2023 Business Plan and Budget

Approved By Board of Directors
June 23, 2022

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Introduction

The following table summarizes the 2023 SERC Reliability Corporation (SERC) budget.

	2023 Budget	U.S.	Canada	Mexico
TOTAL RESOURCES (in whole dollars)				
Statutory FTEs	106.0			
Non-statutory FTEs	-			
Total FTEs	106.0			
Statutory Expenses	$ 28,173,895			
Non-Statutory Expenses	$ -			
Total Expenses	$ 28,173,895			
Statutory Incr(Decr) in Fixed Assets	$ 42,000			
Non-Statutory Incr(Decr) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ 42,000			
Statutory Working Capital Requirement	$ (535,680)			
Non-Statutory Working Capital Requirement	$ -			
Total Working Capital Requirement	$ (535,680)			
Total Statutory Funding Requirement	$ 27,680,214			
Total Non-Statutory Funding Requirement	$ -			
Total Funding Requirement	$ 27,680,214			
Statutory Assessments	$ 26,192,876	$ 26,192,876	n/a	n/a
Non-Statutory Fees	$ -	n/a	n/a	n/a
NEL	1,304,773,923	1,304,773,923	n/a	n/a
NEL%	100%	100%	n/a	n/a

Table 1.   SERC Budget for 2023

Organizational Overview

SERC is a nonprofit corporation whose mission is to assure effective and efficient reduction of risks to the reliability and security of the bulk power system (BPS) in all or portions of 16 central and southeastern states. The SERC Region presently covers an area of approximately 650,000 square miles, and a growing population in excess of 91 million. Electric systems in the SERC Region currently serve approximately 29% of the net energy for load (NEL) in North America, approximately 33% of the NEL in the United States, and 40% of the NEL in the Eastern Interconnection.

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SERC's mission is rooted in a risk-based approach that aligns with and supports the mission of the North American Electric Reliability Corporation (NERC) and the broader Electric Reliability Organization (ERO) Enterprise. To achieve its mission, SERC maintains a diverse team of experts across numerous disciplines to address the complex, evolving, and dynamic challenges facing the grid. The SERC team also partners with the best and brightest individuals from both the power industry and the federal government to understand and address the challenges facing the grid. These key partnerships make our work more informed, pragmatic, responsive, and impactful.

SERC has developed four cultural attributes that help guide its conduct and three key strategic focus areas to help ensure it is best positioned to achieve its mission and further support the ERO Enterprise Long-Term Strategy Focus Areas and the ERO Enterprise Operating Plan.

❖ At SERC, every individual is a **LEADER** across every level of our organization. We are trustworthy, principled, inclusive, and respectful. We strive to create value that reduces risk to reliability and security. Leading means having a positive vision and actively building support for executing it.

❖ At SERC, we are **COLLABORATIVE** both internally and externally. We partner and engage in focused communication within and across our organization, with our stakeholders, the ERO Enterprise, and the Federal Energy Regulatory Commission (FERC) to drive meaningful action. We leverage our diverse experiences, skills, knowledge, and tools to ensure the effective reductions of risk to reliability and security.

❖ At SERC, we strive to be **EXPERTS** that are sought after for our credibility, objectivity, and discipline. We understand our strengths and opportunities, and pursue continuous learning and improvement. We value intellectual curiosity, innovation, and creativity.

❖ At SERC, we take action to execute our risk-based mission by demonstrating **PURPOSEFUL** proactive initiative, intentionality, and resourcefulness in anticipation of current and future challenges and opportunities. We strategically plan and pursue activities that deliver value with intended results.

VISION

A highly reliable and secure bulk power system

MISSION

To assure effective and efficient reduction of risks to the reliability and security of the bulk power system

CULTURAL ATTRIBUTES
❖ Leader
❖ Collaborative
❖ Expert
❖ Purposeful

2023 Strategic Focus Areas

SERC's Strategic Planning Process considered common themes throughout the industry, evaluated SERC's strengths and areas for improvement, and identified risk priorities to develop SERC's Strategic Focus Areas.

SERC's strategic focus is centered on three principles:

- SERC must be a **Credible and Trusted Expert** organization for its stakeholders, one that is truly risk-based. SERC strives for excellence in risk identification, risk mitigation, and risk communication.

- SERC must be a respected **Leader across the ERO Enterprise,** as well as in the eyes of FERC. This is accomplished through innovation, collaboration, and meaningful relationships.

- SERC must be a **Highly Desirable Place to Work**. SERC fosters a culture of trust, teamwork, and continuous improvement; and our work at every level is deeply tied to furthering our essential mission.

SERC's Operating Plan articulates key deliverables that ensure the day-to-day operations match the objectives laid out in the Strategic Plan:

- Administer effective and efficient programs for identifying, prioritizing, and mitigating known risks to the BPS;

- Ensure timely recognition and understanding of emerging risks to the Region and to the organization;

- Verify effectiveness of internal controls for cybersecurity;

- Transition internal risk processes to relevant maturity models and asses effectiveness to improve performance;

- Foster engagement among employees in a collaborative and respectful environment;

- Develop external training programs that set the gold standard for Region-based operating and technical training;

- Strengthen communication and relationships with state and regulatory agencies; and

- Identify opportunities for Reliability Standards improvements.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American BPS. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

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

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.

ERO Enterprise Strategic and Operational Planning

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

In 2019, ERO Enterprise leadership came together to revise the *ERO Enterprise Long-Term Strategy* as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

- Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;

- Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the Reliability Issues Steering Committee (RISC)'s biennial ERO Reliability Risk Priorities Report;

- Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;

- Strengthen engagement across the reliability and security ecosystem in North America; and

- Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.

Membership and Governance

Membership in SERC is voluntary and free of charge. SERC member companies (Members) meet at least annually to elect Independent Directors and Sector Directors, and conduct other such business as may come before the meeting. Additionally, Members approve amendments to Bylaws as recommended by the SERC Board of Directors (Board) and advise the Board with respect to the development of annual budgets, business plans, and other matters pertinent to the purpose and operations of the organization.

