes contractor support for additional scenario analysis performed through the Resource Adequacy Working Group, modeling development and analysis performed by the Eastern Interconnection Reliability Assessment Group, and development of the Under-Frequency Load Shed study and dynamics reduction cases through the Dynamics Study Group.

In addition to contract services, consulting services will be used to support regional analysis efforts associated with environmental and reliability risk initiatives.

Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2016 Budget & Projection, and 2017 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,891,766	\$ 1,891,766	\$ -	\$ 2,895,142	\$ 1,003,376
Penalty Sanctions	83,716	83,716	-	31,859	(51,857)
Total NERC Funding	\$ 1,975,482	\$ 1,975,482	\$ -	\$ 2,927,001	\$ 951,519
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,975,482	\$ 1,975,482	\$ -	\$ 2,927,001	\$ 951,519
Expenses					
Personnel Expenses					
Salaries	\$ 640,779	\$ 603,491	\$ (37,288)	\$ 865,697	\$ 224,918
Payroll Taxes	51,262	44,657	(6,605)	64,063	12,801
Benefits	86,294	78,556	(7,738)	112,726	26,432
Retirement Costs	90,051	75,828	(14,223)	110,591	20,540
Total Personnel Expenses	\$ 868,386	\$ 802,532	\$ (65,854)	\$ 1,153,077	\$ 284,691
Meeting Expenses					
Meetings	\$ 10,845	\$ 15,684	\$ 4,839	\$ 22,200	\$ 11,355
Travel	40,170	36,978	(3,192)	44,268	4,098
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 51,015	\$ 52,662	\$ 1,647	\$ 66,468	\$ 15,453
Operating Expenses					
Consultants & Contracts	\$ 188,000	\$ 113,617	\$ (74,383)	\$ 369,000	\$ 181,000
Office Rent	-	-	-	-	-
Office Costs	2,686	2,311	(375)	2,467	(219)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 190,686	\$ 115,928	\$ (74,758)	\$ 371,467	\$ 180,781
Total Direct Expenses	\$ 1,110,087	\$ 971,122	\$ (138,965)	\$ 1,591,012	\$ 480,925
Indirect Expenses	\$ 901,046	\$ 983,180	\$ 82,134	\$ 1,334,663	\$ 433,617
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,011,133	\$ 1,954,302	\$ (56,831)	\$ 2,925,675	\$ 914,542
Change in Assets	\$ (35,651)	\$ 21,180	\$ 56,831	\$ 1,326	\$ 36,977
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (35,651)	\$ (25,112)	\$ 10,539	1,326	\$ 36,977
Inc(Dec) in Fixed Assets (C)	\$ (35,651)	\$ (25,112)	\$ 10,539	\$ 1,326	\$ 36,977
TOTAL BUDGET (=B + C)	\$ 1,975,482	\$ 1,929,190	\$ (46,292)	\$ 2,927,001	\$ 951,519
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 46,292	\$ 46,292	\$ -	\$ -
FTEs	6.60	5.11	(1.49)	8.12	1.52

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

Training, Education, and Operator Certification Program

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

Training, Education and Operator Certification (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	2.23	1.70	(0.53)
Direct Expenses	\$ 967,517	\$ 559,283	\$ (408,234)
Indirect Expenses	\$ 304,444	\$ 279,424	\$ (25,020)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (12,046)	\$ 278	\$ 12,324
Total Funding Requirement	\$ 1,259,915	\$ 838,985	\$ (420,930)

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

Program Scope and Functional Description

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

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

2017 Key Assumptions

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

2017 Goals and Key Deliverables

- The SERC Training program will maintain SERC's status as a NERC-certified Continuing Education Provider.
- The SERC Training program will support the following goals:
 - Develop and deliver training on required technical knowledge, skills, and abilities for auditors and other key staff positions within SERC.
 - Develop and deliver four System Operator Conferences that promote BES reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics.
 - Deliver a Power System Restoration Drill that provides the opportunity for real-time operating personnel and operations support personnel to practice the use of

their restoration plans, communications protocol, and to return the BES to a stable interconnected operating state after a simulated system disturbance.

- Deliver NERC Reliability Standards workshops or webinars to BPS system operators, operating support personnel, compliance, and training personnel to explain changed expectations within new or revised Reliability Standards and related procedures and programs.

Resource Requirements

Personnel

A decrease of 0.53 FTEs in Training and Education consists of the following:

- A decrease of 0.25 FTE was reclassified from the Training and Education program into the Situation Awareness and Infrastructure Security program to better align actual work performed.
- A decrease of 0.25 FTE. SERC repurposed a technical analyst position into General and Administrative as a business analyst. The previous technical analyst position was allocated to Reliability Standards, Training and Education, Situation Awareness and Infrastructure, and Technical Committees.
- A net decrease of 0.03 FTE. SERC reallocated an existing position previously recorded in Training, Education, and Operator Certification into General and Administrative, and an existing position previously recorded in Situation Awareness and Infrastructure Security into Training, Education, and Operator Certification due to the organizational realignment of managerial positions.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

The 2017 budget includes contractor support for the System Operator Conferences and Restoration Drill exercises.

Training, Education, and Operator Certification Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,021,554	\$ 1,021,554	\$ -	\$ 656,290	\$ (365,264)
Penalty Sanctions	28,286	28,286	-	6,670	(21,616)
Total NERC Funding	\$ 1,049,840	\$ 1,049,840	\$ -	\$ 662,960	\$ (386,880)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	210,075	183,090	(26,985)	176,025	(34,050)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,259,915	\$ 1,232,930	\$ (26,985)	\$ 838,985	\$ (420,930)
Expenses					
Personnel Expenses					
Salaries	\$ 271,998	\$ 114,821	\$ (157,177)	\$ 191,593	\$ (80,405)
Payroll Taxes	19,040	8,497	(10,543)	14,178	(4,862)
Benefits	30,113	18,747	(11,366)	25,141	(4,972)
Retirement Costs	37,373	14,003	(23,370)	24,775	(12,598)
Total Personnel Expenses	\$ 358,524	\$ 156,068	\$ (202,456)	\$ 255,687	\$ (102,837)
Meeting Expenses					
Meetings	\$ 137,196	\$ 112,653	\$ (24,543)	\$ 137,496	\$ 300
Travel	15,597	7,974	(7,623)	11,100	(4,497)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 152,793	\$ 120,627	\$ (32,166)	\$ 148,596	\$ (4,197)
Operating Expenses					
Consultants & Contracts	\$ 455,000	\$ 112,060	\$ (342,940)	\$ 155,000	\$ (300,000)
Office Rent	-	-	-	-	-
Office Costs	1,200	-	(1,200)	-	(1,200)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 456,200	\$ 112,060	\$ (344,140)	\$ 155,000	\$ (301,200)
Total Direct Expenses	\$ 967,517	\$ 388,755	\$ (578,762)	\$ 559,283	\$ (408,234)
Indirect Expenses	\$ 304,444	\$ 117,366	\$ (187,078)	\$ 279,424	\$ (25,020)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,271,961	\$ 506,121	\$ (765,840)	\$ 838,707	\$ (433,254)
Change in Assets	\$ (12,046)	\$ 726,809	\$ 738,855	\$ 278	\$ 12,324
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (12,046)	\$ (2,998)	9,048	278	12,324
Inc(Dec) in Fixed Assets (C)	\$ (12,046)	\$ (2,998)	\$ 9,048	\$ 278	\$ 12,324
TOTAL BUDGET (=B + C)	\$ 1,259,915	\$ 503,123	\$ (756,792)	\$ 838,985	\$ (420,930)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 729,807	\$ 729,807	\$ -	\$ -
FTEs	2.23	0.61	(1.62)	1.70	(0.53)

