



SERC Reliability Corporation
3701 Arco Corporate Drive, Suite 300
Charlotte, NC 28273
704.357.7372 | Fax 704.357.7914 | www.serc1.org

SERC Reliability Corporation

2016 Business Plan and Budget

DRAFT 1.0
April, 2015

TABLE OF CONTENTS

Introduction 3

 Organizational Overview 3

 Membership and Governance 4

 Statutory Functional Scope 4

 2016 Key Assumptions 5

 2016 Goals and Key Deliverables 6

 2016 Overview of Cost Impacts 7

 Summary by Program 9

 2015 Budget and Projection and 2016 Budget Comparisons 12

Section A – Statutory Programs 14

 Reliability Standards Program 14

 Reliability Standards Budget Detail 16

 Compliance Monitoring and Enforcement and Organization Registration
 and Certification Program 17

 Compliance Monitoring and Enforcement and Organization Registration
 and Certification Budget Detail 22

 Reliability Assessment and Performance Analysis Program 23

 Reliability Assessment and Performance Analysis Budget Detail 25

 Training, Education, and Operator Certification Program 26

 Training, Education, and Operator Certification Budget Detail 28

 Situation Awareness and Infrastructure Security Program 29

 Situation Awareness and Infrastructure Security Budget Detail 31

 Administrative Services 32

 Technical Committees and Member Forums 33

 General and Administrative 35

 Legal and Regulatory 36

 Information Technology 37

 Human Resources 39

 Finance and Accounting 40

 Administrative Services 41

Section B – Supplemental Financial Information 43

 Reserve Balance 43

 Breakdown by Statement of Activity Sections 44

Section C – Non-Statutory Activities 57

 2016 Non-Statutory Business Plan and Budget 57

Section D – Additional Consolidated Financial Statements 59

 2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory 59

 Statement of Financial Position 60

Appendix A Organization Chart 61

Appendix B Acronyms 62

Appendix C Index of Figures and Tables 64

Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2016.

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	77.12			
Non-statutory FTEs**	-			
Total FTEs	77.12			
Statutory Expenses	\$ 15,982,173			
Non-Statutory Expenses**	\$ -			
Total Expenses	\$ 15,982,173			
Statutory Inc(Dec) in Fixed Assets	\$ (276,169)			
Non-Statutory Inc(Dec) in Fixed Assets**	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (276,169)			
Statutory Working Capital Requirement*	\$ (671,457)			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ (671,457)			
Total Statutory Funding Requirement	\$ 15,034,547			
Total Non-Statutory Funding Requirement**	\$ -			
Total Funding Requirement	\$ 15,034,547			
Statutory Funding Assessments	\$ 13,730,972	\$ 13,730,972	\$ -	\$ -
Non-Statutory Fees**	\$ -	\$ -	\$ -	\$ -
NEL		-	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

Table 1. SERC Budget for 2016

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 ____ percent of the net energy for load (NEL) in North America and ____ 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 2016 targeted staffing level of 77.12 Full-Time Equivalent (FTEs) (2016 total headcount of 79.7) composed of power industry professionals and support personnel.

Membership and Governance

As part of its delegated duties, SERC monitors 241 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.

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.

2016 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 *2016 – 2018 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's *2016 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.

2016 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 reliability 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.

2016 Overview of Cost Impacts

SERC proposes to decrease its operating budget from \$15,995,840 to \$15,706,004 in 2016, a decrease of \$289,836 or 1.8 percent. The proposed 2016 assessment of \$13,730,971 is a decrease of 0.0 percent from the 2015 assessment of \$13,731,034. SERC believes that in 2016 it will continue to realize material efficiencies that 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 and as a temporary increase to SERC's Operating Reserve, as detailed in Table B-1.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the *2016 Business Plan and Budget* (dollars are stated as an increase in the 2016 budget compared to the 2015 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. \$150,000 is included in the *2016 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, \$42,000 each, and the related offset of \$294,000 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 2016** – The targeted staffing level for 2016 is 77.12 FTEs, a decrease of 1.58 FTEs (no change in headcount) as compared to the 2015 budget, due to staggering the hire dates for four FTEs. In 2015, SERC budgeted for three entry-level engineering positions to assist in information transfer and succession planning. SERC has continued to fund these entry-level positions.
- **Cost decrease for maintaining staff budgeted in 2016** – The net decrease in Personnel costs of \$253,548 compared to 2015 reflects a decrease of 1.58 FTEs and a change in personnel strategy to use consultants in lieu of FTEs for Human Resources and Information Technology (IT). This decrease is offset by a budgeted average increase in salary of 3 percent for existing staff, and an overall increase in employee benefits costs. Additionally, a 10 percent vacancy rate has been applied to all Personnel Expenses, further reducing costs.

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

- **Meetings and Travel** – A decrease of \$25,689 and \$30,692 or 9.4 percent and 5.2 percent, respectively, is due to a continued effort to have most meetings in SERC's office or member facilities, decreasing the total meetings and travel costs.
- **Consultants and Contracts** – An increase of \$171,835 or 14.6% is primarily due to the development of a simulator for the SERC region and training materials, and a qualification program and implement a systematic approach to training. Additional increase is due to a change in staffing strategy of using consultants in lieu of FTEs.
- **Office Rent** – An increase of \$53,108 or 11.4 percent is due to recording 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 \$118,172 or 27.4 percent is primarily due to a decrease in computer and software purchases.

- **Professional Fees** – An increase of \$43,800 or 39.3 percent is primarily due to a change in the carrier for SERC’s ancillary insurances, including life insurance, and short-term and long-term disability.
- **Depreciation** – An increase of \$65,410 or 15.6 percent is due to an increase in the capital assets purchased in previous years which would now incur a full year of depreciation.

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.

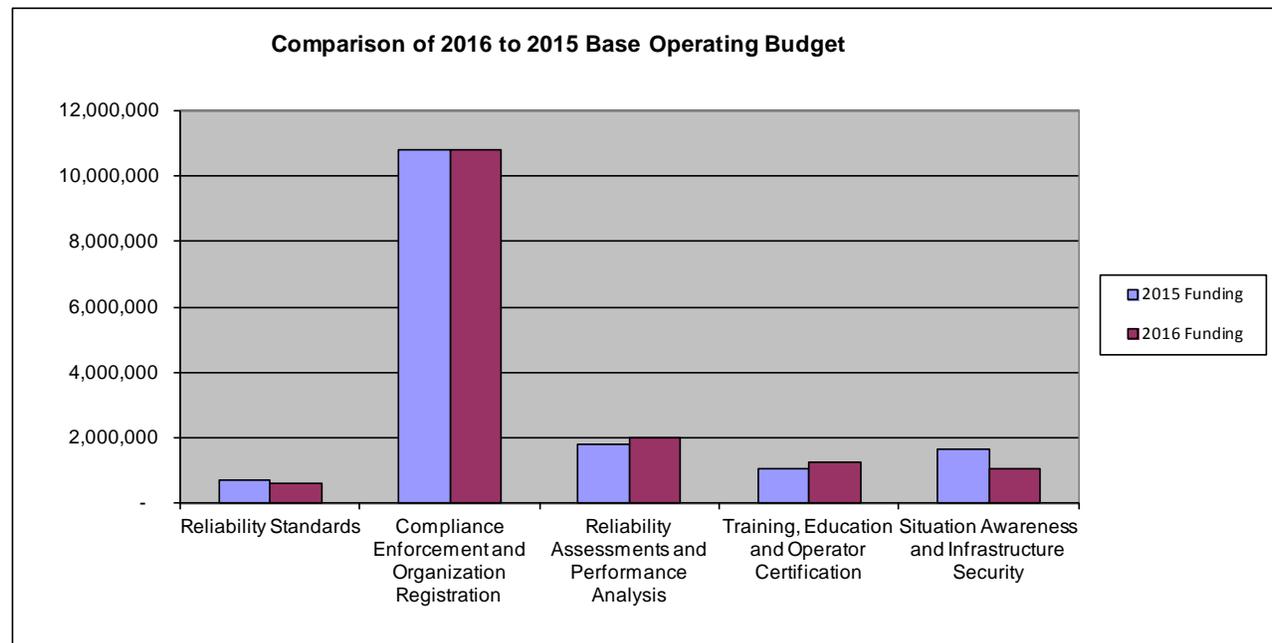
Summary by Program

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

Base Operating Budget	Budget	Projection	Budget	Change	
	2015	2015	2016	2016 Budget v 2015 Budget	% Change
Reliability Standards	681,119	547,697	624,613	(56,506)	-8.3%
Compliance Enforcement and Organization Registration	10,779,635	10,275,944	10,792,811	13,176	0.1%
Reliability Assessments and Performance Analysis	1,809,522	2,256,731	1,990,412	180,890	10.0%
Training, Education and Operator Certification	1,055,419	1,046,146	1,269,874	214,455	20.3%
Situation Awareness and Infrastructure Security	1,670,145	1,884,639	1,028,294	(641,851)	-38.4%
Total	15,995,840	16,011,157	15,706,004	(289,836)	-1.8%
Working Capital Reserve	76,549	29,702	(671,457)	(748,006)	
Total Funding	16,072,389	16,040,859	15,034,547	(1,037,842)	-6.5%

This graphical 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 8.3 percent decrease in total funding, from \$681,119 in 2015 to \$624,613 budgeted in 2016, is due to the decrease in indirect expenses being allocated to the Reliability Standards program. This decrease is due to the reduction of 0.5 FTEs as described in the Resource Requirements section of the program area budget. Additionally, an overall 10 percent vacancy rate has been applied to Personnel costs, based on historical data.