SERC's governance structure allows for participation from a diverse mix of stakeholders while also ensuring the need for independent decision-making. SERC is governed by a balanced, hybrid Board consisting of 18 Directors comprised of a combination of stakeholder representatives from SERC member companies (i.e., Sector Directors) and independent representatives (i.e., Independent Directors) that add independent balance, perspective, and expertise. This combination of stakeholder and Independent Directors allows the Board to focus on the most important and significant risks to reliability in the SERC footprint.

The Board currently has the following committees, which report directly to the Board:

- **Risk Committee:** Provides oversight on behalf of the Board over several risk-based activities undertaken by SERC, including the identification and management of Regional risks, especially by SERC's Technical Committees; the organization's Enterprise Risk Management framework; and other critical organization and Regional risk-based activities. The committee also periodically reports these risk oversight findings to the Board.

- **Human Resources and Compensation Committee (HRCC):** Provides oversight on behalf of the Board over SERC's organization and staffing needs, employee compensation, and other matters related to human resources.

- **Finance and Audit Committee (FAC):** Provides oversight on behalf of the Board to SERC on the organization's finances and internal controls.

- **Nominating and Governance Committee:** Identifies, vets, and recommends candidates for Board Officer and committee positions for approval by the Board. This committee is also responsible for providing oversight to SERC on the organization's Bylaws and other governing policies and procedures.

Statutory Functional Scope

SERC performs the following statutory functions in furtherance of its mission and in accordance with its FERC approved Delegation Agreement with NERC:

- Analyzes events to identify lessons learned that will improve reliability;

- Proposes and helps develop NERC Reliability Standards and Regional Reliability Standards;

- Monitors compliance with and enforces approved mandatory Reliability Standards;

- Registers and certifies responsible entities under the reliability compliance program;

- Assesses the past, present, and future risk profile of the BPS to ensure grid reliability, adequacy, and security; and

- Provides training and education to registered entities, as it deems necessary, in support of its performance of delegated functions.

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2023 Overview of Budget

SERC proposes to increase its operating budget in 2023 from $26,708,260 to $28,215,895 an increase of $1,507,635 or 5.6%.

SERC's proposed 2023 assessment of $26,192,876 represents an increase of 5.6%, or $1,393,943 from the 2022 assessment.

SERC believes that in 2023, it will continue to realize material efficiencies that will allow the organization to effectively perform its mission and deliver value by reducing risks to the reliability and security of the grid. SERC will also continue to perform its essential mission at a cost that balances the longstanding tradition of affordable and reliable electricity across SERC's footprint.

The following targeted budget changes allow SERC to accomplish the specific objectives outlined in the *2023 Business Plan and Budget* (BP&B) (dollars are stated as an increase in the 2023 budget compared to the 2022 budget). The most significant changes to the budget are in personnel, which includes the following two components:

- **Staffing changes proposed for 2023** – The targeted staffing level for 2023 is 106 Full-Time Equivalents (FTEs), which is a total increase of two FTEs compared to the 2022 budget. These additional personnel are needed to strengthen SERC's security posture and address expected impacts of the rapidly evolving cyber security threat landscape and ERO Enterprise-wide Align Project and Secure Evidence Locker (SEL), resulting in an overall increase of two FTEs.

- **Cost increase for maintaining staff budgeted in 2023** – The net increase in Personnel Expenses of $1,711,766 compared to 2022 reflects a Board approved merit increase and an increase in employee benefit costs. A 5% vacancy rate has been applied to all Personnel Expenses.

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

- **Meetings and Travel** – A combined modest increase of $27,916 reflects efficiencies realized in SERC's Compliance Monitoring audit process, which includes utilizing a hybrid of on-site and virtual monitoring activities.

- **Consultants and Contracts** – SERC anticipates an overall decrease in consultants and contracts of $283,533 as reliance on outside IT support is reduced combined with fewer large projects in 2023.

- **Office Costs** – An increase of $236,696 is due primarily to anticipated additional software costs associated with the support and maintenance of SERC's robust cyber security goals.

- **Professional Services** – A net increase of $26,790 is due to an increase in HR fees based on historical norms.

- **Fixed Assets** – An overall decrease of $222,000 is due to fewer capitalized purchases for cyber security enhancements as long-term projects move into the maintenance phase.

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Summary of Budget by Program Area

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

Program	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	$ 221,085	$ 225,573	$ 235,778	$ 14,693	6.6%
Compliance Monitoring and Enforcement; Organization Registration and Certification	19,534,883	19,452,097	20,645,648	1,110,765	5.7%
Reliability Assessment and Performance Analysis	2,735,869	2,777,422	3,093,647	357,778	13.1%
Training, Education and Stakeholder Outreach	2,988,657	3,042,471	2,964,567	(24,090)	(0.8%)
Situation Awareness and Infrastructure Security	1,227,766	1,246,697	1,276,254	48,488	3.9%
Total	**$ 26,708,260**	**$ 26,744,260**	**$ 28,215,894**	**$ 1,507,634**	**5.6%**
Working Capital Reserve	(513,326)	(549,326)	(535,681)	(22,355)	
Total Funding	**26,194,934**	**26,194,934**	**27,680,213**	**1,485,279**	**5.7%**

Table 2.   Budgeted Funding by Program Area

Comparison of 2023 to 2022 Budgeted Funding Requirements ($ in millions)
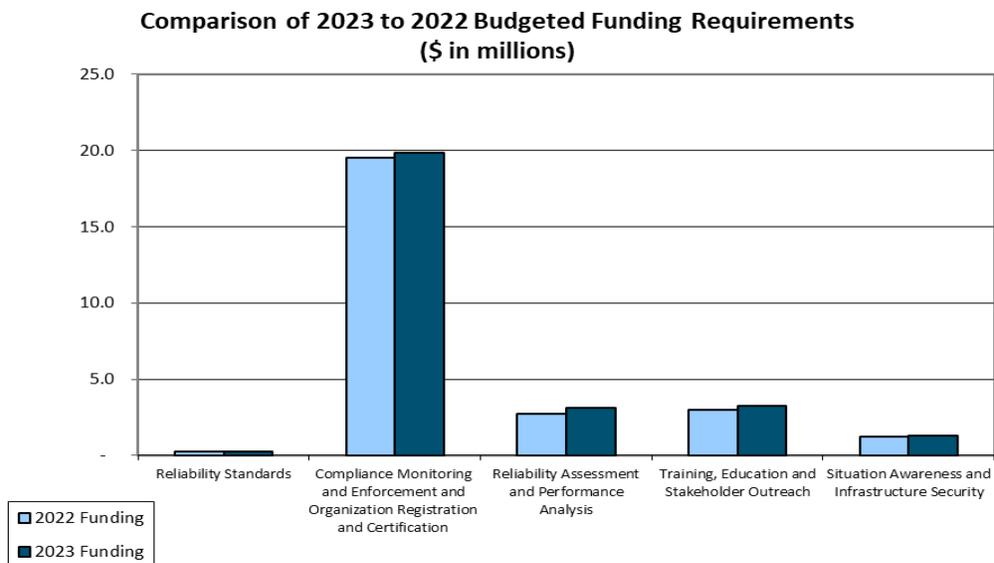
This graphical representation does not include an allocation of working capital requirements among the program areas.