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

Situation Awareness and Infrastructure Security Program

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

Situation Awareness and Infrastructure Security (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	3.40	3.87	0.47
Direct Expenses	\$ 576,106	\$ 648,794	\$ 72,688
Indirect Expenses	\$ 464,175	\$ 636,102	\$ 171,927
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(18,366)	632	18,998
Total Funding Requirement	\$ 1,021,915	\$ 1,285,528	\$ 263,613

Table A-9. Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

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

2017 Key Assumptions

- SERC will continue to work with NERC’s Electricity-Information Sharing and Analysis Center (E-ISAC) and SERC Registered Entities to identify opportunities for improving information sharing on CIP-related events, threats, and vulnerabilities to improve reliability within the BES.
- SERC will expand its outreach program efforts to communicate externally events from Situation Awareness (SA), Events Analysis (EA), and Compliance Assessment (CA) analysis.
- SERC will continue to review, track, and trend reliability events to support events reduction and outreach efforts in the SERC Region.
- SERC will share mitigating measures and other BES improvements with SERC entities and the ERO.
- SERC will continue to work with other Regional SAEA groups to identify conditions or best practices that improve reliability within the BES.

2017 Goals and Key Deliverables

- Continue to increase the utilization of data collection tools (CIPSA, The Events Analysis Management System, etc.) to support analysis and 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 support the SAEA program.

- Facilitate and promote post-event collaboration and coordination with NERC and applicable governmental agencies.
- Identify and prioritize risks based on reliability impacts, practicality assessments, projected resources, and emerging issues.
- Monitor and evaluate CIP-related threats, vulnerabilities, and events for information sharing internally (SERC staff) and externally (registered entities).

Resource Requirements

Personnel

An increase of 0.47 FTEs in Situation Awareness and Infrastructure Security consists of the following:

- A net increase of 0.75 FTE was reclassified from Technical Committees and Members Forum program; Training, Education, and Operator Certification program; and Compliance (0.25 FTE from each) into the Situation Awareness and Infrastructure Security program.
- A decrease of 0.75 FTE was reclassified from Situation Awareness and Infrastructure Security into Reliability Assessment and Performance Analysis to better align actual work performed.
- An increase of 0.75 FTEs relates to staggering entry dates.
- A net decrease of 0.03 FTE. SERC reallocated three positions affecting Situation Awareness and Infrastructure Security due to the organizational realignment of managerial positions: 1) an existing position previously recorded in Compliance was realigned into Situation Awareness and Infrastructure Security; 2) an existing position previously recorded in Situation Awareness and Infrastructure Security was realigned into Standards; Technical Committees and Member Forums; and Training, Education, and Operator Certification, proportionately; and 3) an existing position previously recorded in General and Administrative was realigned into Situation Awareness and Infrastructure Security.
- A decrease of 0.25 FTE. SERC repurposed a technical analyst position into General and Administrative as a business analyst. The previous technical analyst position was allocated to Reliability Standards, Training and Education, Situation Awareness and Infrastructure, and Technical Committees.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

There are no contractor and consultant resource requirements.

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 978,789	\$ 978,789	\$ -	\$ 1,270,344	\$ 291,555
Penalty Sanctions	43,126	43,126	-	15,184	(27,942)
Total NERC Funding	\$ 1,021,915	\$ 1,021,915	\$ -	\$ 1,285,528	\$ 263,613
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,021,915	\$ 1,021,915	\$ -	\$ 1,285,528	\$ 263,613
Expenses					
Personnel Expenses					
Salaries	\$ 410,959	\$ 478,039	\$ 67,080	\$ 471,864	\$ 60,905
Payroll Taxes	28,767	35,375	6,608	34,917	6,150
Benefits	45,864	50,480	4,616	54,791	8,927
Retirement Costs	56,399	61,630	5,231	61,522	5,123
Total Personnel Expenses	\$ 541,989	\$ 625,524	\$ 83,535	\$ 623,094	\$ 81,105
Meeting Expenses					
Meetings	\$ -	\$ 760	\$ 760	\$ -	\$ -
Travel	33,717	15,383	(18,334)	25,000	(8,717)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 33,717	\$ 16,143	\$ (17,574)	\$ 25,000	\$ (8,717)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	400	400	-	700	300
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 400	\$ 400	\$ -	\$ 700	\$ 300
Total Direct Expenses	\$ 576,106	\$ 642,067	\$ 65,961	\$ 648,794	\$ 72,688
Indirect Expenses	\$ 464,175	\$ 719,587	\$ 255,412	\$ 636,102	\$ 171,927
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,040,281	\$ 1,361,654	\$ 321,373	\$ 1,284,896	\$ 244,615
Change in Assets	\$ (18,366)	\$ (339,739)	\$ (321,373)	\$ 632	\$ 18,998
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (18,366)	\$ (18,380)	(14)	632	18,998
Inc(Dec) in Fixed Assets (C)	\$ (18,366)	\$ (18,380)	\$ (14)	\$ 632	\$ 18,998
TOTAL BUDGET (=B + C)	\$ 1,021,915	\$ 1,343,274	\$ 321,359	\$ 1,285,528	\$ 263,613
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (321,359)	\$ (321,359)	\$ -	\$ -
FTEs	3.40	3.74	0.34	3.87	0.47

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

Administrative Services

The following table lists the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2016 Budget	2017 Budget	Inc(Dec)	2016 Budget	2017 Budget	Inc(Dec)
Technical Committees and Member Forums	\$ 1,075,524	\$ 919,634	\$ (155,890)	5.99	4.70	(1.29)
General and Administrative	\$ 5,119,580	\$ 4,394,920	\$ (724,660)	13.00	13.25	0.25
Legal and Regulatory	\$ 53,270	\$ 743,639	\$ 690,369	3.00	2.55	(0.45)
Information Technology	\$ 649,640	\$ 1,144,511	\$ 494,871	-	-	-
Human Resources	\$ 21,209	\$ 497,747	\$ 476,538	2.20	1.90	(0.30)
Finance and Accounting	\$ 60,700	\$ 476,723	\$ 416,023	2.80	2.90	0.10
Total Administrative Services	\$ 6,979,923	\$ 8,177,174	\$ 1,197,251	26.99	25.30	(1.69)

Table A-11. Administrative Services Budget

Program Scope and Functional Description

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

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionally to the direct programs for 2017 based on the number of FTEs in those programs.

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

Technical Committees and Member Forums

Program Scope and Functional Description

The Technical Committees and Member Forums programs serve to strengthen capabilities within the Region to plan and operate the BES reliably and in compliance with Reliability Standards. The success of SERC's reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence.

2017 Key Assumptions

- SERC will continue its standing committee and subgroup structure for effective stakeholder involvement in 2017 with each committee maintaining a work plan.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
- SERC's Reliability Risk Team will continue to identify and educate SERC staff and regional members of the reliability risk to the BPS in the SERC Region from an engineering, operations, and security perspective.
- SERC will continue to leverage its members as volunteer technical resources to support the Region's mission and initiatives. As needs change, SERC will assess committee structure and optimize, as required.