Compliance Enforcement and Organization Registration – The 0.1 percent increase in total funding, from \$10,779,635 budgeted in 2015 to \$10,792,811 budgeted in 2016, 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 FTEs and total costs in Administrative Services. As an offset, a 10 percent vacancy rate has been applied to Personnel costs, based on historical data.

Reliability Assessments and Performance Analysis – The 10.0 percent increase in total funding, from \$1,809,522 in 2015 to \$1,990,412 budgeted in 2016, is due to the increase of 1.0 FTE as described in the Resource Requirements section of the program area budget, which was offset by a 10 percent vacancy rate applied to Personnel costs, based on historical data. Additionally, there is a decrease in Consultants and Contracts due to a one-time cost in 2015 to perform a benchmarking system-wide stability study.

Training, Education and Operator Certification – The 20.3 percent increase in total funding, from \$1,055,419 budgeted in 2015 to \$1,269,874 budgeted in 2016, is primarily due to an increase in consultants 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.

Situation Awareness and Infrastructure Security – The 38.4 percent decrease in total funding, from \$1,670,145 budgeted in 2015 to \$1,028,294 budgeted in 2016, is due to the reduction of 2.25 FTEs as described in the Resource Requirements section of the program area budget, as well as an overall 10 percent vacancy rate applied to Personnel costs, based on historical data. The decrease in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the reduction of FTEs.

The following table displays total FTEs by program area.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2015	2015	2016 Budget	FTEs ¹ 2016 Budget	2016 Budget	from 2015 Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.61	1.62	2.11	-	2.11	(0.50)
Compliance Monitoring and Enforcement and Organization Registration and Certification	37.50	25.60	36.92	-	36.92	(0.58)
Reliability Assessment and Performance Analysis	5.90	6.78	6.90	-	6.90	1.00
Training and Education	2.61	2.58	2.36	-	2.36	(0.25)
Situation Awareness and Infrastructure Security	5.95	5.63	3.70	-	3.70	(2.25)
Total FTEs Operational Programs	54.57	42.21	51.99	-	51.99	(2.58)
Administrative Programs						
Technical Committees and Member Forums	5.13	4.51	6.13	-	6.13	1.00
General & Administrative	19.00	17.96	19.00	-	19.00	-
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
Total FTEs Administrative Programs	24.13	22.47	25.13	-	25.13	1.00
Total FTEs	78.70	64.68	77.12	-	77.12	(1.58)

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.

2015 Budget and Projection and 2016 Budget Comparisons

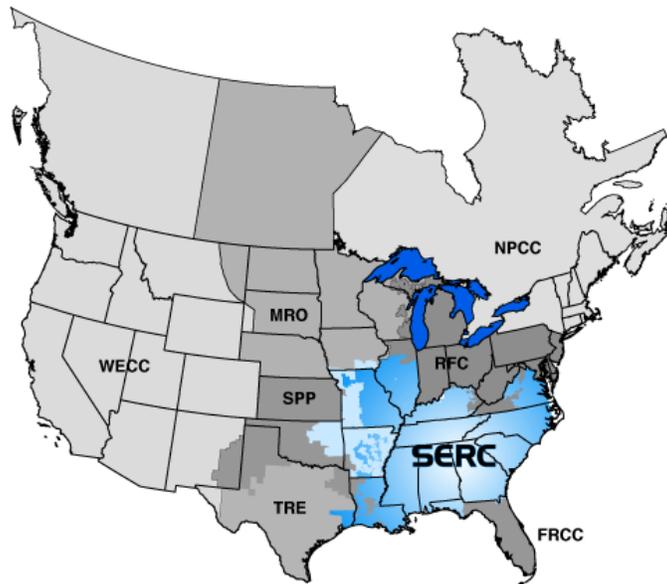
The following table lists the 2015 budget and projection compared to the 2016 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,731,034	\$ 13,731,034	\$ -	\$ 13,730,972	\$ (62)
Penalty Sanctions	1,787,000	1,787,000	-	648,500	(1,138,500)
Total NERC Funding	\$ 15,518,034	\$ 15,518,034	\$ -	\$ 14,379,472	\$ (1,138,562)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	259,355	197,625	(61,730)	210,075	(49,280)
Interest	1,000	1,200	200	1,000	-
Miscellaneous	294,000	325,500	31,500	444,000	150,000
Total Funding (A)	\$ 16,072,389	\$ 16,042,359	\$ (30,030)	\$ 15,034,547	\$ (1,037,842)
Expenses					
Personnel Expenses					
Salaries	\$ 9,717,873	\$ 9,353,765	\$ (364,108)	\$ 9,335,326	\$ (382,547)
Payroll Taxes	583,072	692,179	109,107	635,790	52,718
Benefits	938,825	868,437	(70,388)	1,059,321	120,496
Retirement Costs	1,325,619	1,259,771	(65,848)	1,281,404	(44,215)
Total Personnel Expenses	\$ 12,565,389	\$ 12,174,152	\$ (391,237)	\$ 12,311,841	\$ (253,548)
Meeting Expenses					
Meetings	\$ 273,110	\$ 300	\$ (272,810)	\$ 247,421	\$ (25,689)
Travel	585,639	406,756	(178,883)	554,947	(30,692)
Conference Calls	48,000	48,000	-	44,544	(3,456)
Total Meeting Expenses	\$ 906,749	\$ 455,056	\$ (451,693)	\$ 846,912	\$ (59,837)
Operating Expenses					
Consultants & Contracts	\$ 1,177,609	\$ 1,870,977	\$ 693,368	\$ 1,349,444	\$ 171,835
Office Rent	464,809	542,271	77,462	517,917	53,108
Office Costs	430,551	439,367	8,816	312,379	(118,172)
Professional Services	111,400	136,500	25,100	155,200	43,800
Miscellaneous	-	5,000	5,000	5,000	5,000
Depreciation	418,070	366,475	(51,595)	483,480	65,410
Total Operating Expenses	\$ 2,602,439	\$ 3,360,590	\$ 758,151	\$ 2,823,420	\$ 220,981
Total Direct Expenses	\$ 16,074,577	\$ 15,989,798	\$ (84,779)	\$ 15,982,173	\$ (92,404)
Indirect Expenses	\$ -	\$ 1	\$ 1	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 16,074,577	\$ 15,989,799	\$ (84,778)	\$ 15,982,173	\$ (92,404)
Change in Assets	\$ (2,188)	\$ 52,560	\$ 54,748	\$ (947,626)	\$ (945,438)
Fixed Assets					
Depreciation	\$ (418,070)	\$ (366,475)	\$ 51,595	\$ (483,480)	\$ (65,410)
Computer & Software CapEx	309,333	309,333	-	207,311	(102,022)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	30,000	30,000	-	-	(30,000)
Leasehold Improvements	-	50,000	50,000	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	(78,737)	22,858	101,595	(276,169)	(197,432)
TOTAL BUDGET (=B + C)	\$ 15,995,840	\$ 16,012,657	\$ 16,817	\$ 15,706,004	\$ (289,836)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 76,549	\$ 29,702	\$ (46,847)	\$ (671,457)	\$ (748,006)
FTEs	78.70	64.68	(14.02)	77.12	(1.58)

Table 4. Budget and Projection Comparison, 2015 to 2016

Section A – Statutory Programs

2016 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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.61	2.11	(0.50)
Direct Expenses	\$ 380,205	\$ 366,574	\$ (13,631)
Indirect Expenses	\$ 304,680	\$ 269,248	\$ (35,432)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (3,766)	\$ (11,209)	\$ (7,443)
Total Funding Requirement	\$ 681,119	\$ 624,613	\$ (56,507)

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.

2016 Key Assumptions

SERC's 2016 key assumptions are:

- SERC regional standards development activity will continue to be limited.
- The volume of NERC Reliability Standard changes is expected to decrease as 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.
- The ERO Regional Standards Development Plan goal is to transition from the current set of Reliability Standards to a world-class body of Reliability Standards. These clear, concise standards will assure the reliability of the BPS in North America. They will also require a significant increase in throughput.
 - In developing these standards, new web-based tools will facilitate collaboration and consensus.
- 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.

2016 Goals and Key Deliverables

SERC's 2016 goals and key deliverables are the following:

- Manage SERC's catalog of Regional Criteria and administer the SERC Regional Reliability Standards development procedure.
- 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 0.5 FTEs in Reliability Standards consists of the following:

- A decrease of 1.0 FTE, an entry-level position, was reclassified from Reliability Standards into Compliance to provide additional opportunities for development.
- An increase of 0.5 FTE was reclassified from the Technical Committees and Members Forums program into the Reliability Standards program, to better align actual work performed.