Figure 1.   Budgeted Funding by Program Area Chart

FTE by Program Area

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

Total FTEs by Program Area	Budget 2022	Projection 2022	Budget 2023	Increase (Decrease)
STATUTORY				
Operational Programs				
Reliability Standards	0.50	0.50	0.50	0.00
Compliance Monitoring and Enforcement; Organization Registration and Certification	50.45	48.45	50.45	0.00
Reliability Assessment and Performance Analysis	6.30	6.30	6.30	0.00
Training, Education and Stakeholder Outreach	8.00	8.00	8.00	0.00
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00
Total FTEs Operational Programs	**68.25**	**66.25**	**68.25**	**0.00**
Corporate Services				
Technical Committees and Member Forums	3.90	3.90	3.90	0.00
General & Administrative	8.65	8.65	8.65	0.00
Legal and Regulatory	2.90	2.90	2.90	0.00
Analytics & Information Technology	14.30	16.30	16.30	2.00
Human Resources	3.00	3.00	3.00	0.00
Finance and Accounting	3.00	3.00	3.00	0.00
Total FTEs Corporate Services	**35.75**	**37.75**	**37.75**	**2.00**
Total FTEs	**104.00**	**104.00**	**106.00**	**2.00**

Table 3.   Total FTEs by Program Area

2022 Budget and Projection and 2023 Budget Comparisons

|	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
STATUTORY					
Funding					
Statutory Funding					
SERC Assessments	$ 24,798,934	$ 24,798,934	$ -	$ 26,192,877	$ 1,393,943
Penalties Released*	1,200,000	1,200,000	-	1,291,337	91,337
Total Statutory Funding	$ 25,998,934	$ 25,998,934	$ -	$ 27,484,214	$ 1,485,280
Membership Fees	$ -	$ -	$ -	$ -	$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	166,000	166,000	-	166,000	-
Interest	30,000	30,000	-	30,000	-
Total Funding (A)	$ 26,194,934	$ 26,194,934	$ -	$ 27,680,214	$ 1,485,280
Expenses					
Personnel Expenses					
Salaries	$ 16,239,814	$ 16,114,814	$ (125,000)	$ 17,445,769	$ 1,205,955
Payroll Taxes	971,965	971,965	-	1,042,996	71,031
Benefits	1,981,828	1,981,828	-	2,256,982	275,154
Retirement Costs	2,061,442	2,061,442	-	2,221,068	159,626
Total Personnel Expenses	$ 21,255,049	$ 21,130,049	$ (125,000)	$ 22,966,815	$ 1,711,766
Meeting Expenses					
Meetings & Conference Calls	$ 443,307	$ 443,307	$ -	$ 448,836	$ 5,529
Travel	855,340	680,340	(175,000)	877,727	22,387
Total Meeting Expenses	$ 1,298,647	$ 1,123,647	$ (175,000)	$ 1,326,563	$ 27,916
Operating Expenses, excluding Depreciation					
Consultants & Contracts	$ 1,377,944	$ 1,327,944	$ (50,000)	$ 1,094,411	$ (283,533)
Office Rent	840,067	840,067	-	850,067	10,000
Office Costs	1,171,193	1,171,193	-	1,407,889	236,696
Professional Services	501,360	501,360	-	528,150	26,790
Miscellaneous	-	-	-	-	-
Total Operating Expenses	$ 3,890,564	$ 3,840,564	$ (50,000)	$ 3,880,517	$ (10,047)
Total Direct Expenses	$ 26,444,260	$ 26,094,260	$ (350,000)	$ 28,173,895	$ 1,729,635
Indirect Expenses	$ -	$ -	$ -	$ -	$ -
Other Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -
Total Expenses (B)	$ 26,444,260	$ 26,094,260	$ (350,000)	$ 28,173,895	$ 1,729,635
Change in Assets	$ (249,326)	$ 100,674	$ 350,000	$ (493,681)	$ (244,355)
Fixed Asset Additions, excluding Right of Use Assets (C	$ 264,000	$ 650,000	$ 386,000	$ 42,000	$ (222,000)
TOTAL BUDGET (B+C)	$ 26,708,260	$ 26,744,260	$ 36,000	$ 28,215,895	$ 1,507,635
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ (513,326)	$ (549,326)	$ (36,000)	$ (535,681)	$ (22,355)
FTEs	104.0	104.0	-	106.0	2.0

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

Table 4.   Budget and Projection Comparison, 2022 to 2023

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Section A – Statutory Programs