2017 Goals and Key Deliverables

- The SERC Technical Committees and Member Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees*.
- The SERC Technical Committees and Member Forums programs will promote an expanded available toolkit that addresses reliability risks by doing the following:
 - Convene regular meetings of the standing committees each year and of the subordinate groups, as necessary.
 - Communicate to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning, and engineering of electric systems, and the advancement of the physical and cyber security of the BPS.
 - Provide a forum for representatives to share experience and discuss issues of operating, planning, and engineering, and physical and cyber security.
 - Perform special projects at the request of the SERC Board of Directors.
 - Participate in the establishment of Reliability Standards.
 - Participate in the measurement of performance relative to Reliability Standards.
 - Promote compliance with Reliability Standards through review and discussion of compliance and performance statistics.
 - Develop and exchange information about operating, planning and engineering, and physical and cyber security that affect the reliability and adequacy of the BPS.
 - Review activities within the SERC Region impacting reliability and adequacy, as necessary, to meet Reliability Standards.
 - Perform technical functions through the assignment of specific tasks to subordinate groups.
- SERC's Reliability Risk Team provides key input to the 2018 CMEP Implementation Plan.

Resource Requirements

Personnel

A decrease of 1.29 FTEs in Technical Committees and Member Forums consists of the following:

- A decrease of 1.0 FTE was reclassified from the Technical Committees and Member Forums program into Situation Awareness and Infrastructure Security program and Reliability Assessment and Performance Analysis, 0.25 FTE and 0.75 respectively, to better align actual work performed.
- A net decrease of 0.04 FTE. SERC reallocated an existing position previously recorded in Situation Awareness and Infrastructure Security into Technical Committees and Member Forums, and an existing position previously recorded in Technical Committees and Member Forums into General and Administrative, due to the organizational realignment of managerial positions.
- A decrease of 0.25 FTE. SERC repurposed a technical analyst position into General and Administrative as a business analyst. The previous technical analyst position was allocated to Reliability Standards, Training and Education, Situation Awareness and Infrastructure, and Technical Committees.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

There are no contractor and consultant resource requirements.

General and Administrative

Program Scope and Functional Description

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

2017 Key Assumptions

- Emphasize effective execution, efficiency, transparency, and consistency.
- Facilitate reliability-enhancing activities.
- Increase outreach and communication with members/stakeholders to ensure SERC's effectiveness.

2017 Goals and Key Deliverables

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

Resource Requirements

Personnel

An increase of 0.25 FTE in General and Administrative consists of the following:

- A net increase of 0.50 FTE. SERC reallocated existing positions previously recorded in Situation Awareness and Infrastructure Security, Reliability Assessment and Performance Analysis, Technical Committees and Member Forums, Standards, and Training and Education into General and Administrative due to the organizational realignment of managerial positions.
- An increase of 1.0 FTE. SERC repurposed an Information Technology position into General and Administrative. This liaison role will be responsible for increasing SERC's engagement in the ERO.
- An increase of 1.0 FTE. SERC repurposed a technical analyst position into General and Administrative as a business analyst. The previous technical analyst position was allocated to Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees.
- A decrease of 0.25 FTE. SERC reallocated an existing position previously recorded in General and Administrative into Legal and Regulatory to support Board committees.
- SERC changed its staffing strategy to use consultants in lieu of FTEs by outsourcing the information technology and facility support for a reduction of 2.0 FTE.

Other changes in Personnel Expenses consist of the following:

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

All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, were previously recorded within General and Administrative to protect the confidentiality of individual compensation information of employees

in these programs. Only Information Technology support is included within General and Administrative in the 2017 budget.

Contractors and Consultants

The 2017 budget includes contractor support for corporate goals, business continuity, continued development of a communications plan, and a change in staffing strategy of using consultants in lieu of FTEs for Information Technology and Facility support.

Legal and Regulatory

Program Scope and Functional Description

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

- Provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters that affect SERC.
- Review items filed with governmental agencies for legal sufficiency.
- Review contracts and corporate documents, as needed.
- Ensure continuing recognition of SERC as a Regional Entity.
- Obtain regulatory approvals for new and revised regional Reliability Standards on a timely basis.
- Review legal documents, including Notices of Penalty, required to be filed with FERC.
- Provide legal support for contested Compliance actions and other assistance, as needed.
- Provide legal counsel during Compliance and Enforcement proceedings, as needed.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review corporate policies and procedures, as needed.
- Coordinate outside legal support.

2017 Key Assumptions

- Support the Enforcement action cycle time.
- Limit (or keep unchanged) the number of incoming violations.
- No hearings will be conducted.

2017 Goals and Key Deliverables

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

Resource Requirements

Personnel

A decrease of 0.45 FTE in Legal and Regulatory consists of the following:

- A net increase of 0.55 FTE. SERC reallocated an existing position previously recorded in General and Administrative, Finance and Accounting, Human Resources, and Compliance into Legal and Regulatory to support Board committees.
- A net decrease of 0.90 FTE. SERC reallocated existing positions previously recorded in Legal and Regulatory into Compliance for additional Enforcement support.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

The 2017 budget includes contractor support for regulatory affairs, a consultant to the Board, and a Board survey, which is performed bi-annually.

Information Technology

Program Scope and Functional Description

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

- Work with external vendors to host, maintain, develop, and improve the following platforms:
 - SERC Internal/External Portals
 - CITS
 - SharePoint
 - Documentum
 - Network Infrastructure
- Maintain equipment for the Operating Committee Hotline.
- Maintain telecommunication and Internet circuits.
- Maintain the backup and recovery solution for SERC information systems. This includes AppAssure software and two Storage Area Networks (SAN).

Several years ago, NERC and the eight Regional Entities formed an executive management group (known as the Electric Reliability Organization Executive Management Group (ERO EMG)) that works to develop enterprise-wide IT applications to improve efficiency and consistency across NERC and the Regional Entities. As the ERO EMG identifies and prioritizes enterprise-wide projects, these projects are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the BES exception project and developed an application that is a single interface for NERC and the Regional Entities, promoting consistency and reducing cost duplications. SERC will coordinate with other IT departments to ensure they are benchmarking themselves against peer Regions. SERC, Northeast Power Coordinating Council (NPCC), and Florida Reliability Coordinating Council (FRCC) together develop and maintain the Compliance Portal and CITS. This allows for a common system and cost sharing.

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

NERC and the Regional Entities will collaborate to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, and software and data systems supporting both NERC and Regional Entity operations. NERC's *Business Plan and Budget* will include ongoing funding support for the development, operation, and maintenance of NERC- and Regional Entity-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved *Business Plan and Budget*.

2017 Key Assumptions

- FRCC, NPCC, and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total costs of maintenance and development.

2017 Goals and Key Deliverables

- Evaluate consolidation to one knowledge document management platform.
- Evaluate other hosting services to improve the turnaround time on projects/initiatives and increase the level of service for maintenance functions.
- Continue to perform cyber security assessments to benchmark the company's security posture.
- Continue to improve SERC's Protected Entity Information infrastructure to allow efficient and secure data transfers to and from SERC's registered entities.
- Determine the appropriate IT service levels required for SERC to maintain effective operations and evaluate service relative to cost.

Resource Requirements

Personnel

There are no significant changes requiring an explanation. All personnel for Information Technology are included under the General and Administrative program. SERC changed its staffing strategy to use consultants in lieu of FTEs by outsourcing the information technology and facility support as noted above in General and Administrative.

Contractors and Consultants

The 2017 budget includes contractor support for infrastructure hosting, software development, database administration, internal and external security assessment, and a change in staffing strategy of using consultants in lieu of FTEs.