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 2016 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					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY STANDARDS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 595,650	\$ 595,650	\$ -	\$ 598,292	\$ 2,642
Penalty Sanctions	85,469	85,469	-	26,321	(59,148)
Total NERC Funding	\$ 681,119	\$ 681,119	\$ -	\$ 624,613	\$ (56,506)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 681,119	\$ 681,119	\$ -	\$ 624,613	\$ (56,506)
Expenses					
Personnel Expenses					
Salaries	\$ 284,511	\$ 205,178	\$ (79,333)	\$ 271,842	\$ (12,669)
Payroll Taxes	17,071	15,183	(1,888)	20,116	3,045
Benefits	31,214	24,018	(7,196)	35,319	4,105
Retirement Costs	40,080	28,425	(11,655)	38,227	(1,853)
Total Personnel Expenses	\$ 372,876	\$ 272,804	\$ (100,072)	\$ 365,504	\$ (7,372)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	7,329	-	(7,329)	1,070	(6,259)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 7,329	\$ -	\$ (7,329)	\$ 1,070	\$ (6,259)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 380,205	\$ 272,804	\$ (107,401)	\$ 366,574	\$ (13,631)
Indirect Expenses	\$ 304,680	\$ 274,016	\$ (30,664)	\$ 269,248	\$ (35,432)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 684,885	\$ 546,820	\$ (138,065)	\$ 635,822	\$ (49,063)
Change in Assets	\$ (3,766)	\$ 134,299	\$ 138,065	\$ (11,209)	\$ (7,443)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (3,766)	877	4,643	(11,209)	(7,443)
Inc(Dec) in Fixed Assets (C)	(3,766)	877	4,643	(11,209)	(7,443)
TOTAL BUDGET (=B + C)	\$ 681,119	\$ 547,697	\$ (133,422)	\$ 624,613	\$ (56,506)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 133,422	\$ 133,422	\$ -	\$ -

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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	37.50	36.92	(0.6)
Direct Expenses	\$ 6,456,152	\$ 6,278,150	\$ (178,001)
Indirect Expenses	\$ 4,377,590	\$ 4,710,773	\$ 333,183
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (54,107)	\$ (196,112)	\$ (142,005)
Total Funding Requirement	\$ 10,779,635	\$ 10,792,811	\$ 13,177

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, 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
 - Implements and deploys 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 complete 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.

- 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.

2016 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 timed-based six-year audit cycle to a risk-based compliance monitoring approach. 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 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 monitoring is implemented. These other methods include Spot Checks and Guided Self-Certifications.
- CIP violations are expected to decrease 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 address the conversion from V3 to V5 and to support entities undergoing a CIP audit.
- SERC estimates it will perform 11 on-site and 19 off-site CIP audits or Spot Checks and 11 on-site and 19 off-site Operations and Planning audits or Spot Checks. 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 six certification activities.
- The volume of documents for Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration will increase as 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 that is necessary to support the successful implementation (or transition) of these major activities: Reliability Assurance Initiative, Risk-Based Registration, and CIP V5.
- As the risk-based compliance monitoring and enforcement program is defined and implemented, 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 will remain steady (approximately 370 violations per year).

- 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.
- No SERC BCC hearings will be held to resolve contested findings of a violation or penalty.

2016 Goals and Key Deliverables

Compliance

- Conduct scheduled Compliance Monitoring activities pursuant to the 2016 Implementation Plan.
- Facilitate efficient and collaborative transition to new and revised standards through:
 - Workshops focused on upcoming enforceable standards.
 - Review of Registered Entities' progress towards compliance with upcoming standards.
- Work with ERO to consolidate to a common set of Reliability Standards Audit Worksheets (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.
 - Implement compliance reform through a risk-based compliance monitoring approach.
 - Implement 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 ERO to develop common and consistent registration processes, information systems, and methods among Regions.
- Ensure that all key reliability 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 and implement 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 use of Compliance exceptions.

Resource Requirements

Personnel

A decrease of 0.58 FTEs in Compliance consists of the following:

- An increase of 1.0 FTE, an entry-level position, was reclassified from Reliability Standards into Compliance to provide additional opportunities for development.
- A decrease of 1.0 FTE. SERC reclassified an existing position previously recorded in Compliance into General and Administrative Services as a Project Manager. This position is responsible for furthering the implementation of project management techniques at SERC and obtaining top-tier project management-based results for selected profile projects.
- A net decrease of 0.58 FTEs related to staggering entry dates.

Contractors and Consultants

The 2016 budget includes contractor support in lieu of FTEs to supplement the audit program.

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 *2016 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					
2015 Budget & Projection, and 2016 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,544,624	\$ 9,544,624	\$ -	\$ 10,182,299	\$ 637,675
Penalty Sanctions	1,228,011	1,228,011	-	460,512	(767,499)
Total NERC Funding	\$ 10,772,635	\$ 10,772,635	\$ -	\$ 10,642,811	\$ (129,824)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	7,000	23,500	16,500	150,000	143,000
Total Funding (A)	\$ 10,779,635	\$ 10,796,135	\$ 16,500	\$ 10,792,811	\$ 13,176
Expenses					
Personnel Expenses					
Salaries	\$ 4,592,037	\$ 4,231,213	\$ (360,824)	\$ 4,417,105	\$ (174,932)
Payroll Taxes	275,522	313,110	37,588	309,197	33,675
Benefits	455,748	381,543	(74,205)	491,602	35,854
Retirement Costs	631,558	565,906	(65,652)	607,305	(24,253)
Total Personnel Expenses	\$ 5,954,865	\$ 5,491,772	\$ (463,093)	\$ 5,825,209	\$ (129,656)
Meeting Expenses					
Meetings	\$ 21,700	-	\$ (21,700)	23,140	1,440
Travel	319,455	251,959	(67,496)	299,600	(19,855)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 341,155	\$ 251,959	\$ (89,196)	\$ 322,740	\$ (18,415)
Operating Expenses					
Consultants & Contracts	\$ 134,333	\$ 162,613	\$ 28,280	\$ 104,543	\$ (29,790)
Office Rent	-	-	-	-	-
Office Costs	15,799	15,600	(199)	15,658	(141)
Professional Services	10,000	10,000	-	10,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 160,132	\$ 188,213	\$ 28,081	\$ 130,201	\$ (29,931)
Total Direct Expenses	\$ 6,456,152	\$ 5,931,944	\$ (524,208)	\$ 6,278,150	\$ (178,002)
Indirect Expenses	\$ 4,377,590	\$ 4,330,137	\$ (47,453)	\$ 4,710,773	\$ 333,183
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,833,742	\$ 10,262,081	\$ (571,661)	\$ 10,988,923	\$ 155,181
Change in Assets	\$ (54,107)	\$ 534,054	\$ 588,161	\$ (196,112)	\$ (142,005)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(54,107)	13,863	67,970	(196,112)	(142,005)
Inc(Dec) in Fixed Assets (C)	\$ (54,107)	\$ 13,863	\$ 67,970	\$ (196,112)	\$ (142,005)
TOTAL BUDGET (=B + C)	\$ 10,779,635	\$ 10,275,944	\$ (503,691)	\$ 10,792,811	\$ 13,176

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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.90	6.90	1.00
Direct Expenses	\$ 1,129,294	\$ 1,146,588	\$ 17,294
Indirect Expenses	\$ 688,741	\$ 880,479	\$ 191,738
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,513)	\$ (36,655)	\$ (28,142)
Total Funding Requirement	\$ 1,809,522	\$ 1,990,412	\$ 180,889

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

Program Scope and Functional Description

In 2014, NERC implemented a bright line definition for the BES. SERC's Reliability Assessments and Performance Analysis (RAPA) program provides analysis, 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), and Demand Response Availability Data System (DADS). 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.

2016 Key Assumptions

- Workloads will increase to provide the processes, data, and information required to implement enhanced analytical efforts associated with NERC Reliability Assessment Program improvements.
- Workloads will increase to support requirements for risk identification and mitigation. SERC will use project management 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 as may be called for by NERC.

2016 Goals and Key Deliverables

- Improve model and model data management to support reliability risk management and performance analysis reporting.
- Analyze projected, historical, and operational data to measure seasonal system reliability performance.
- Implement new Reliability Assessment Portal improvements to support RAPA data collection, analysis, and reporting requirements.
- Complete quarterly TADS, GADS, and DADS data submittals.
- Complete reliability assessment studies and support through the NERC Reliability Assessment Subcommittee (RAS) and 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 EIA submittals on behalf of SERC entities within specified time frames.
- Continue to develop 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 2016 SERC primary reliability risk identification reports for ERO and SERC committee discussion.

Resource Requirements

Personnel

An increase of 1.0 FTE in Reliability Assessment and Performance Analysis consists of the following:

- An increase of 1.0 FTE was reclassified from the Situation Awareness and Infrastructure Security program into the Reliability Assessment and Performance Analysis program, to better align actual work performed.

Contractors and Consultants

The 2016 budget includes contractor support for the probabilistic study done through the Resource Adequacy Working Group and for the compiling and assessment of modeling information by the Eastern-Interconnection Reliability Assessment Group.