2023 Business Plan and Budget
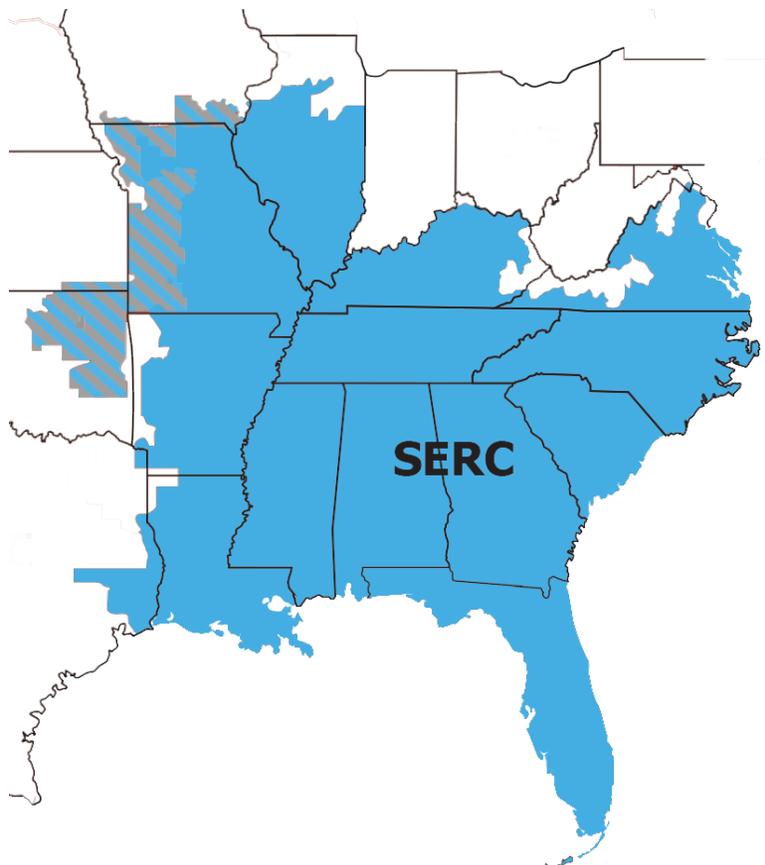
Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2022 Budget	**2023 Budget**	**Increase (Decrease)**
Total FTEs	0.50	0.50	-
Direct Expenses	$ 132,157	$ 138,644	$ 6,487
Indirect Expenses	$ 86,994	$ 96,826	$ 9,832
Other Non-Operating Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ 1,934	$ 308	$ (1,626)
Total Funding Requirement	$ 221,085	$ 235,778	$ 14,693

Table A-1.   **Reliability Standards Budget**

Program Scope and Functional Description

SERC may develop Regional Reliability Standards to establish threshold requirements for assuring the planning and operation of the Bulk Electric System (BES). In accordance with the SERC Reliability Standards Development Procedure, SERC develops and maintains its Regional Reliability Standards to minimize the risks of cascading failures and avoid damage to major equipment. These Standards must be more stringent than a NERC Reliability Standard, or address a regional difference or a physical difference in the BES.

SERC may also develop regional criteria and guidelines. Regional criteria and guidelines are clear, timely, and effective in mitigating risks to good utility practices used to enhance the reliability of the BES, consider cost-effectiveness/impact, and may augment Reliability Standards. Regional criteria and guidelines are not Reliability Standards, and therefore are not enforceable. SERC develops its regional criteria and guidelines in accordance with the Organization and Procedures Manual for SERC Technical Committees.

2023 Key Assumptions

The 2023 key assumptions for the Reliability Standards program are as follows:

- SERC expects the overall volume of NERC Reliability Standard changes to remain at levels consistent with prior years, as several new standards are in the process of being developed and existing standards are being modified.

- SERC resources will support the Standards development per the NERC Standards Process Manual.

- SERC anticipates that regional criteria and guideline development will continue as needed to support reliability and security.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Reliability Standards program are as follows:

- Manage the SERC Technical Committee documents per the approved 2023 Review Work Plan;

- Support the ERO Enterprise to develop, modify, and conduct periodic reviews of the Reliability Standards to ensure Standards are written clearly and properly structured for existing and emerging risks; and

- Provide information to SERC staff and stakeholders on upcoming Standard changes or implementation dates to ensure awareness and preparedness.

Resource Requirements

Personnel

The number of FTEs assigned to the Reliability Standards program is consistent with 2022.

Reliability Standards Budget Detail

	Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
	2022 Budget & Projection, and 2023 Budget					
	RELIABILITY STANDARDS					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)	
Funding						
Statutory Funding						
SERC Assessments	$ 207,642	$ 207,642	$ -	$ 221,439	$ 13,797	
Penalties Released	8,791	8,791	-	9,460	669	
Total Statutory Funding	$ 216,433	$ 216,433	$ -	$ 230,899	$ 14,466	
Membership Fees	$ -	$ -	$ -	$ -	$ -	
Services & Software	-	-	-	-	-	
Workshops & Miscellaneous	183	-	(183)	183	-	
Interest	220	226	6	220	-	
Total Funding (A)	$ 216,836	$ 216,659	$ (177)	$ 231,302	$ 14,466	
Expenses						
Personnel Expenses						
Salaries	$ 100,868	$ 100,868	$ -	$ 106,056	$ 5,188	
Payroll Taxes	6,052	6,052	-	6,363	311	
Benefits	10,043	10,043	-	10,378	335	
Retirement Costs	12,694	12,694	-	13,347	653	
Total Personnel Expenses	$ 129,657	$ 129,657	$ -	$ 136,144	$ 6,487	
Meeting Expenses						
Meetings & Conference Calls	$ -	$ -	$ -	$ -	$ -	
Travel	2,500	2,500	-	2,500	-	
Total Meeting Expenses	$ 2,500	$ 2,500	$ -	$ 2,500	$ -	
Operating Expenses, excluding Depreciation						
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Operating Expenses	$ -	$ -	$ -	$ -	$ -	
Total Direct Expenses	$ 132,157	$ 132,157	$ -	$ 138,644	$ 6,487	
Indirect Expenses	$ 86,994	$ 93,416	$ 6,422	$ 96,826	$ 9,832	
Other Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -	
Total Expenses (B)	$ 219,151	$ 225,573	$ 6,422	$ 235,470	$ 16,319	
Change in Assets	$ (2,315)	$ (8,914)	$ (6,599)	$ (4,168)	$ (1,853)	
Fixed Assets, excluding Right of Use Assets (C)	$ 1,934	$ -	$ (1,934)	$ 308	$ (1,626)	
TOTAL BUDGET (B+C)	$ 221,085	$ 225,573	$ 4,488	$ 235,778	$ 14,693	
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ (4,249)	$ (8,914)	$ (4,665)	$ (4,476)	$ (227)	
FTEs	0.50	0.50	-	0.50	-	

Table A-2.   Reliability Standards Budget Detail

Approved By Board of Directors June 23, 2022

Compliance Monitoring and Enforcement; Organization Registration and Certification Program