Human Resources

Program Scope and Functional Description

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

2017 Key Assumptions

- Assume a 6 percent vacancy rate to total Personnel Expenses.
- Provide competitive compensation and benefits packages.
- Assume an increased expectation for staff skills training in areas such as analytics.
- Ensure that staff attains elevated professional credentials to become a leader in the industry.
- Provide a 3 percent average salary increase. This assumption is reflected in the salary expense budget for all program areas.

2017 Goals and Key Deliverables

- 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.
- Increase employee retention.
- Provide payroll and expense administration.

Resource Requirements

Personnel

A decrease of 0.30 FTE in Human Resources consists of the following:

- A decrease of 0.10 FTE is due to a change in allocation to support the Board Human Resources and Compensation Committee, which is recorded in the Legal program area.
- A decrease of 0.20 FTE was reclassified from Human Resources into Finance and Accounting, due to the organizational realignment of managerial positions and the creation of a management role in Human Resources.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

The 2017 budget includes contractor support for a compensation and benefit study, leadership development, and corporate goals.

Finance and Accounting

Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC by doing the following:

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

2017 Key Assumptions

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

2017 Goals and Key Deliverables

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

Resource Requirements

Personnel

An increase of 0.10 FTE in Finance and Accounting consists of the following:

- An increase of 0.20 FTE was reclassified from the Human Resources program into Finance and Accounting, due to the organizational realignment of managerial positions and the creation of a management role in Human Resources.
- A decrease of 0.10 FTE is due to a change in allocation to support the Board Finance and Audit Committee, which is recorded in the legal program area.

Other changes in Personnel Expenses consist of the following:

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

Contractors and Consultants

There are no contractor and consultant resource requirements.

Administrative Services Budget Detail

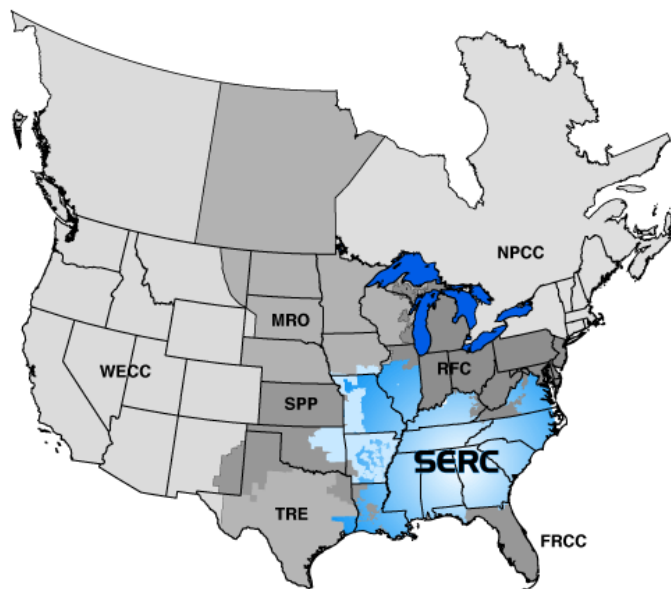
The following table shows funding sources and related expenses for the Administrative Services section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
ADMINISTRATIVE SERVICES					
Funding	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
ERO Funding					
NERC Assessments	\$ (1,127,284)	\$ (1,127,284)	\$ -	\$ (1,334,355)	\$ (207,071)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (1,127,284)	\$ (1,127,284)	\$ -	\$ (1,334,355)	\$ (207,071)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	1,000	2,853	1,853	1,000	-
Miscellaneous	294,000	307,486	13,486	312,500	18,500
Total Funding (A)	\$ (832,284)	\$ (816,945)	\$ 15,339	\$ (1,020,855)	\$ (188,571)
Expenses					
Personnel Expenses					
Salaries	\$ 3,472,553	\$ 3,767,121	\$ 294,568	\$ 3,975,793	\$ 503,240
Payroll Taxes	216,096	278,831	62,735	294,208	78,112
Benefits	327,699	347,138	19,439	344,683	16,984
Retirement Costs	474,260	432,264	(41,996)	483,400	9,140
Total Personnel Expenses	\$ 4,490,608	\$ 4,825,354	\$ 334,746	\$ 5,098,084	\$ 607,476
Meeting Expenses					
Meetings	\$ 76,240	\$ 101,993	\$ 25,753	\$ 92,572	\$ 16,332
Travel	126,369	104,434	(21,935)	142,927	16,558
Conference Calls	44,544	36,315	(8,229)	44,544	-
Total Meeting Expenses	\$ 247,153	\$ 242,742	\$ (4,411)	\$ 280,043	\$ 32,890
Operating Expenses					
Consultants & Contracts	\$ 799,630	\$ 1,688,308	\$ 888,678	\$ 1,513,181	\$ 713,551
Office Rent	517,917	573,047	55,130	590,983	73,066
Office Costs	290,935	345,794	54,859	259,444	(31,491)
Professional Services	145,200	212,265	67,065	175,739	30,539
Miscellaneous	5,000	19,131	14,131	16,700	11,700
Depreciation	483,480	398,219	(85,261)	234,882	(248,598)
Total Operating Expenses	\$ 2,242,162	\$ 3,236,764	\$ 994,602	\$ 2,790,929	\$ 548,767
Total Direct Expenses	\$ 6,979,923	\$ 8,304,860	\$ 1,324,937	\$ 8,169,056	\$ 1,189,133
Indirect Expenses	\$ (6,979,923)	\$ (8,204,067)	\$ (1,224,144)	\$ (8,169,056)	\$ (1,189,133)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ 100,793	\$ 100,793	\$ -	\$ -
Change in Assets	\$ (832,284)	\$ (917,738)	\$ (85,454)	\$ (1,020,855)	\$ (188,571)
Fixed Assets					
Depreciation	(483,480)	(398,219)	85,261	(234,882)	248,598
Computer & Software CapEx	207,311	55,568	(151,743)	100,000	(107,311)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	143,000	143,000
Leasehold Improvements	-	133,105	133,105	-	-
Allocation of Fixed Assets	\$ 276,169	\$ 209,546	\$ (66,623)	\$ (8,118)	\$ (284,287)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ 100,793	\$ 100,793	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (832,284)	\$ (917,738)	\$ (85,454)	\$ (1,020,855)	\$ (188,571)
FTEs	26.99	23.78	-3.21	25.30	-1.69

Table A-12. Administrative Services Budget Detail

Section B – Supplemental Financial Information

2017 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2016 through 2017.

Working Capital Reserve Analysis 2016-2017	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2015	\$ 3,567,099
Plus: 2016 Funding (from LSEs or designees)	14,379,486
Plus: 2016 Other funding sources	691,147
Less: 2016 Projected expenses & capital expenditures	(16,616,877)
Projected Working Capital Reserve (Deficit), December 31, 2016	\$ 2,020,855
Desired Working Capital Reserve, December 31, 2017	¹ \$ 1,000,000
Minus: Projected Working Capital Reserve, December 31, 2016	2,020,855
Increase(decrease) in funding requirement to achieve Working Capital Reserve	\$ (1,020,855)
2017 Expenses and Capital Expenditures	\$ 17,482,403
Less: Penalty Sanctions ²	(195,000)
Less: Other Funding Sources	(560,525)
Adjustment to achieve desired Working Capital Reserve	(1,020,855)
2017 ERO Assessment	\$ 15,706,023

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

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

² Represents collections on or prior to June 30, 2016.