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 *2016 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					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection v 2015 Budget Over(Under)	Budget	2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,616,315	\$ 1,616,315	\$ -	\$ 1,904,339	\$ 288,024
Penalty Sanctions	193,207	193,207	-	86,073	(107,134)
Total NERC Funding	\$ 1,809,522	\$ 1,809,522	\$ -	\$ 1,990,412	\$ 180,890
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,809,522	\$ 1,809,522	\$ -	\$ 1,990,412	\$ 180,890
Expenses					
Personnel Expenses					
Salaries	\$ 553,482	\$ 683,882	\$ 130,400	\$ 654,817	\$ 101,335
Payroll Taxes	33,209	50,607	17,398	52,385	19,176
Benefits	76,022	81,980	5,958	98,984	22,962
Retirement Costs	77,407	95,880	18,473	91,709	14,302
Total Personnel Expenses	\$ 740,120	\$ 912,349	\$ 172,229	\$ 897,895	\$ 157,775
Meeting Expenses					
Meetings	\$ 21,030	\$ 300	\$ (20,730)	\$ 10,845	\$ (10,185)
Travel	43,032	3,000	(40,032)	47,162	4,130
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 64,062	\$ 3,300	\$ (60,762)	\$ 58,007	\$ (6,055)
Operating Expenses					
Consultants & Contracts	\$ 322,500	\$ 188,000	\$ (134,500)	\$ 188,000	\$ (134,500)
Office Rent	-	-	-	-	-
Office Costs	2,612	2,600	(12)	2,686	74
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 325,112	\$ 190,600	\$ (134,512)	\$ 190,686	\$ (134,426)
Total Direct Expenses	\$ 1,129,294	\$ 1,106,249	\$ (23,045)	\$ 1,146,588	\$ 17,294
Indirect Expenses	\$ 688,741	\$ 1,146,810	\$ 458,069	\$ 880,479	\$ 191,738
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,818,035	\$ 2,253,059	\$ 435,024	\$ 2,027,067	\$ 209,032
Change in Assets	\$ (8,513)	\$ (443,537)	\$ (435,024)	\$ (36,655)	\$ (28,142)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,513)	\$ 3,672	\$ 12,185	\$ (36,655)	\$ (28,142)
Inc(Dec) in Fixed Assets (C)	\$ (8,513)	\$ 3,672	\$ 12,185	\$ (36,655)	\$ (28,142)
TOTAL BUDGET (=B + C)	\$ 1,809,522	\$ 2,256,731	\$ 447,209	\$ 1,990,412	\$ 180,890
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (447,209)	\$ (447,209)	\$ -	\$ -

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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.61	2.36	(0.25)
Direct Expenses	\$ 754,505	\$ 981,262	\$ 226,757
Indirect Expenses	\$ 304,680	\$ 301,149	\$ (3,531)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (3,766)	\$ (12,537)	\$ (8,771)
Total Funding Requirement	\$ 1,055,419	\$ 1,269,874	\$ 214,455

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 on the operations of the BPS. SERC Training and Education programs support the continuing education of 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.

2016 Key Assumption

- 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.

2016 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 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 Wide Area 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 major 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 0.25 FTEs in Training and Education consists of the following:

- A decrease of 0.25 FTEs was reclassified from the Training and Education program into the Technical Committee and Member Forums program, to better align actual work performed.

Contractors and Consultants

The 2016 budget includes contractor support for the System Operator Conferences, Restoration Drill conference, and system simulator development. Additionally, the budget includes contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

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 2016 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					
2015 Budget & Projection, and 2016 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2015	2015	Variance	2016	Variance
Funding	Budget	Projection	2015 Projection v 2015 Budget Over(Under)	Budget	2016 Budget v 2015 Budget Over(Under)
ERO Funding					
NERC Assessments	\$ 710,595	\$ 710,595	\$ -	\$ 1,030,360	\$ 319,765
Penalty Sanctions	85,469	85,469	-	29,439	(56,030)
Total NERC Funding	\$ 796,064	\$ 796,064	\$ -	\$ 1,059,799	\$ 263,735
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	259,355	197,625	(61,730)	210,075	(49,280)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,055,419	\$ 993,689	\$ (61,730)	\$ 1,269,874	\$ 214,455
Expenses					
Personnel Expenses					
Salaries	\$ 333,898	\$ 320,953	\$ (12,945)	\$ 279,116	\$ (54,782)
Payroll Taxes	20,034	23,751	3,717	19,538	(496)
Benefits	25,990	30,140	4,150	32,605	6,615
Retirement Costs	46,584	43,369	(3,215)	38,323	(8,261)
Total Personnel Expenses	\$ 426,506	\$ 418,213	\$ (8,293)	\$ 369,582	\$ (56,924)
Meeting Expenses					
Meetings	\$ 144,100	\$ -	\$ (144,100)	\$ 137,196	\$ (6,904)
Travel	18,875	60,939	42,064	18,284	(591)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 162,975	\$ 60,939	\$ (102,036)	\$ 155,480	\$ (7,495)
Operating Expenses					
Consultants & Contracts	\$ 163,000	\$ 128,000	\$ (35,000)	\$ 455,000	\$ 292,000
Office Rent	-	-	-	-	-
Office Costs	2,024	1,200	(824)	1,200	(824)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 165,024	\$ 129,200	\$ (35,824)	\$ 456,200	\$ 291,176
Total Direct Expenses	\$ 754,505	\$ 608,352	\$ (146,153)	\$ 981,262	\$ 226,757
Indirect Expenses	\$ 304,680	\$ 436,397	\$ 131,717	\$ 301,149	\$ (3,531)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,059,185	\$ 1,044,749	\$ (14,436)	\$ 1,282,411	\$ 223,226
Change in Assets	\$ (3,766)	\$ (51,060)	\$ (47,294)	\$ (12,537)	\$ (8,771)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (3,766)	\$ 1,397	5,163	(12,537)	(8,771)
Inc(Dec) in Fixed Assets (C)	\$ (3,766)	\$ 1,397	\$ 5,163	\$ (12,537)	\$ (8,771)
TOTAL BUDGET (=B + C)	\$ 1,055,419	\$ 1,046,146	\$ (9,273)	\$ 1,269,874	\$ 214,455
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (52,457)	\$ (52,457)	\$ -	\$ -
FTEs	2.61	2.58	(0.03)	2.36	(0.25)

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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.95	3.70	(2.25)
Direct Expenses	\$ 984,152	\$ 575,809	\$ (408,343)
Indirect Expenses	\$ 694,578	\$ 472,141	\$ (222,437)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	(8,585)	(19,656)	(11,071)
Total Funding Requirement	\$ 1,670,145	\$ 1,028,294	\$ (641,851)

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.

2016 Key Assumptions

- SERC will continue to work with NERC’s Electric Sector – Information Sharing and Analysis Center (ES-ISAC) to identify opportunities for improving information sharing on CIP-related events, threats and vulnerabilities to improve reliability within the BES.
- SERC will continue outreach efforts to communicate Situation Awareness (SA), Events Analysis (EA), Compliance Assessment (CA) and CIP-related reporting importance.
- 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.

2016 Goals and Key Deliverables

- Complete process and System Data Exchange software improvements to support analysis and reporting requirements.
- Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives.
- Continue stakeholder outreach efforts that support the program.
- Continue post-event reporting initiatives that promote entity and regulatory organization awareness.
- Evaluate events information to identify risk trends and benchmarking efforts.
- Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources and emerging issues.
- Complete and publish the annual report on SERC Causal Analysis and Lessons Learned to promote engagement of NERC, SERC entities, and the Regions.
- Monitor and evaluate CIP-related threats, vulnerabilities and events for information sharing internally (SERC staff) and externally (member stakeholders).
- Provide outreach on CIP-related topics to promote security awareness and support compliance activities as necessary to include the System Operator Conferences.
- Participate in the NERC Critical Infrastructure Protection Committee (CIPC) and other working groups that develop and promote Cyber and Physical Security Initiatives for the industry.
- Assist Compliance and member stakeholders with CIP V3 to V5 transition to include participating in the NERC Security Reliability Program (SRP).
- Participate in and coordinate SERC activities in drills and exercises to include Grid Security Exercise III (GridEx III), GridSecCon, and FERC and SERC Restoration Drills.
- Participate in follow-up process improvements and initiatives developed from the 2015 GridEx III exercise.

Resource Requirements

Personnel

A decrease of 2.25 FTEs in Situation Awareness and Infrastructure Security consists of the following:

- A decrease of 2.25 FTEs was reclassified from the Training and Education program into the Technical Committee and Member Forums program to better align with actual work performed.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Administrative Services

The following table lists the budget for Administrative Services.

	Administrative Services (in whole dollars)					
	Direct Expenses and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Inc(Dec)	2015 Budget	2016 Budget	Inc(Dec)
Technical Committees and Members Forum	\$ 927,215	\$ 1,093,081	\$ 165,866	5.13	6.13	1.00
General and Administrative	\$ 4,700,115	\$ 4,890,119	\$ 190,004	19.00	19.00	-
Legal and Regulatory	\$ 31,605	\$ 53,270	\$ 21,665	-	-	-
Information Technology	\$ 590,626	\$ 515,411	\$ (75,215)	-	-	-
Human Resources	\$ 81,308	\$ 21,209	\$ (60,099)	-	-	-
Finance and Accounting	\$ 39,400	\$ 60,700	\$ 136,454	-	-	-
Total Administrative Services	\$ 6,370,269	\$ 6,633,790	\$ 378,675	24.13	25.13	1.00

Table A-11. Administrative Services Budget

Program Scope and Functional Description

SERC's Administrative Services area includes the budget for all business and administrative functions of the organization, including (1) Technical Committees and Member Forums; (2) General and Administrative; (3) Legal and Regulatory; (4) 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 proportionately to the direct programs for 2016 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Program Scope and Functional Description

The Technical Committees and Member Forums 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.

2016 Key Assumptions

- SERC will continue its standing committee and subgroup structure for effective stakeholder involvement in 2016 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.
- The ERO goals—to identify the most significant risks to reliability, prioritize them, facilitate effective solutions and interventions, and monitor results—will continue to require a toolkit to address reliability issues. SERC's own reliability risk management program will support the ERO program.
 - The management of the work plans will focus on deploying the most appropriate tool for the need and to produce outcomes that address reliability risks. This will help to mitigate the required increase in resources, including industry and ERO staff.
- As needs change, SERC will assess committee structure and optimize, as required.

2016 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.

Resource Requirements

Personnel

An increase of 1.0 FTE in Technical Committees and Member Forums consists of the following:

- An increase of 0.25 FTE and 1.25 FTEs was reclassified from the Training and Education program and Situation Awareness and Infrastructure Security program, respectively, and a decrease of 0.5 FTE was reclassified from Reliability Standards, for a net increase of 1.0 FTE into the Technical Committee and Member Forums program, to better align actual work performed.