Compliance Monitoring and Enforcement; Organization Registration and Certification Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	50.45	50.45	-
Direct Expenses	$ 10,562,037	$ 10,844,861	$ 282,824
Indirect Expenses	$ 8,777,698	$ 9,769,741	$ 992,043
Other Non-Operating Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ 195,148	$ 31,046	$ (164,102)
Total Funding Requirement	$ 19,534,883	$ 20,645,648	$ 1,110,765

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

Program Scope and Functional Description

The purpose of the Compliance Monitoring and Enforcement program is to ensure that all compliance monitoring, risk assessment, mitigation, and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the SERC Delegation Agreement and the ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan. To accomplish this objective, SERC has divided its Compliance Monitoring and Enforcement program into five areas: Organization Registration and Certification, Compliance Monitoring, Risk Assessment and Mitigation, Risk Awareness and Oversight, and Enforcement.

Organization Registration and Certification

- Registers owners, operators, and users of the Bulk Power System (BPS) for compliance with Reliability Standards; and
- Certifies applicable entities.

Compliance Monitoring

- Uses a risk-based monitoring approach to conduct SERC compliance monitoring activities (e.g., compliance audits, spot checks, self-certifications, and compliance investigations);
- Reviews entity internal controls during monitoring engagements;
- Provides subject matter experts for Standards and Requirements; and
- Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions (TFEs) process.

Risk Assessment and Mitigation (RAM)

- Serves as the technical point of contact for all noncompliance issues identified through one of the discovery methods (e.g., self-report, self-Log, compliance Audit, self-certification, spot check);

- Performs risk-harm assessments on noncompliance issues, which include determining the scope and root cause of the noncompliance, and the potential and actual risk or harm to BPS reliability;

- Reviews and approves the registered entity's mitigating activities to ensure the registered entity performs the actions necessary to correct the noncompliance and prevent recurrence to protect BPS reliability;

- Administers the SERC Regional self-logging program; and

- Performs Compliance Evaluations, when required, on events reported by registered entities.

Risk Awareness and Oversight (RAO)

- Conducts registered entity Inherent Risk Assessments;

- Develops and implements entity Compliance Oversight Plans (COPs); and

- Maintains an awareness of existing and emerging risks, which may affect entities or groups of entities in the aggregate, and incorporates mitigation strategies into various other SERC programs such as training, outreach, communication, and Technical Committee engagements.

Enforcement

SERC Enforcement staff are responsible for resolving violations/noncompliance issues of NERC Reliability Standards and/or SERC Regional Reliability Standards, and imposing monetary and/or non-monetary penalties, as appropriate. SERC Enforcement staff follows these steps:

- Notifies the registered entity of the findings and filing disposition regarding the violation/noncompliance and any applicable monetary and/or non-monetary penalties;

- Negotiates settlement with the registered entity or issues a Notice of Alleged Violation and Proposed Penalty and/or Sanction, if SERC and the registered entity cannot reach a settlement agreement;

- Submits the proposed enforcement action, along with any proposed monetary and/or non-monetary penalties, to NERC for review, approval, and subsequent submittal to FERC for review and approval; and

- Prosecutes the case before a Hearing Body if a registered entity contests the findings of the violation, penalty, and/or non-monetary sanction.

2023 Key Assumptions

Compliance Monitoring, RAM, and RAO

The 2023 key assumptions for Compliance Monitoring, RAM, and RAO are as follows:

- The Compliance Monitoring team incorporates a purposeful risk-based approach into audit planning and execution. This risk-based approach generally results in more frequent visits to entities posing a higher risk to the grid, and fewer visits to entities posing a lower risk.

- The Compliance Monitoring team works to continuously improve by incorporating lessons learned during the COVID-19 pandemic, and performing virtual audits during

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2020 and 2021. Incorporating lessons learned resulted in the modification of audit team sizes.

- Compliance Monitoring plans to increase the use of self-certifications for monitoring engagements for lower risk entities and to use the results to inform the scope for monitoring in future years, as we have smaller more risk-focused engagements with the highest risk entities.

- The number of incoming issues, whether through audit findings or self-reports, will remain relatively consistent with trends over the past 12 to 24 months.

- As subject matter experts, the Compliance Monitoring, RAM, and RAO staff will continue to receive training on risk principles, internal controls, and enhanced audit practices. Additionally, staff will pursue or maintain professional credentials and further enhance their knowledge on risk-based CMEP processes. This will ensure the skills of SERC staff remain current on industry trends and Reliability Standards.

Organization Registration and Certification

The 2023 key assumptions for the Organization Registration and Certification program area are as follows:

- SERC Registration and Certification staff will continue to address the Regional Risk identified in SERC's annual Regional Risk Report associated with the potential for the incorrect registration of entities within the SERC Region.

- Due to the significant changes to the generation fuel mix in the SERC Region, the volume of registration changes is expected to continue increasing as a result of generation decommissioning (retirements) and subsequent installation of new generation Facilities.

- SERC Registration and Certification staff will continue to collaborate with NERC and implement the NERC ROP changes to the approved certification process to assess a registered entity's capability for performing its registered function(s). SERC expects the volume of certification engagements to increase.

- The volume of documents for the Joint Registration Organization (JRO), Coordinated Functional Registration (CFR), and the Multi-Regional Registered Entity (MRRE) may increase as registered entities better delineate shared responsibilities and promote efficiency and effectiveness in compliance. This increase will affect the workload for Registration and Compliance Monitoring within SERC.

- The ERO Enterprise will facilitate meetings with Regional Entities in the development of application business requirements and the testing of business functionality for ERO Enterprise projects. SERC Registration and Certification staff expects to have an active role in the development of ERO Enterprise CMEP Tools, which may require additional resources to provide an adequate level of support.

Enforcement

The 2023 key assumptions for the SERC Enforcement program area are as follows:

- SERC will likely continue to see a high number of enforcement actions due to the implementation of new Standards and new versions of Standards, both CIP and Operations and Planning.

- SERC will process or dismiss Possible Violations in a timely and fair manner; and

- There will be no significant increase in travel for Enforcement staff to process Possible Violations.