Table B-1. Working Capital Reserve Analysis 2016- 2017

Explanation of Changes in Reserve Policy from Prior Years

Pursuant to SERC's Working Capital and Operating Reserve policies, the desired working capital reserve included in the *2017 Business Plan and Budget* totals \$1,000,000. As an offset to the increase in assessments, SERC used the remaining stabilization funds included as a temporary increase to the operating reserve, and reduced the desired reserve balance from \$1,600,000 to \$1,000,000.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 12, of the *2017 RE Business Plan and Budget*. All significant variances have been disclosed by program area on the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2016, are to be used to offset assessments in the 2017 Budget, as documented in the *NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2016 through June 30, 2017 will be used to offset assessments in the 2017 Budget.

All penalties received prior to July 1, 2016, are detailed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration and Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2016.

Penalty Sanctions Received On or Prior to June 30, 2016	Date Received	Amount Received
Penalty payment 1	9/25/2015	\$ 55,000
Penalty payment 2	3/22/2016	10,000
Penalty payment 3	4/4/2016	35,000
Penalty payment 4	4/27/2016	5,000
Penalty payment 5	4/27/2016	20,000
Penalty payment 6	6/13/2016	5,000
Penalty payment 7	6/17/2016	20,000
Penalty payment 8	6/20/2016	45,000
Total Penalties Received		\$ 195,000

Table B-2. Penalty Sanctions Received

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in FRCC	\$ 75,000	\$ 49,035	\$ 30,000	\$ (45,000)
Miscellaneous - CEA function in SPP	75,000	148,683	41,000	(34,000)
Total	\$ 150,000	\$ 197,718	\$ 71,000	\$ (79,000)
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	210,075	183,090	176,025	(34,050)
Total	\$ 210,075	\$ 183,090	\$ 176,025	\$ (34,050)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 1,000	\$ 2,853	\$ 1,000	\$ -
Miscellaneous Income - Regional Entity Coordinator	294,000	294,846	297,500	3,500
Miscellaneous Income - Other	-	12,640	15,000	15,000
Total	\$ 295,000	\$ 310,339	\$ 313,500	\$ 18,500
Total Outside Funding	\$ 655,075	\$ 691,147	\$ 560,525	\$ (94,550)

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

Compliance Monitoring, Enforcement and Organization Registration – Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of registered entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to affiliated registered entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entities. The 2017 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General and Administrative costs, as required by the contracts with FRCC and Southwest Power Pool (SPP).

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

General and Administrative – Other funding includes the reimbursement from the other Regional Entities for the costs associated with the Regional Entity coordinator position as well as revenue received from SERC's landlord per the lease agreement that pays for shuttle services to the SERC office from local hotels.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Total Salaries	\$ 9,457,718	\$ 9,506,805	\$ 10,095,783	\$ 638,065	6.7%
Total Payroll Taxes	642,524	703,569	747,086	104,562	16.3%
Total Benefits	993,030	1,020,270	1,087,450	94,420	9.5%
Total Retirement	1,299,662	1,168,163	1,278,181	(21,481)	-1.7%
Total Personnel Costs	\$ 12,392,934	\$ 12,398,807	\$ 13,208,500	\$ 815,566	6.6%
FTEs	78.12	66.42	75.00	(3.12)	-4.0%
Cost per FTE					
Salaries	\$ 121,072	\$ 143,132	\$ 134,610	13,538	11.2%
Payroll Taxes	8,225	10,593	9,961	1,736	21.1%
Benefits	12,712	15,361	14,499	1,787	14.1%
Retirement	16,637	17,588	17,042	405	2.4%
Total Cost per FTE	\$ 158,646	\$ 186,674	\$ 176,112	\$ 17,466	11.0%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The budget reflects a 3 percent merit increase and 6 percent vacancy rate applied to all personnel costs. Total Personnel Expenses increased due to the reduction of the vacancy rate to be more in line with historical rates and an increase in salaries for vacant executive-level positions, an increase in the payroll tax percentage applied to salaries to better align payroll taxes with historical actuals, an increase in benefits costs to account for increases in premiums, and a decrease in retirement costs due to the reduction of FTEs.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Meetings	\$ 247,421	\$ 258,892	\$ 265,768	\$ 18,347	7.42%
Travel	488,466	487,347	534,977	46,511	9.77%
Conference calls	44,544	36,315	44,544	-	22.66%
Total Meeting Expenses	\$ 780,431	\$ 782,554	\$ 845,289	\$ 64,858	8.31%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

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

The increase in travel is primarily related to the additional meetings that were added and the focus on bringing remote employees to SERC's office more frequently.

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

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

Consultants and Contracts	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization					
Registration and Certification	54,543	165,322	83,000	28,457	52%
Reliability Assessment and Performance Analysis	188,000	113,617	369,000	181,000	96%
Training and Education	455,000	112,060	155,000	(300,000)	-66%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	110,000	-	-	
General and Administrative	237,500	467,150	357,725	120,225	51%
Legal and Regulatory	-	20,727	42,400	42,400	100%
Information Technology	552,130	1,021,144	962,556	410,426	74%
Human Resources	10,000	22,600	150,500	140,500	1405%
Accounting and Finance	-	46,687	-	-	
Consultants Total	\$ 1,497,173	\$ 2,079,307	\$ 2,120,181	\$ 623,008	42%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

Compliance – An increase of \$28,457 is due to utilizing contract support in lieu of FTEs to supplement the Enforcement program. The 2017 budget continues to fund contractor support to supplement the Audit program.

Reliability Assessments – An increase of \$181,000 in the program consists of 1) an increase for the Dynamic Study that is performed biennially and was last performed in 2015, the Under-Frequency Load Study that is performed every five years and was last performed in 2012, additional modeling services, and to support regional analysis efforts associated with environmental and reliability risk initiatives; and 2) a decreasing offset for the Eastern Interconnection Assessment Group (ERAG) to align with historical costs.

Training and Education – A decrease of \$300,000 from the 2016 budget consists of 1) a decrease to the Restoration Drill to be more in line with historical costs; and 2) a decrease from a one-time cost included in the 2016 budget for contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

General and Administrative – An increase of \$120,225 consists of 1) the utilization of contractors in support of corporate goals and business continuity, which have previously not been budgeted; and as an offset; 2) a reduction in the amount of contract support in lieu of FTEs for project management and communications; and 3) budgeted items were reclassified out of General and Administrative: items for consultant support for the continued training and development of SERC's management team were moved to Human Resources, and Board activities were moved to Legal and Regulatory.

Legal and Regulatory – An increase of \$42,400 consists of 1) utilizing contractors for regulatory affairs, Board strategic planning, and for a Board survey that is performed biennially; and 2) the use of Board consultants was reclassified from General and Administrative into Legal and Regulatory.

Information Technology – An increase of \$410,426 consists of 1) an increase in contract support in lieu of FTEs, security assessment testing, and database administration; and 2) as an

offsetting decrease, a reduction in contract support for the document management system, infrastructure development, and software licensing.

Human Resources – An increase of \$140,500 consists of 1) an increase for a compensation and benefit study that is performed biennially and was last performed in 2015, corporate goal initiatives, and mandatory staff training; 2) an increase in ongoing training and development of SERC’s management team, which was previously recorded in General and Administrative; and 3) as an offsetting decrease, a reduction for contract support in lieu of FTEs, as the position was made a permanent FTE.

Table B-7 lists the budget for Office Rent.