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 and members.

2016 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Continued focus will be placed on facilitating reliability enhancing activities.
- Increase outreach and communication with members/stakeholders in order to ensure the effectiveness of SERC.

2016 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

SERC reclassified an existing position previously recorded in Compliance into General and Administrative Services as a Project Manager. This position is responsible for furthering the implementation of project management techniques at SERC and obtaining top-tier project management-based results for selected profile projects. This was offset by utilizing contract support in lieu of an FTE.

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

Contractors and Consultants

The 2016 budget includes contractor support for ongoing training and development of SERC's management team, continued development of a communications plan, a consultant to the Board, and a change in staffing strategy of using consultants in lieu of FTEs.

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.

2016 Key Assumptions

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

2016 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

There are no significant changes requiring an explanation. There are no FTEs included in the Legal and Regulatory program. All in-house attorneys are recorded under the General and Administrative program.

Contractors and Consultants

There are no contractor and consultant resource requirements.

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. The IT group at SERC supports other staff and SERC members with the Portal system and core technology infrastructure. IT performs these functions:

- Maintains facilities by working with construction, access control, and other outside contractors.
- Hosts, develops, and/or maintains multiple SERC Portals, Compliance Issues Tracking System (CITS), Protected Entity Information (PEI) environment, Communications systems, Project Server, Documentum, Network Infrastructure, and Intranet SharePoint system.
- Maintains equipment for the Operating Committee Hotline.
- Maintains telecommunication and Internet circuits.
- Provides and maintains web-based solutions for meetings and collaboration.
- Maintains 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 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*.

2016 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.

2016 Goals and Key Deliverables

- Coordinate with other Regions' IT efforts and benchmark with peer Regions.
- Maintain IT and telecommunications systems and resources for efficient use by SERC personnel.
- Implement updated communications tools and technologies.
- Continue to improve SERC's Protected Entity Information infrastructure to allow efficient and secure data transfers to and from SERC's Entities.

Resource Requirements**Personnel**

There are no significant changes requiring an explanation. All personnel for Information Technology are included under the General and Administrative program.

Contractors and Consultants

The 2016 budget includes contractor support for 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 is responsible to recruit stellar employees, maintain appropriate salaries and benefits based on industry data, provide employee training programs, and update the employee handbook.

2016 Key Assumptions

- Provide competitive compensation and benefits.
- Provide a 3.0 percent average salary increase. This assumption is reflected in the salary expense budget for all program areas.
- Assume a 10 percent vacancy rate to total Personnel Expenses.
- Assume an increased expectation for staff training.
- Ensure that staff develops and maintains the appropriate professional credentials to remain current with industry standards and trends.
- Maintain and update job descriptions to include all new requirements, such as the *Compliance Auditor Capabilities and Competency Guide*.

2016 Goals and Key Deliverables

- Attract, develop, and retain highly competent and motivated staff.
- Review compensation and benefits continually in targeted classifications.
- Increase employee retention.

Resource Requirements

Personnel

There are no significant changes requiring an explanation. All personnel for Human Resources are included under the General and Administrative program.

Contractors and Consultants

The 2016 budget includes contractor support for a climate survey.

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 and other forms required of non-profit corporations.
- Provide payroll and expense administration.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- Prepare and review monthly, quarterly, and annual financial statements.
- Exercise budgetary controls.
- Maintain necessary internal controls.
- Continue improvements in the annual business planning process within SERC and the ERO.
- Process payroll and expense reports.

Resource Requirements

Personnel

There are no significant changes requiring an explanation. All personnel for Finance and Accounting are included under the General and Administrative program.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Administrative Services

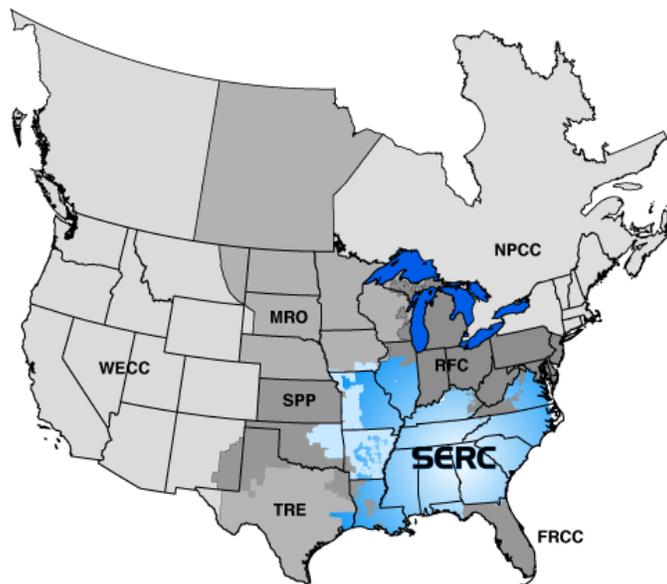
The following table shows funding sources and related expenses for the Administrative Services section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
ADMINISTRATIVE SERVICES					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (211,451)	\$ (211,451)	\$ -	\$ (966,457)	\$ (755,006)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ (211,451)</u>	<u>\$ (211,451)</u>	<u>\$ -</u>	<u>\$ (966,457)</u>	<u>\$ (755,006)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	1,000	1,200	200	1,000	-
Miscellaneous	287,000	302,000	15,000	294,000	7,000
Total Funding (A)	<u>\$ 76,549</u>	<u>\$ 91,749</u>	<u>\$ 15,200</u>	<u>\$ (671,457)</u>	<u>\$ (748,006)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 3,229,407	\$ 3,225,530	\$ (3,877)	\$ 3,313,569	\$ 84,162
Payroll Taxes	193,764	238,689	44,925	206,633	12,869
Benefits	278,470	267,731	(10,739)	345,690	67,220
Retirement Costs	438,885	437,041	(1,844)	451,445	12,560
Total Personnel Expenses	<u>\$ 4,140,526</u>	<u>\$ 4,168,991</u>	<u>\$ 28,465</u>	<u>\$ 4,317,337</u>	<u>\$ 176,811</u>
Meeting Expenses					
Meetings	\$ 86,280	\$ -	\$ (86,280)	\$ 76,240	\$ (10,040)
Travel	144,182	71,983	(72,199)	149,736	5,554
Conference Calls	48,000	48,000	-	44,544	(3,456)
Total Meeting Expenses	<u>\$ 278,462</u>	<u>\$ 119,983</u>	<u>\$ (158,479)</u>	<u>\$ 270,520</u>	<u>\$ (7,942)</u>
Operating Expenses					
Consultants & Contracts	\$ 557,776	\$ 1,392,364	\$ 834,588	\$ 601,901	\$ 44,125
Office Rent	464,809	542,271	77,462	517,917	53,108
Office Costs	409,226	419,567	10,341	292,435	(116,791)
Professional Services	101,400	126,500	25,100	145,200	43,800
Miscellaneous	-	5,000	5,000	5,000	5,000
Depreciation	418,070	366,475	(51,595)	483,480	65,410
Total Operating Expenses	<u>\$ 1,951,281</u>	<u>\$ 2,852,177</u>	<u>\$ 900,896</u>	<u>\$ 2,045,933</u>	<u>\$ 94,652</u>
Total Direct Expenses	<u>\$ 6,370,269</u>	<u>\$ 7,141,151</u>	<u>\$ 770,882</u>	<u>\$ 6,633,790</u>	<u>\$ 263,521</u>
Indirect Expenses	<u>\$ (6,370,269)</u>	<u>\$ (7,139,651)</u>	<u>\$ (769,382)</u>	<u>\$ (6,633,790)</u>	<u>\$ (263,521)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ 76,549</u>	<u>\$ 90,249</u>	<u>\$ 13,700</u>	<u>\$ (671,457)</u>	<u>\$ (748,006)</u>
Fixed Assets					
Depreciation	(418,070)	(366,475)	51,595	(483,480)	(65,410)
Computer & Software CapEx	309,333	309,333	-	207,311	(102,022)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	30,000	30,000	-	-	(30,000)
Leasehold Improvements	-	50,000	50,000	-	-
Allocation of Fixed Assets	\$ 78,737	\$ (22,858)	\$ (101,595)	\$ 276,169	\$ 197,432
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ 76,549</u>	<u>\$ 90,249</u>	<u>\$ 13,700</u>	<u>\$ (671,457)</u>	<u>\$ (748,006)</u>

Table A-12. Administrative Services Budget Detail

Section B – Supplemental Financial Information

2016 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2015 through 2016.

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	\$ 3,537,255
Plus: 2015 Funding (from LSEs or designees)	15,518,034
Plus: 2015 Other funding sources	524,325
Less: 2014 Projected expenses & capital expenditures	(16,012,657)
Projected Working Capital Reserve (Deficit), December 31, 2015	<u>\$ 3,566,957</u>
Desired Working Capital Reserve, December 31, 2016	¹ \$ 2,895,500
Minus: Projected Working Capital Reserve, December 31, 2015	3,566,957
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>\$ (671,457)</u>
2016 Expenses and Capital Expenditures	\$ 15,706,004
Less: Penalty Sanctions ²	(648,500)
Less: Other Funding Sources	(655,075)
Adjustment to achieve desired Working Capital Reserve	(671,457)
2016 ERO Assessment	<u>\$ 13,730,972</u>

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, 2015.