2023 Goals and Key Deliverables

Compliance Monitoring, Risk Awareness & Oversight, and Risk Assessment and Mitigation

The 2023 goals and key deliverables for Compliance Monitoring, RAO, and RAM are as follows:

- Plan, prepare, and conduct scheduled risk based Compliance Monitoring engagements pursuant to the 2023 Implementation Plan. Compliance Monitoring engagements for 2023 will consider on-site audits, off-site audits, spot checks, and self-certifications. As the RAM team completes or refreshes registered entities' Inherent Risk Assessments and Compliance Oversight Plans (COPs), the 2023 Compliance Monitoring schedule may change, with additional engagements added;

- Continue to process and reduce backlog inventory, achieving an average age of open inventory that does not exceed 12 months;

- Facilitate efficient and collaborative transitions to new and revised Standards through continued ERO Enterprise-wide collaboration;

- Work with the ERO Enterprise and industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security;

- Collaborate with the ERO Enterprise and encourage effective internal controls models;

- Evaluate the compliance monitoring, violation/noncompliance processing, risk assessment, and registration and certification activities for sufficiency and effectiveness, and modify the activities, as needed;

- Collaborate with the ERO Enterprise to develop common and consistent CMEP processes, information systems, and methods among Regions;

- Refine and implement risk-based compliance monitoring and enforcement by focusing on serious risk violations to improve the effectiveness of SERC operations, and reducing unnecessary costs of compliance on registered entities while ensuring achievement of reliability objectives;

- Ensure timely mitigation of all violations/noncompliance to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS;

- Develop mature violation/noncompliance processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation/noncompliance processing;

- Continue an active role in ERO Enterprise-wide Align and Secure Evidence Locker (SEL) development and implementation; and

- Continue to support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide. SERC will work to ensure that:

- Compliance Monitoring staff and other personnel, as necessary, understand Compliance implementation guidance documents and risk-based principles;

- An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct;

- A continual assessment process exists to evaluate audit team content and capability needs; and

- Training exists that addresses initial and continuing training for capability and competency development.

Organization Registration and Certification

The 2023 goals and key deliverables for Organization Registration and Certification are as follows: Operate an efficient Registration and Certification program that:

- Ensures that SERC provides NERC timely and accurate information about changes in registrations;

- Performs certification reviews, or if a new certification is required, accommodates a change in a registered entity's status; and

- Documents certification activities sufficiently and makes recommendations to NERC regarding certification.

Enforcement

The 2023 goals and key deliverables for the Enforcement program area are as follows:

- Manage Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities;

- Collaborate with the RAM team to continue to reduce backlog inventory, achieving an average age of open inventory that does not exceed 12 months;

- Hold registered entities accountable for violations that create a serious risk to the BES with monetary and/or non-monetary penalties commensurate with the risk posed to the security and reliability of the BES;

- Continue messaging to registered entities, via monetary penalties, non-monetary penalties, or otherwise, desired behavior that SERC and the ERO Enterprise value, including self-reporting, continued engagement and cooperation during enforcement processing, maintaining a strong Internal Compliance Program, voluntary and prompt mitigation to reduce risk, taking ownership of undesired behavior by admitting to violations, and resolving violations through a settlement agreement;

- Collaborate with the RAM, Advanced Analytics, and IT departments to develop effective tools to quickly identify and share with stakeholders themes, trends, and emerging risks associated with their noncompliance;

- Continue to collaborate and strategize with the ERO Enterprise on enforcement policy initiatives and guidance that increases efficiency and consistency in processing violations; and

- Continue an active role in ERO Enterprise-wide Align and SEL development and implementation.

Resource Requirements

Personnel

The number of FTEs assigned to the Compliance Monitoring and Enforcement; Organization Registration and Certification program is consistent with 2022.

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

	Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
	2022 Budget & Projection, and 2023 Budget					
	COMPLIANCE MONITORING AND ENFORCEMENT; ORGANIZATION REGISTRATION AND CERTIFICATION					
	2022 Budget	**2022 Projection**	**Variance 2022 Budget v 2022 Projection Over(Under)**	**2023 Budget**	**Variance 2023 Budget v 2022 Budget Inc(Dec)**	
Funding						
Statutory Funding						
SERC Assessments	$ 18,220,737	$ 18,220,737	$ -	$ 19,247,483	$ 1,026,746	
Penalties Released	887,034	887,034	-	954,549	67,515	
Total Statutory Funding	$ 19,107,771	$ 19,107,771	$ -	$ 20,202,032	$ 1,094,261	
Membership Fees	$ -	$ -	$ -	$ -	$ -	
Services & Software	-	-	-	-	-	
Workshops & Miscellaneous	29,480	11,000	(18,480)	29,480	-	
Interest	22,176	21,940	(236)	22,176	-	
Total Funding (A)	$ 19,159,427	$ 19,140,711	$ (18,716)	$ 20,253,688	$ 1,094,261	
Expenses						
Personnel Expenses						
Salaries	$ 7,811,906	$ 7,736,906	$ (75,000)	$ 7,991,710	$ 179,804	
Payroll Taxes	468,714	468,714	-	479,503	10,789	
Benefits	825,332	825,332	-	889,013	63,681	
Retirement Costs	984,930	984,930	-	1,007,692	22,762	
Total Personnel Expenses	$ 10,090,882	$ 10,015,882	$ (75,000)	$ 10,367,918	$ 277,036	
Meeting Expenses						
Meetings & Conference Calls	$ 12,600	$ 12,600	$ -	$ 13,090	$ 490	
Travel	419,975	332,975	(87,000)	426,487	6,512	
Total Meeting Expenses	$ 432,575	$ 345,575	$ (87,000)	$ 439,577	$ 7,002	
Operating Expenses, excluding Depreciation						
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -	
Office Rent	-	-	-	-	-	
Office Costs	38,580	38,581	1	37,366	(1,214)	
Professional Services	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Operating Expenses	$ 38,580	$ 38,581	$ 1	$ 37,366	$ (1,214)	
Total Direct Expenses	$ 10,562,037	$ 10,400,038	$ (161,999)	$ 10,844,861	$ 282,824	
Indirect Expenses	$ 8,777,698	$ 9,052,059	$ 274,361	$ 9,769,741	$ 992,043	
Other Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -	
Total Expenses (B)	$ 19,339,735	$ 19,452,097	$ 112,362	$ 20,614,602	$ 1,274,867	
Change in Assets	$ (180,308)	$ (311,386)	$ (131,078)	$ (360,914)	$ (180,606)	
Fixed Assets, excluding Right of Use Assets (C)	$ 195,148	$ -	$ (195,148)	$ 31,046	$ (164,102)	
TOTAL BUDGET (B+C)	$ 19,534,883	$ 19,452,097	$ (82,787)	$ 20,645,648	$ 1,110,765	
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ (375,456)	$ (311,386)	$ 64,071	$ (391,960)	$ (16,504)	
FTEs	50.45	48.45	(2.00)	50.45	-	