Rent	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Office Rent	\$ 517,917	\$ 573,047	\$ 590,983	\$ 73,066	14.11%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 517,917	\$ 573,047	\$ 590,983	\$ 73,066	14.11%

Table B-7. Office Rent

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

An increase of \$73,066 is due to the additional space leased. Rent is recorded on a straight-line basis, consistent with Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Telephone	\$ 131,814	\$ 88,737	\$ 96,885	\$ (34,929)	-26.50%
Telephone Answering Srv	-	-	-	-	-
Internet	7,104	-	-	(7,104)	-100.00%
Office Supplies	31,650	173,092	32,044	394	1.24%
Computer Supplies and Maintenance					
Computers	34,300	30,000	80,000	45,700	133.24%
Computer Supplies	40,600	16,840	20,000	(20,600)	-50.74%
Maintenance & Service Agreements	-	-	-	-	-
Software	10,850	-	1,060	(9,790)	-96.91%
Network Supplies	-	-	-	-	-
Publications & Subscriptions	7,499	3,334	3,600	(3,899)	-51.99%
Dues	10,883	10,691	14,703	3,820	35.10%
Postage	500	502	500	-	0.00%
Express Shipping	2,500	2,000	2,120	(380)	-15.20%
Copying	5,000	2,423	1,800	(3,200)	-64.00%
Reports	-	-	-	-	-
Stationery/Forms	-	-	-	-	-
Equipment Repair/Service Contracts	9,679	7,102	7,404	(2,275)	-23.50%
Bank Charges	500	4,140	2,895	2,395	479.00%
Taxes	10,000	17,668	12,500	2,500	25.00%
Merchant Card Fees	8,000	6,564	6,500	(1,500)	-18.75%
Total Office Costs	\$ 310,879	363,093	\$ 282,011	\$ (28,868)	-9.29%

Table B-8. Office Costs

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The decrease of \$34,929 in Telephone is due to a renegotiation of the office and cellular contracts into more cost-effective plans.

A net increase in Computer Supplies and Maintenance consists of the following:

- An increase of \$45,700 in computers due to an increase in the number of replacement computers and monitors.
- A decrease in computer supplies of \$20,600 for one-time purchases in 2016 related to video conferencing technology.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Candidate Search	\$ 10,000	\$ 33,795	\$ 7,000	\$ (3,000)	-30.00%
Outside Legal	60,000	72,773	40,000	(20,000)	-33.33%
Accounting & Auditing Fees	42,200	36,398	37,288	(4,912)	-11.64%
Insurance Commercial	43,000	58,856	60,644	17,644	41.03%
Human Resources Fees	-	10,443	30,807	30,807	100.00%
Total Professional Services	\$ 155,200	\$ 212,265	\$ 175,739	\$ 20,539	13.23%

Table B-9. Professional Services

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

A decrease in Outside Legal of \$20,000 is to better align with historical costs. The 2015 actual expenses and 2016 projected expenses include one-time costs that are not expected to continue. Additionally, legal costs were previously split between Legal and Compliance. In 2017, all legal costs are now included in the Legal program area, causing a decrease in Compliance professional fees.

The decrease in Accounting and Auditing Fees of \$4,912 is due to the reclassification of payroll, Human Resources Information System (HRIS), time reporting, and applicant tracking systems to Human Resources Fees. As an offset, software licenses increased related to software to eliminate manual processes in financial statement, budgeting, and accounts payable. Additionally, due to the expanded office space and assets included in the space, SERC budgeted for an increase in property taxes.

An increase in Insurance Commercial of \$17,644 is due to an increase in the premium for the general liability policy related to the expanded office space and additional assets and a new cyber policy.

An increase in Human Resources Fees of \$30,807 is due to a reclassification from Accounting and Auditing Fees of payroll, HRIS, time reporting, and applicant tracking systems. Additionally, SERC budgeted for employee eLearning training and administration of SERC's benefit programs.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expense	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Miscellaneous Expense	\$ 5,000	\$ 19,131	\$ 16,700	\$ 11,700	100.00%
Total Miscellaneous Expense	\$ 5,000	\$ 19,131	\$ 16,700	\$ 11,700	234%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The increase in Miscellaneous Expense of \$16,700 is to better align with historical costs.

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

Other Non-Operating Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 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 – 2017 Budget versus 2016 Budget

There are no costs budgeted for these items in 2016 or 2017.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Depreciation	\$ (483,480)	\$ (398,219)	\$ (234,882)	\$ 248,598	-51.42%
Computer & Software CapEx	207,311	55,568	100,000	(107,311)	-51.76%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	143,000	143,000	
Leasehold Improvements	-	133,105	-	-	
Allocation of Fixed Assets	-	-	-	-	
Total Fixed Assets	\$ (276,169)	\$ (209,546)	\$ 8,118	\$ 284,287	-103%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

A decrease of \$248,598 in Depreciation is due to an increase in the capital assets that are fully depreciated.

The Computer and Software capital expenditures included in the 2017 budget are split among the other members of the Consortium User Group (FRCC and NPCC), resulting in a decrease from 2016.

An increase in Equipment capital expenditures is due to the budget of additional servers and other equipment for the Protected Entity Information (PEI) system and SERC's infrastructure.

Table B-13 compares the 2017 budget with projections for 2018-2019.

The following table showing 2018 and 2019 budget projections is based on the following assumptions:

Personnel Expenses

- No changes in FTEs
- A 3 percent increase in personnel costs for merit in 2018 and 2019
- A 3 percent vacancy rate applied in 2018 and no vacancy rate in 2019
- Estimated a 10 percent increase in insurance premiums

Meeting Expenses

- Meetings and travel costs remain flat for both 2018 and 2019.
- A 3 percent increase in conference calls for inflation in both 2018 and 2019