Table B-1. Working Capital Reserve Analysis 2015- 2016

Explanation of Changes in Reserve Policy from Prior Years

Persuant to SERC's Working Capital and Operating Reserve policies, the \$2,895,500 desired working capital reserve included in the *2016 Business Plan and Budget* consists of \$1,600,000 as an operating reserve and \$1,295,500 as a temporary increase to the operating reserve.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 12, of the 2016 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2015, are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

All penalties received prior to July 1, 2015, 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, 2015.

Penalty Sanctions Received On or Prior to June 30, 2015	Date Received	Amount Received
Penalty payment 1	7/1/2014	\$ 30,000
Penalty payment 2	7/28/2014	250,000
Penalty payment 3	8/14/2014	16,000
Penalty payment 4	10/2/2014	10,000
Penalty payment 5	10/10/2014	10,000
Penalty payment 6	10/15/2014	15,000
Penalty payment 7	12/1/2014	5,000
Penalty payment 8	12/22/2014	9,000
Penalty payment 9	2/13/2015	30,000
Penalty payment 10	2/19/2015	29,000
Penalty payment 11	2/25/2015	120,000
Penalty payment 12	4/3/2015	70,000
Penalty payment 13		34,500
Penalty payment 14		20,000
Total Penalties Received		\$ 648,500

Table B-2. Penalty Sanctions Received

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in FRCC	\$ 3,500	\$ 3,500	\$ 75,000	\$ 71,500
Miscellaneous - CEA function in SPP	3,500	20,000	75,000	71,500
Total	\$ 7,000	\$ 23,500	\$ 150,000	\$ 143,000
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	259,355	197,625	210,075	(49,280)
Total	\$ 259,355	\$ 197,625	\$ 210,075	\$ (49,280)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 1,000	\$ 1,200	\$ 1,000	\$ -
Miscellaneous Income - Regional Entity Coordinator	287,000	287,000	294,000	7,000
Miscellaneous Income - Other	-	15,000	-	-
Total	\$ 288,000	\$ 303,200	\$ 295,000	\$ 7,000
Total Outside Funding	\$ 321,000	\$ 524,325	\$ 655,075	\$ 100,720

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2016 Budget versus 2015 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 2016 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's new office location has a large meeting space. Most meetings will be held in-house or at a Member's facilities, substantially reducing 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.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 9,717,873	\$ 9,353,765	\$ 9,335,326	\$ (382,547)	-3.9%
Total Payroll Taxes	583,072	692,179	635,790	52,718	9.0%
Total Benefits	938,825	868,437	1,059,321	120,496	12.8%
Total Retirement	1,325,619	1,259,771	1,281,404	(44,215)	-3.3%
Total Personnel Costs	\$ 12,565,389	\$ 12,174,152	\$ 12,311,841	\$ (253,548)	-2.0%
FTEs	78.70	64.68	77.12	(1.58)	-2.0%
Cost per FTE					
Salaries	\$ 123,480	\$ 144,616	\$ 121,055	(2,425)	-2.0%
Payroll Taxes	7,409	10,702	8,245	836	11.3%
Benefits	11,929	13,427	13,737	1,807	15.2%
Retirement	16,844	19,477	16,616	(228)	-1.4%
Total Cost per FTE	\$ 159,662	\$ 188,221	\$ 159,652	\$ (10)	0.0%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Total Personnel Expenses decreased due to the reduction of 1.58 FTEs compared to the 2015 budget. As an offset, the payroll tax percentage applied to salaries remained flat or increased per program area to better align payroll taxes with historical actuals. Additionally, benefits costs increased to account for increases in premiums.

The budget also reflects a 3.0 percent merit increase and 10.0 percent vacancy rate applied to all personnel costs.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Meetings	\$ 273,110	\$ 300	\$ 247,421	\$ (25,689)	-9.41%
Travel	585,639	406,756	554,947	(30,692)	36.43%
Conference calls	48,000	48,000	44,544	(3,456)	-7.20%
Total Meeting Expenses	\$ 906,749	\$ 455,056	\$ 846,912	\$ (59,837)	-6.60%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

SERC's new office location has a large meeting space. SERC will schedule most meetings in-house or at a Member's facilities, substantially reducing hotel hosting costs and Meetings expense.

With most meetings now held in the new meeting space, staff travel has decreased. Additionally, SERC staff will travel to fewer audits due to a change in the process to conduct off-site audits.

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 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	134,333	162,613	104,543	(29,790)	-22%
Reliability Assessment and Performance Analysis	322,500	188,000	188,000	(134,500)	-42%
Training and Education	163,000	128,000	455,000	292,000	179%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums					
General and Administrative	85,000	380,664	175,500	90,500	106%
Legal and Regulatory	-	-	-	-	
Information Technology	402,776	872,900	416,401	13,625	3%
Human Resources	70,000	138,800	10,000	(60,000)	100%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,177,609	\$ 1,870,977	\$ 1,349,444	\$ 171,835	15%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Compliance – A decrease of \$29,790 is due to fewer software development projects in 2016. All planned development projects are below the capitalization limit and will therefore be expensed. Any development project over SERC’s capitalization policy is included as a capitalized asset. Total Compliance projects included in the 2016 budget that are included as a capitalized asset are \$171,236. *The 2016 budget continues to fund contractor support to supplement the audit program.*

Reliability Assessments – A decrease of \$134,500 in the program consists of 1) the 2015 budget included funds for a one-time cost for a benchmarking system-wide stability study, and for the Dynamic Study Group study that is performed biennially; and 2) an increasing offset for the Eastern Interconnection Assessment Group (ERAG) to align with historical costs.

Training and Education – An increase of \$292,000 from the 2015 budget consists of 1) an increase to expand the Restoration Drill to include more simulation exercises; 2) for system simulator development for the SERC system; and 3) for contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

General and Administrative - An increase of \$90,500 consists of utilizing contract support in lieu of FTEs and a board consultant; and as an offset 2) a reduction in the amount for ongoing training and development of SERC’s management team, and 3) to better align communications activities with historical actuals.

Information Technology – An increase of \$13,625 is for additional hosting for disaster recovery and business continuity.

Human Resources – A decrease of \$60,000 is for a compensation and benefit study performed in 2015, which is performed biennially and therefore not budgeted in 2016.

Table B-7 lists the budget for Office Rent.

Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 464,809	\$ 542,271	\$ 517,917	\$ 53,108	11.43%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 464,809	\$ 542,271	\$ 517,917	\$ 53,108	11.43%

Table B-7. Office Rent

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

An increase of \$53,108 is due to recording rent 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 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ 144,684	133,000	\$ 131,814	\$ (12,870)	-8.90%
Telephone Answering Srv	-	-	-	-	
Internet	6,588	7,000	7,104	516	7.83%
Office Supplies	44,530	65,000	31,650	(12,880)	-28.92%
Computer Supplies and Maintenance					
Computers	95,800	16,000	35,800	(60,000)	
Computer Supplies	35,960	110,302	40,600	4,640	12.90%
Maintenance & Service Agreements	-	-	-	-	
Software	50,850	42,185	10,850	(40,000)	-88.67%
Network Supplies	-	-	-	-	
Publications & Subscriptions	10,657	19,900	7,499	(3,158)	-29.63%
Dues	7,717	12,000	10,883	3,166	41.03%
Postage	500	600	500	-	0.00%
Express Shipping	3,500	3,000	2,500	(1,000)	-28.57%
Copying	6,000	5,000	5,000	(1,000)	-16.67%
Reports	-	-	-	-	
Stationary/Forms	-	-	-	-	
Equipment Repair/Service Contracts	10,765	6,880	9,679	(1,086)	-10.09%
Bank Charges	1,000	500	500	(500)	-50.00%
Taxes	5,000	10,000	10,000	5,000	100.00%
Merchant Card Fees	7,000	8,000	8,000	1,000	14.29%
Total Office Costs	\$ 430,551	439,367	\$ 312,379	\$ (118,172)	-27.45%

Table B-8. Office Costs

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

The decrease of \$12,870 in Telephone is due to a renegotiation of the cellular contracts into a more cost-effective plan.

Office supplies decreased by \$12,880 from 2015's budget, which included a one-time expense of \$10,000 for office furnishings in the new office space.

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

- A decrease of \$60,000 in computers due to a decrease in the number of replacement computers
- An increase in computer supplies of \$4,640 for additional video conferencing technology, offset by a decrease in new printers
- A decrease in software of \$40,000 for one-time purchases related to SharePoint and upgrading Microsoft Office products

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Candidate Search	\$ 10,000	\$ 6,500	\$ 10,000	\$ -	0.00%
Outside Legal	40,000	50,000	60,000	20,000	50.00%
Accounting & Auditing Fees	26,400	40,000	42,200	15,800	59.85%
Insurance Commercial	35,000	40,000	43,000	8,000	22.86%
Total Professional Services	\$ 111,400	\$ 136,500	\$ 155,200	\$ 43,800	39.32%

Table B-9. Professional Services

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

An increase in Outside Legal of \$20,000 is to better align with historical costs.

The primary increase in Accounting and Auditing fees is due to an increase in cost from a change in the payroll, HRIS, time reporting, and applicant tracking systems.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expense	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous Expense	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	
Total Miscellaneous Expense	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	

Table B-10. Miscellaneous

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

There are no significant variances requiring an explanation.

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

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 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 – 2016 Budget versus 2015 Budget

There are no significant variances requiring an explanation.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Depreciation	\$ (418,070)	\$ (366,475)	\$ (483,480)	\$ (65,410)	15.65%
Computer & Software CapEx	309,333	309,333	207,311	(102,022)	-32.98%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	30,000	30,000	-	(30,000)	-100.00%
Leasehold Improvements	-	50,000	-	-	
Allocation of Fixed Assets	-	-	-	-	
Total Fixed Assets	\$ (78,737)	\$ 22,858	\$ (276,169)	\$ (197,432)	251%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

An increase of \$65,410 in Depreciation is due to an increase in the capital assets purchased in previous years that will now incur a full year of depreciation.