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

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Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	6.30	6.30	-
Direct Expenses	$ 1,615,375	$ 1,869,763	$ 254,388
Indirect Expenses	$ 1,096,125	$ 1,220,007	$ 123,882
Other Non-Operating Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ 24,369	$ 3,877	$ (20,492)
Total Funding Requirement	$ 2,735,869	$ 3,093,647	$ 357,778

Table A-5.   **Reliability Assessments and Performance Analysis Budget**

Program Scope and Functional Description

SERC's Reliability Assessments and Performance Analysis (RAPA) program provides the overall assessment of reliability and security of the BPS for the SERC region for the seasonal and long-term time frames. The RAPA function identifies reliability risks to the BPS in the SERC footprint for the purpose of integrated risk analysis. The program supports SERC's mission by identifying and prioritizing risks to reliability and security, analyzing performance, and maintaining a focus on activities to mitigate risk.

SERC conducts an independent reliability assessment of the BPS within the SERC Region, including model building, performing studies, and analysis of the results. The assessment program uses internal data collection along with other data sources, such as NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data System (DADS), and the Mis-operations Information Data Analysis System (MIDAS) to perform both future reliability assessments and historic performance analysis.

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.

2023 Key Assumptions

The 2023 key assumptions for the SERC RAPA program are as follows:

- SERC will continue to support NERC's RAPA program to analyze data, develop assessments, and report on the reliability of the BPS.

- SERC will support the ERO Enterprise in the identification and mitigation of significant current reliability risks, as well as the identification and assessment of emerging risks.

  - SERC will continue to support its role per the Eastern Interconnection Regional Entity Assessments and Model Building Agreement, developed within the Eastern Interconnection Reliability Assessment Group (ERAG).

- SERC will continue to support its integrated risk management initiatives to promote awareness and discuss strategies for risk mitigation.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the RAPA program will support the following goals:

- Continue to support NERC Reliability Assessments, Performance Analysis, and System Analysis programs;

- Support Regional analysis that contributes to NERC reliability analysis efforts, SERC reliability risk discussions, and performance analysis efforts;

- Continue to submit timely and quality probabilistic, seasonal, and long-term SERC and NERC reliability assessments and studies;

- Continue to support ongoing improvements to SERC and ERAG Eastern Interconnection planning model development, to produce assessments, and analyses that shine the light on significant risks to the BPS;

- Provide support to the associated SERC and NERC committees and initiatives;

- Continue to support entity outreach efforts to promote reliability risk-related discussions;

- Utilize advanced probabilistic tools to perform resource adequacy studies and sensitivities to support assessment of resource adequacy for the SERC region. Continue regional model improvements, and focus on scenarios to study based on inputs from the Engineering Committee and subgroups;

- Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified periods; and

- Continue NERC and Regional coordination to improve processes, and information sharing.

Resource Requirements

Personnel

The number of FTEs assigned to RAPA is consistent with 2022.

Meeting & Travel Expenses

Meeting and travel costs associated with the System Operator Conference have moved from the Outreach and Training group into the RAPA group, which results in increases over 2022.

Contractors and Consultants

The 2023 budget includes contractor support for Dynamic model reduction performed through the Dynamic Working Group, seasonal probabilistic assessment support through the Resource Adequacy Working Group, the performance of the Under Frequency Load Shed study as well as the additional contractor support for the special scenario study as proposed by NERC.

Reliability Assessment and Performance Analysis Budget Detail

	Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
	2022 Budget & Projection, and 2023 Budget					
	RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
				Variance 2022 Budget v 2022 Projection Over(Under)		Variance 2023 Budget v 2022 Budget Inc(Dec)
		2022 Budget	2022 Projection		2023 Budget	
Funding						
Statutory Funding						
SERC Assessments	$	2,567,440	$ 2,567,440	$ -	$ 2,910,637	$ 343,197
Penalties Released		110,769	110,769	-	119,200	8,431
Total Statutory Funding	$	**2,678,209**	$ **2,678,209**	$ **-**	$ **3,029,837**	$ **351,628**
Membership Fees	$	-	$ -	$ -	$ -	$ -
Services & Software		-	-	-	-	-
Workshops & Miscellaneous		2,308	-	(2,308)	2,308	-
Interest		2,769	2,853	84	2,769	-
Total Funding (A)	$	**2,683,286**	$ **2,681,062**	$ **(2,224)**	$ **3,034,914**	$ **351,628**
Expenses						
Personnel Expenses						
Salaries	$	977,497	$ 977,496	$ (1)	$ 1,002,102	$ 24,605
Payroll Taxes		58,650	58,650	-	60,126	1,476
Benefits		103,741	103,740	(1)	110,965	7,224
Retirement Costs		123,207	123,208	1	126,308	3,101
Total Personnel Expenses	$	**1,263,095**	$ **1,263,094**	$ **(1)**	$ **1,299,501**	$ **36,406**
Meeting Expenses						
Meetings & Conference Calls	$	42,000	$ 42,000	$ -	$ 165,000	$ 123,000
Travel		72,000	57,000	(15,000)	97,500	25,500
Total Meeting Expenses	$	**114,000**	$ **99,000**	$ **(15,000)**	$ **262,500**	$ **148,500**
Operating Expenses, excluding Depreciation						
Consultants & Contracts	$	212,500	$ 212,500	$ -	$ 282,482	$ 69,982
Office Rent		-	-	-	-	-
Office Costs		25,780	25,780	-	25,280	(500)
Professional Services		-	-	-	-	-
Miscellaneous		-	-	-	-	-
Total Operating Expenses	$	**238,280**	$ **238,280**	$ **-**	$ **307,762**	$ **69,482**
Total Direct Expenses	$	**1,615,375**	$ **1,600,374**	$ **(15,001)**	$ **1,869,763**	$ **254,388**
Indirect Expenses	$	**1,096,125**	$ **1,177,048**	$ **80,923**	$ **1,220,007**	$ **123,882**
Other Non-Operating Expenses	$	**-**	$ **-**	$ **-**	$ **-**	$ **-**
Total Expenses (B)	$	**2,711,500**	$ **2,777,422**	$ **65,922**	$ **3,089,770**	$ **378,270**
Change in Assets	$	**(28,214)**	$ **(96,360)**	$ **(68,146)**	$ **(54,856)**	$ **(26,642)**
Fixed Assets, excluding Right of Use Assets (C)	$	**24,369**	$ **-**	$ **(24,369)**	$ **3,877**	$ **(20,492)**
TOTAL BUDGET (B+C)	$	**2,735,869**	$ **2,777,422**	$ **41,553**	$ **3,093,647**	$ **357,778**
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$	**(52,583)**	$ **(96,360)**	$ **(43,777)**	$ **(58,733)**	$ **(6,150)**
FTEs		6.30	6.30	-	6.30	-