Operating Expenses

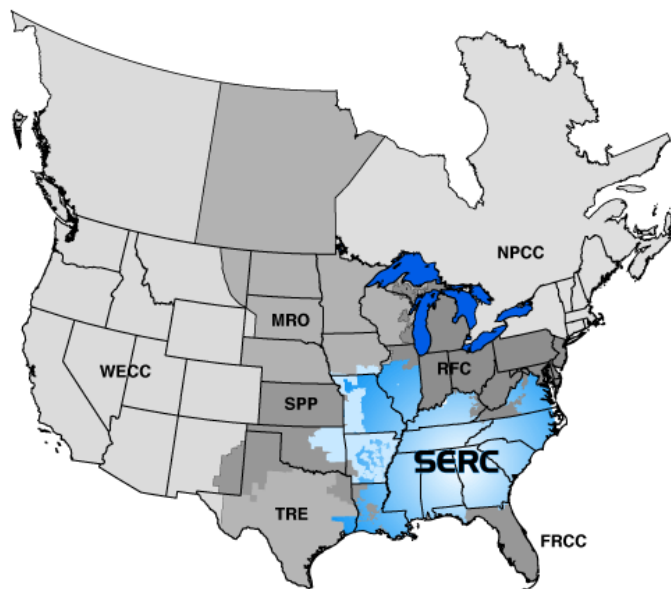
- Consultants and contracts were reduced in 2018 for the off-cycle year on the biennial and five-year studies that are not being performed. The biannual studies are included in 2019, causing the increase.
- A 1 percent inflation rate was applied to office costs and professional services.
- Office rent and Miscellaneous remain flat for both 2018 and 2019.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projected 2018 and 2019 Budgets								
	2017 Budget	2018 Projection	\$ Change 18 v 17	% Change 18 v 17	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	
Funding								
ERO Funding								
NERC Assessments	\$ 15,706,023	\$ 16,201,438	\$ 495,415	3.15%	\$ 17,098,966	\$ 897,528	5.2%	
Penalty Sanctions	195,000	-	(195,000)	-100.00%	-	-		
Total NERC Funding	\$ 15,901,023	\$ 16,201,438	\$ 300,415	1.9%	\$ 17,098,966	\$ 897,528	5.2%	
Membership Dues	-	-	-	-	-	-		
Testing Fees	-	-	-	-	-	-		
Services & Software	-	-	-	-	-	-		
Workshops	176,025	176,025	-	0.00%	176,025	-	0.0%	
Interest	1,000	1,000	-	0.00%	1,000	-	0.0%	
Miscellaneous	383,500	402,675	19,175	5.00%	422,809	20,134	5.0%	
Total Funding (A)	\$ 16,461,548	\$ 16,781,138	\$ 319,590	1.9%	\$ 17,698,800	\$ 917,662	5.5%	
Expenses								
Personnel Expenses								
Salaries	\$ 10,095,783	\$ 10,701,530	\$ 605,747	6.0%	\$ 11,022,576	\$ 321,046	3.0%	
Payroll Taxes	747,086	791,911	44,825	6.0%	815,668	23,757	3.0%	
Benefits	1,087,450	1,196,195	108,745	10.0%	1,315,815	119,620	10.0%	
Retirement Costs	1,278,181	1,354,872	76,691	6.0%	1,395,518	40,646	3.0%	
Total Personnel Expenses	\$ 13,208,500	\$ 14,044,508	\$ 836,008	6.3%	\$ 14,549,576	\$ 505,069	3.6%	
Meeting Expenses								
Meetings	\$ 265,768	\$ 265,768	\$ -	0.0%	\$ 265,768	\$ -	0.0%	
Travel	534,977	534,977	-	0.0%	534,977	-	0.0%	
Conference Calls	44,544	45,880	1,336	3.0%	47,257	1,376	3.0%	
Total Meeting Expenses	\$ 845,289	\$ 846,625	\$ 1,336	0.2%	\$ 848,002	\$ 1,376	0.2%	
Operating Expenses								
Consultants & Contracts	\$ 2,120,181	\$ 1,987,190	(132,991)	-6.3%	\$ 2,245,550	258,360	13.0%	
Office Rent	590,983	590,983	-	0.0%	590,983	-	0.0%	
Office Costs	282,011	284,831	2,820	1.0%	287,679	2,848	1.0%	
Professional Services	175,739	177,496	1,757	1.0%	179,271	1,775	1.0%	
Miscellaneous	16,700	16,700	-	0.0%	16,700	-	0.0%	
Depreciation	234,882	239,524	4,642	2.0%	174,117	(65,407)	-27.3%	
Total Operating Expenses	\$ 3,420,496	\$ 3,296,725	\$ (123,772)	-3.6%	\$ 3,494,301	\$ 197,576	6.0%	
Total Direct Expenses	\$ 17,474,285	\$ 18,187,858	\$ 713,573	4.1%	\$ 18,891,879	\$ 704,021	3.9%	
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 17,474,285	\$ 18,187,858	\$ 713,573	4.1%	\$ 18,891,879	\$ 704,021	3.9%	
Change in Assets	\$ (1,012,737)	\$ (1,406,720)	\$ (393,983)	38.9%	\$ (1,193,079)	\$ 213,641	-15.2%	
Fixed Assets								
Depreciation	\$ (234,882)	\$ (239,524)	\$ (4,642)	2.0%	\$ (174,117)	\$ 65,407	-27.3%	
Computer & Software CapEx	100,000	100,000	-	0.0%	100,000	-	0.0%	
Furniture & Fixtures CapEx	-	-	-	-	-	-		
Equipment CapEx	143,000	-	(143,000)	-100.0%	-	-		
Leasehold Improvements	-	-	-	-	-	-		
Allocation of Fixed Assets	-	-	-	-	-	-		
Inc(Dec) in Fixed Assets (C)	\$ 8,118	\$ (139,524)	\$ (147,642)	-1818.7%	\$ (74,117)	\$ 65,407	0.0%	
TOTAL BUDGET (=B + C)	\$ 17,482,403	\$ 18,048,334	\$ 565,931	3.2%	\$ 18,817,762	\$ 769,428	4.3%	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,020,855)	\$ (1,267,196)	\$ (246,341)	100.0%	\$ (1,118,962)	\$ 148,234	-11.7%	
FTEs	75.00	75.00	-	-	75.00	-	-	

Table B-13. Budget 2017 Compared with 2018-2019 Projections

Section C – Non-Statutory Activities

2017 Business Plan and Budget



Section C – Non-Statutory Activities

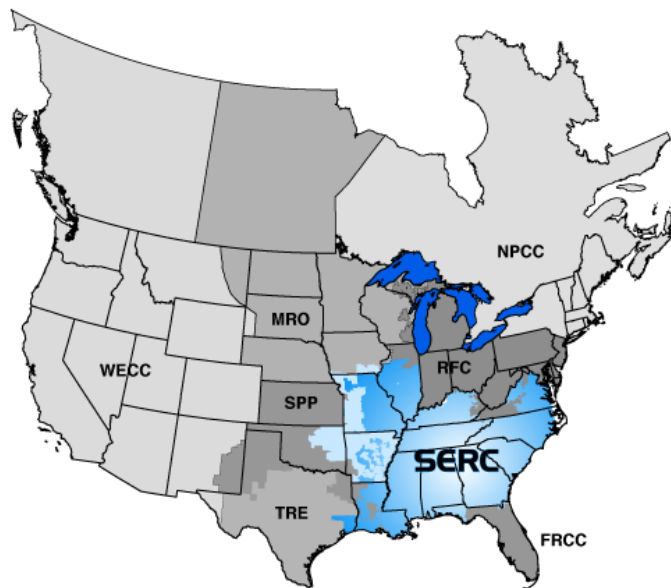
2017 Non-Statutory Business Plan and Budget

SERC does not provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Board and applicable statutes and regulations.