The Computer and Software capital expenditures included in the 2016 budget are split among the other members of the Consortium User Group (FRCC and NPCC), resulting in a decrease from 2015.

A decrease in Equipment capital expenditures is due to the budget of additional servers for data analysis systems in 2015, which are not budgeted to purchase again in 2016.

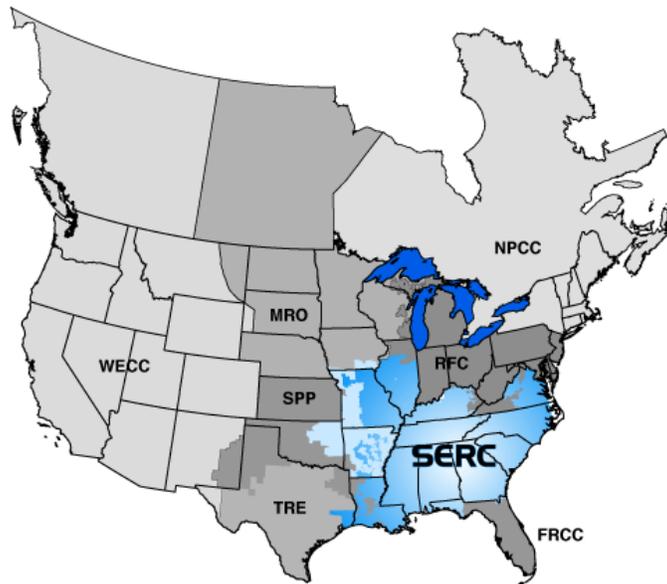
Table B-13 compares the 2016 budget with projections for 2017-2018.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2016 Budget & Projected 2017 and 2018 Budgets							
	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17
Funding							
ERO Funding							
NERC Assessments	\$ 13,730,972	\$ 15,455,401	\$ 1,724,429	12.56%	\$ 15,908,835	\$ 453,434	2.9%
Penalty Sanctions	648,500	-	(648,500)	-100.00%	-	-	-
Total NERC Funding	\$ 14,379,472	\$ 15,455,401	\$ 1,075,929	7.5%	\$ 15,908,835	\$ 453,434	2.9%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	210,075	210,075	-	0.00%	210,075	-	0.0%
Interest	1,000	1,000	-	0.00%	1,000	-	0.0%
Miscellaneous	444,000	466,200	22,200	5.00%	489,510	23,310	5.0%
Total Funding (A)	\$ 15,034,547	\$ 16,132,676	\$ 1,098,129	7.3%	\$ 16,609,420	\$ 476,744	3.0%
Expenses							
Personnel Expenses							
Salaries	\$ 9,335,326	\$ 9,568,709	\$ 233,383	2.5%	\$ 9,807,927	\$ 239,218	2.5%
Payroll Taxes	635,790	574,123	(61,667)	-9.7%	588,476	14,353	2.5%
Benefits	1,059,321	1,112,287	52,966	5.0%	1,167,901	55,614	5.0%
Retirement Costs	1,281,404	1,319,846	38,442	3.0%	1,359,442	39,595	3.0%
Total Personnel Expenses	\$ 12,311,841	\$ 12,574,965	\$ 263,124	2.1%	\$ 12,923,745	\$ 348,781	2.8%
Meeting Expenses							
Meetings	\$ 247,421	\$ 254,844	\$ 7,423	3.0%	\$ 262,489	7,645	3.0%
Travel	554,947	571,595	16,648	3.0%	588,743	17,148	3.0%
Conference Calls	44,544	45,880	1,336	3.0%	47,257	1,376	3.0%
Total Meeting Expenses	\$ 846,912	\$ 872,319	\$ 25,407	3.0%	\$ 898,489	\$ 26,170	3.0%
Operating Expenses							
Consultants & Contracts	\$ 1,349,444	\$ 1,320,720	(28,724)	-2.1%	\$ 1,210,720	(110,000)	-8.3%
Office Rent	517,917	513,645	(4,272)	-0.8%	513,645	-	0.0%
Office Costs	312,379	315,503	3,124	1.0%	324,968	9,465	3.0%
Professional Services	155,200	156,752	1,552	1.0%	161,455	4,703	3.0%
Miscellaneous	5,000	5,000	-	0.0%	5,000	-	0.0%
Depreciation	483,480	222,035	(261,445)	-54.1%	198,813	(23,222)	-10.5%
Total Operating Expenses	\$ 2,823,420	\$ 2,533,655	\$ (289,765)	-10.3%	\$ 2,414,600	\$ (119,054)	-4.7%
Total Direct Expenses	\$ 15,982,173	\$ 15,980,939	\$ (1,234)	0.0%	\$ 16,236,835	\$ 255,896	1.6%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 15,982,173	\$ 15,980,939	\$ (1,234)	0.0%	\$ 16,236,835	255,896	1.6%
Change in Assets	\$ (947,626)	\$ 151,737	\$ 1,099,363	-116.0%	\$ 372,585	\$ 220,848	145.5%
Fixed Assets							
Depreciation	\$ (483,480)	\$ (222,035)	\$ 261,445	-54.1%	\$ (198,813)	\$ 23,222	-10.5%
Computer & Software CapEx	207,311	100,000	(107,311)	-51.8%	100,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (276,169)	\$ (122,035)	\$ 154,134	-55.8%	\$ (98,813)	\$ 220,848	0.0%
TOTAL BUDGET (=B + C)	\$ 15,706,004	\$ 15,858,904	\$ 152,900	1.0%	\$ 16,138,022	\$ 255,896	1.6%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (671,457)	\$ 273,772	\$ 945,229	100.0%	\$ 471,398	197,626	72.2%
FTEs	77.12	77.12	-	-	77.12	-	-

Table B-13. Budget 2016 Compared with 2017-2018 Projections

Section C – Non-Statutory Activities

2016 Business Plan and Budget



Section C – Non-Statutory Activities

2016 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.

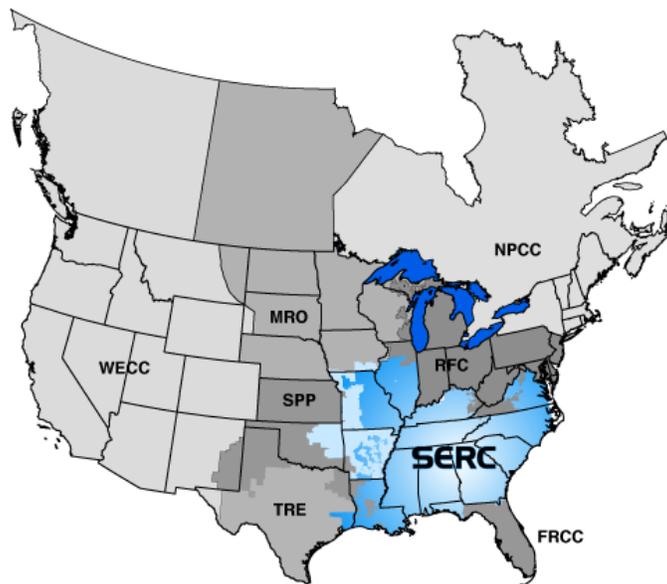
The following table lists the Non-Statutory Activities budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget NON-STATUTORY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	1	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	-	-	-	-	-
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	-	-	-	-	-
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>