Table C-1. Non-Statutory Activities Budget

Section D – Additional Consolidated Financial Statements

2017 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2017 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2017 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities													
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance		
Funding																	
ERO Funding																	
NERC Assessments	15,706,023	15,706,023	-	15,706,023	607,334	11,611,268	2,895,142	656,290	1,270,344	-	(1,334,355)	-	-	-	-	-	-
Penalty Sanctions	195,000	195,000	-	195,000	6,670	134,617	31,859	6,670	15,184	-	-	-	-	-	-	-	-
Total NERC Funding	15,901,023	15,901,023	-	15,901,023	614,004	11,745,885	2,927,001	662,960	1,285,528	-	(1,334,355)	-	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	176,025	176,025	-	176,025	-	-	-	176,025	-	-	-	-	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Miscellaneous	383,500	383,500	-	383,500	-	71,000	-	-	-	-	312,500	-	-	-	-	-	-
Total Funding (A)	16,461,548	16,461,548	-	16,461,548	614,004	11,816,885	2,927,001	838,985	1,285,528	-	(1,021,855)	-	-	-	-	-	1,000
Expenses																	
Personnel Expenses																	
Salaries	10,095,783	10,095,783	-	10,095,783	255,902	4,334,934	865,697	191,593	471,864	647,648	2,319,639	461,191	-	236,165	311,150	-	-
Payroll Taxes	747,086	747,086	-	747,086	18,937	320,783	64,063	14,178	34,917	47,926	171,653	34,128	-	17,476	23,025	-	-
Benefits	1,087,450	1,087,450	-	1,087,450	23,841	526,268	112,726	25,141	54,791	68,201	174,915	38,911	-	23,218	39,438	-	-
Retirement Costs	1,278,181	1,278,181	-	1,278,181	33,222	564,671	110,591	24,775	61,522	84,273	272,395	56,654	-	29,501	40,577	-	-
Total Personnel Expenses	13,208,500	13,208,500	-	13,208,500	331,902	5,746,656	1,153,077	255,687	623,094	848,048	2,938,602	590,884	-	306,360	414,190	-	-
Meeting Expenses																	
Meetings	265,768	265,768	-	265,768	-	13,500	22,200	137,496	-	13,600	30,200	46,722	-	1,700	350	-	-
Travel	534,977	534,977	-	534,977	2,400	309,282	44,268	11,100	25,000	57,986	59,478	20,263	1,000	1,200	3,000	-	-
Conference Calls	44,544	44,544	-	44,544	-	-	-	-	-	-	44,544	-	-	-	-	-	-
Total Meeting Expenses	845,289	845,289	-	845,289	2,400	322,782	66,468	148,596	25,000	71,586	134,222	66,985	1,000	2,900	3,350	-	-
Operating Expenses																	
Consultants & Contracts	2,120,181	2,120,181	-	2,120,181	-	83,000	369,000	155,000	-	-	357,725	42,400	962,556	150,500	-	-	-
Office Rent	590,983	590,983	-	590,983	-	-	-	-	-	-	590,983	-	-	-	-	-	-
Office Costs	282,011	282,011	-	282,011	-	19,400	2,467	-	700	-	53,044	3,370	180,955	180	21,895	-	-
Professional Services	175,739	175,739	-	175,739	-	-	-	-	-	-	60,644	40,000	-	37,807	37,288	-	-
Miscellaneous	16,700	16,700	-	16,700	-	-	-	-	-	-	16,700	-	-	-	-	-	-
Depreciation	234,882	234,882	-	234,882	-	-	-	-	-	-	234,882	-	-	-	-	-	-
Total Operating Expenses	3,420,496	3,420,496	-	3,420,496	-	102,400	371,467	155,000	700	-	1,313,978	85,770	1,143,511	188,487	59,183	-	-
Total Direct Expenses	17,474,285	17,474,285	-	17,474,285	334,302	6,171,838	1,591,012	559,283	648,794	919,634	4,386,802	743,639	1,144,511	497,747	476,723	-	-
Indirect Expenses																	
	-	-	-	-	279,424	5,639,443	1,334,663	279,424	636,102	(919,634)	(4,386,802)	(743,639)	(1,144,511)	(497,747)	(476,723)	-	-
Other Non-Operating Expenses																	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	17,474,285	17,474,285	-	17,474,285	613,726	11,811,281	2,925,675	838,707	1,284,896	-	-	-	-	-	-	-	-
Change in Assets	(1,012,737)	(1,012,737)	-	(1,012,737)	278	5,604	1,326	278	632	-	(1,021,855)	-	-	-	-	-	1,000
Fixed Assets																	
Depreciation	(234,882)	(234,882)	-	(234,882)	-	-	-	-	-	-	(234,882)	-	-	-	-	-	-
Computer & Software CapEx	100,000	100,000	-	100,000	-	-	-	-	-	-	100,000	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	143,000	143,000	-	143,000	-	-	-	-	-	-	143,000	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	278	5,604	1,326	278	632	-	(8,118)	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	8,118	8,118	-	8,118	278	5,604	1,326	278	632	-	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	17,482,403	17,482,403	-	17,482,403	614,004	11,816,885	2,927,001	838,985	1,285,528	-	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(1,020,855)	(1,020,855)	-	(1,020,855)	-	-	-	-	-	-	(1,021,855)	-	-	-	-	-	1,000
FTEs	75.00	75.00	-	75.00	1.70	34.31	8.12	1.70	3.87	4.70	13.25	2.55	-	1.90	2.90	-	-

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

Statement of Financial Position

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

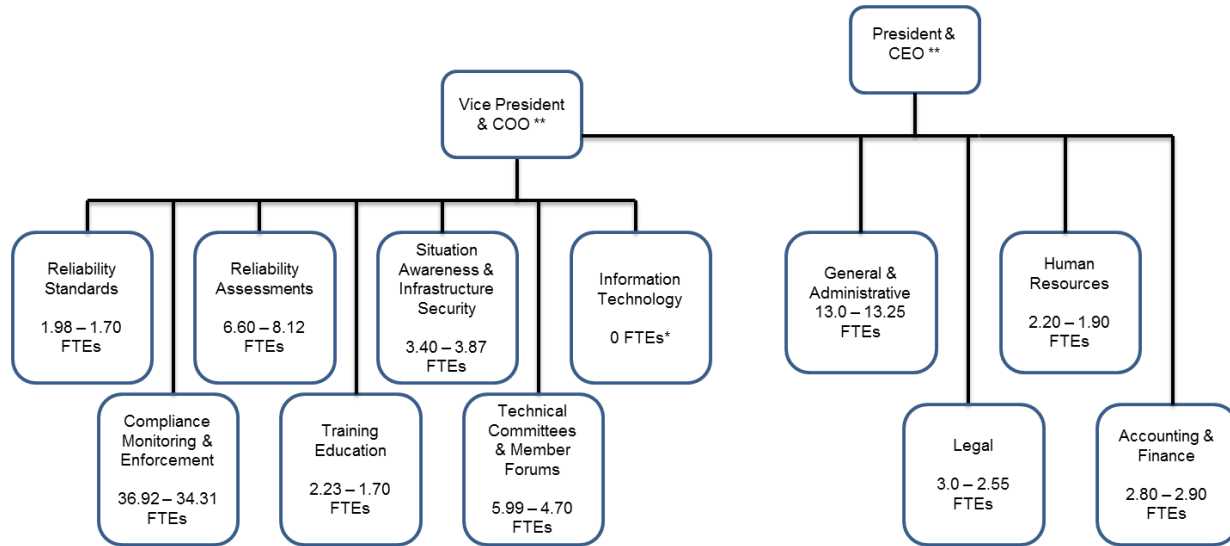
- As of December 31, 2015, per audit
- As of December 31, 2016, projected
- As of December 31, 2017, as budgeted

Statement of Financial Position			
2015 Audited, 2016 Projection, and 2017 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-15	31-Dec-16	31-Dec-17
ASSETS			
Cash	6,778,480	5,365,343	5,265,343
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	223,667	223,667	223,667
Other Receivables	-	-	-
Prepaid expenses and other current assets	262,529	262,529	262,529
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	909,946	1,119,492	1,111,374
Total Assets	8,174,622	6,971,031	6,862,913
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	404,084	404,084	404,084
Deferred income	37,049	37,049	37,049
Deferred penalty income	705,910	195,000	-
Deferred rent	438,341	472,676	464,201
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued personnel benefits other	533,055	-	-
Accrued retirement liabilities	373,068	514,372	571,593
Accrued incentive compensation	1,206,070	1,241,229	1,346,435
Total Liabilities	3,697,577	2,864,410	2,823,362
Net Assets - unrestricted	4,477,045	4,106,621	4,039,551
Total Liabilities and Net Assets	8,174,622	6,971,031	6,862,913

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

Appendix A Organization Chart

The SERC Organization Chart is shown below.



*FTEs for Information Technology are recorded within General and Administrative
** Executive positions are recorded within General and Administrative

Figure 2. SERC Organization Chart

Appendix B Acronyms

This section lists and defines acronyms used in this document.

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

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