Table C-1. Non-Statutory Activities Budget

Section D – Additional Consolidated Financial Statements

2016 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2016 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Functions		
				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	13,730,972	13,730,972	-	13,730,972	598,292	10,182,299	1,904,339	1,030,360	982,139	-	(966,457)	-	-	-	-	-	-
Penalty Sanctions	648,500	648,500	-	648,500	26,321	460,512	86,073	29,439	46,155	-	-	-	-	-	-	-	-
Total NERC Funding	14,379,472	14,379,472	-	14,379,472	624,613	10,642,811	1,990,412	1,059,799	1,028,294	-	(966,457)	-	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	210,075	210,075	-	210,075	-	-	-	210,075	-	-	-	-	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Miscellaneous	444,000	444,000	-	444,000	-	150,000	-	-	-	-	294,000	-	-	-	-	-	-
Total Funding (A)	15,034,547	15,034,547	-	15,034,547	624,613	10,792,811	1,990,412	1,269,874	1,028,294	-	(672,457)	-	-	-	-	-	1,000
Expenses																	
Personnel Expenses																	
Salaries	9,335,326	9,335,326	-	9,335,326	271,842	4,417,105	654,817	279,116	398,877	781,853	2,531,716	-	-	-	-	-	-
Payroll Taxes	635,790	635,790	-	635,790	20,116	309,197	52,385	19,538	27,921	54,730	151,903	-	-	-	-	-	-
Benefits	1,059,321	1,059,321	-	1,059,321	35,319	491,602	98,984	32,605	55,121	75,561	270,129	-	-	-	-	-	-
Retirement Costs	1,281,404	1,281,404	-	1,281,404	38,227	607,305	91,709	38,323	54,395	108,847	342,598	-	-	-	-	-	-
Total Personnel Expenses	12,311,841	12,311,841	-	12,311,841	365,504	5,825,209	897,895	369,582	536,314	1,020,991	3,296,346	-	-	-	-	-	-
Meeting Expenses																	
Meetings	247,421	247,421	-	247,421	-	23,140	10,845	137,196	-	12,500	63,740	-	-	-	-	-	-
Travel	554,947	554,947	-	554,947	1,070	299,600	47,162	18,284	39,095	58,846	90,890	-	-	-	-	-	-
Conference Calls	44,544	44,544	-	44,544	-	-	-	-	-	-	44,544	-	-	-	-	-	-
Total Meeting Expenses	846,912	846,912	-	846,912	1,070	322,740	58,007	155,480	39,095	71,346	199,174	-	-	-	-	-	-
Operating Expenses																	
Consultants & Contracts	1,349,444	1,349,444	-	1,349,444	-	104,543	188,000	455,000	-	-	175,500	-	416,401	10,000	-	-	-
Office Rent	517,917	517,917	-	517,917	-	517,917	-	-	-	-	517,917	-	-	-	-	-	-
Office Costs	312,379	312,379	-	312,379	-	15,658	2,686	1,200	400	744	169,702	3,270	99,010	1,209	18,500	-	-
Professional Services	155,200	155,200	-	155,200	-	10,000	-	-	-	-	43,000	50,000	-	10,000	42,200	-	-
Miscellaneous	5,000	5,000	-	5,000	-	-	-	-	-	-	5,000	-	-	-	-	-	-
Depreciation	483,480	483,480	-	483,480	-	-	-	-	-	-	483,480	-	-	-	-	-	-
Total Operating Expenses	2,823,420	2,823,420	-	2,823,420	-	130,201	190,686	456,200	400	744	1,394,599	53,270	515,411	21,209	60,700	-	-
Total Direct Expenses	15,982,173	15,982,173	-	15,982,173	366,574	6,278,150	1,146,588	981,262	575,809	1,093,081	4,890,119	53,270	515,411	21,209	60,700	-	-
Indirect Expenses																	
	-	-	-	-	269,248	4,710,773	880,479	301,149	472,141	(1,093,081)	(4,890,119)	(53,270)	(515,411)	(21,209)	(60,700)	-	-
Other Non-Operating Expenses																	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	15,982,173	15,982,173	-	15,982,173	635,822	10,988,923	2,027,067	1,282,411	1,047,950	-	-	-	-	-	-	-	-
Change in Assets	(947,626)	(947,626)	-	(947,626)	(11,209)	(196,112)	(36,655)	(12,537)	(19,656)	-	(672,457)	-	-	-	-	1,000	-
Fixed Assets																	
Depreciation	(483,480)	(483,480)	-	(483,480)	-	-	-	-	-	-	(483,480)	-	-	-	-	-	-
Computer & Software CapEx	207,311	207,311	-	207,311	-	-	-	-	-	-	207,311	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	(11,209)	(196,112)	(36,655)	(12,537)	(19,656)	276,169	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(276,169)	(276,169)	-	(276,169)	(11,209)	(196,112)	(36,655)	(12,537)	(19,656)	-	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	15,706,004	15,706,004	-	15,706,004	624,613	10,792,811	1,990,412	1,269,874	1,028,294	-	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(671,457)	(671,457)	-	(671,457)	-	-	-	-	-	-	(672,457)	-	-	-	-	1,000	-
FTEs	77.12	77.12	-	77.12	2.11	36.92	6.90	2.36	3.70	6.13	19.00	-	-	-	-	-	-

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:

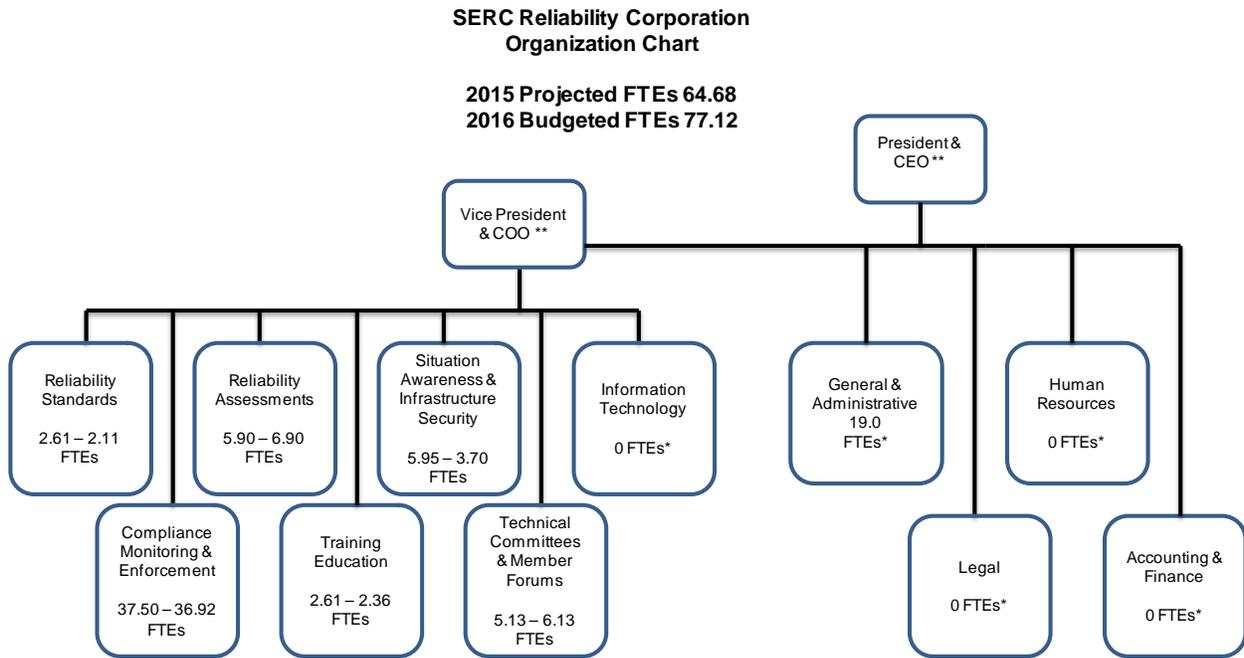
- As of December 31, 2014, per audit
- As of December 31, 2015, projected
- As of December 31, 2016, as budgeted

Statement of Financial Position			
2014 Audited, 2015 Projection, and 2016 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-14	31-Dec-15	31-Dec-16
ASSETS			
Cash	7,325,853	5,430,231	5,222,920
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	896,504	896,504	896,504
Other Receivables	-	-	-
Prepaid expenses and other current assets	184,338	184,338	184,338
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	800,867	778,009	1,054,178
Total Assets	9,207,562	7,289,082	7,357,940
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	876,509	876,509	876,509
Deferred income	32,479	32,479	32,479
Deferred penalty income	2,133,040	648,500	-
Deferred rent	385,234	438,341	439,219
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	363,403	454,750	516,136
Accrued incentive compensation	1,078,775	1,312,913	1,450,426
Total Liabilities	4,869,440	3,763,492	3,314,769
Net Assets - unrestricted	4,338,122	3,525,590	4,043,171
Total Liabilities and Net Assets	9,207,562	7,289,082	7,357,940

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

Appendix A Organization Chart

The SERC Organization Chart is shown below.



*All FTEs for Information Technology, Legal, Finance, and Human Resources, 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
BPS	Bulk Power System
CA	Compliance Assessment
CIP	Critical Infrastructure Protection
CIPC	Critical Infrastructure Protection Committee
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
GridEx	Grid Security Exercise
HRCC	Human Resources and Compensation Committee
HRIS	Human Resources Information System
IT	Information Technology
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

Acronyms

Acronym	Definition
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
SRP	NERC Security Reliability Program
TADS	NERC Transmission Availability Data System
TFE	Technical Feasibility Exception

Appendix C Index of Figures and Tables

List of Figures

Figure 1.	Budget by Program Area Chart.....	9
Figure 2.	SERC Organization Chart.....	61

List of Tables

Table 1.	SERC Budget for 2016	3
Table 2.	Budget by Program Area	9
Table 3.	Total FTEs by Program Area	11
Table 4.	Budget and Projection Comparison, 2015 to 2016	12
Table A-1.	Reliability Standards Budget.....	14
Table A-2.	Reliability Standards Budget Detail.....	16
Table A-3.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget.....	17
Table A-4.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail.....	22
Table A-5.	Reliability Assessments and Performance Analysis (RAPA) Budget	23
Table A-6.	Reliability Assessment and Performance Analysis Budget Detail	25
Table A-7.	Training, Education, and Operator Certification Budget	26
Table A-8.	Training, Education, and Operator Certification Budget Detail	28
Table A-9.	Situation Awareness and Infrastructure Security Budget	29
Table A-10.	Situation Awareness and Infrastructure Security Budget Detail	31
Table A-11.	Administrative Services Budget	32
Table A-12.	Administrative Services Budget Detail	41
Table B-1.	Working Capital Reserve Analysis 2015- 2016	43
Table B-2.	Penalty Sanctions Received	44
Table B-3.	Supplemental Funding	45
Table B-4.	Personnel Expenses	46
Table B-5.	Meeting Expenses.....	47
Table B-6.	Consultants and Contracts.....	48
Table B-7.	Office Rent	49
Table B-8.	Office Costs.....	50
Table B-9.	Professional Services.....	51
Table B-10.	Miscellaneous	52
Table B-11.	Other Non-Operating Expenses.....	53
Table B-12.	Fixed Assets.....	54
Table B-13.	Budget 2016 Compared with 2017-2018 Projections	55
Table C-1.	Non-Statutory Activities Budget	57
Table D-1.	Consolidated Statements of Activities by Program, Statutory and Non-Statutory	59
Table D-2.	Statement of Financial Position, Three-Year Comparison.....	60