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

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Training, Education, and Stakeholder Outreach

Training, Education and Stakeholder Outreach (in whole dollars)			
	2022 Budget	**2023 Budget**	**Increase (Decrease)**
Total FTEs	8.00	8.00	-
Direct Expenses	$ 1,565,807	$ 1,410,428	$ (155,379)
Indirect Expenses	$ 1,391,905	$ 1,549,216	$ 157,311
Other Non-Operating Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ 30,945	$ 4,923	$ (26,022)
Total Funding Requirement	$ 2,988,657	$ 2,964,567	$ (24,090)

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

Program Scope and Functional Description

The SERC Training, Education, and Stakeholder Outreach programs provide education and training necessary to obtain essential knowledge of BPS operations, reliability and security. These programs collectively provide many risk-based outreach options to stakeholders to increase engagement, knowledge, and understanding in the SERC Region and beyond. These options offer access to coaching, training, and educational opportunities through several formats, tools, and venues.

SERC Training and Education programs have annual scheduled events and targeted efforts directed at external stakeholders. Additionally, Training and Educational programs support the continuing education of NERC Certified System Operators, security and compliance professionals, trainers, and other critical subject matter experts. Stakeholder Outreach is a voluntary program that offers targeted coaching and training to requesting registered entities, focused on best practices and risk mitigation.

2023 Key Assumptions

The 2023 key assumptions for the SERC Training, Education, and Stakeholder Outreach programs are as follows:

- SERC will support the ERO Enterprise initiative to expand risk-based focused programs and committees. Achieving this goal will require structured training and outreach.

- SERC will support the ERO Enterprise goal to mitigate known and emerging risks by providing timely and valuable outreach and training events to stakeholders. Additionally, the Stakeholder Outreach program provides guidance and coaching to entities on effective mitigation of identified and emerging risks.

- SERC's Training program will maintain SERC's status as a NERC certified Continuing Education Provider and provide training to operating personnel to promote effective operating, reliability, and security of the BPS.

- SERC will educate utility personnel regarding changes to NERC Reliability Standards, ERO Enterprise procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with risk, reliability, security, and compliance.

- SERC will increase targeted outreach and remote (e-learning) training efforts that promote BPS reliability, security, and risk mitigation across its footprint.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Training, Education, and Stakeholder Outreach programs are as follows:

- Develop and deliver training on required technical knowledge, skills, and abilities for key staff positions within SERC;

- Develop and deliver four System Operator Conferences that promote BPS reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics;

- Deliver risk-based security and reliability seminars or webinars to BPS system operators, operating support personnel, compliance personnel, security personnel, and training personnel to raise awareness and provide training on identified and emerging reliability, security, and compliance threats;

- Provide guidance and expectations of new or revised Reliability Standards and related procedures and programs, as well as changes in observed performance;

- Develop and deliver to internal and external stakeholders, timely and effective technical training and education that promotes the mission of SERC and the ERO Enterprise; and

- Provide targeted outreach that communicates, trains, and supports the mitigation of current and emerging threats to the BPS.

Resource Requirements

Personnel

The number of FTEs assigned to the Training, Education, and Stakeholder Outreach programs is consistent with 2022.

Meeting & Travel Expenses

Meeting and travel costs associated with the System Operator Conference have moved from the Outreach and Training group into the RAPA group, which results in decreases over 2022.

Training, Education, and Stakeholder Outreach Budget Detail

				Variance 2022 Budget v 2022 Projection Over(Under)			Variance 2023 Budget v 2022 Budget Inc(Dec)
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital							
2022 Budget & Projection, and 2023 Budget							
TRAINING AND OUTREACH							
	2022 Budget	**2022 Projection**			**2023 Budget**		
Funding							
Statutory Funding							
SERC Assessments	$ 2,654,111	$ 2,654,111	$	-	$ 2,620,473	$	(33,638)
Penalties Released	140,659	140,659		-	151,366		10,707
Total Statutory Funding	$ 2,794,770	$ 2,794,770	$	-	$ 2,771,839	$	(22,931)
Membership Fees	$ -	$ -	$	-	$ -	$	-
Services & Software	-	-		-	-		-
Workshops & Miscellaneous	132,930	130,000		(2,930)	132,930		-
Interest	3,516	3,623		107	3,516		-
Total Funding (A)	$ 2,931,216	$ 2,928,393	$	(2,823)	$ 2,908,285	$	(22,931)
Expenses							
Personnel Expenses							
Salaries	$ 980,344	$ 980,344	$	-	$ 1,021,928	$	41,584
Payroll Taxes	58,821	58,821		-	61,316		2,495
Benefits	98,832	98,832		-	117,689		18,857
Retirement Costs	123,580	123,580		-	128,830		5,250
Total Personnel Expenses	$ 1,261,577	$ 1,261,577	$	-	$ 1,329,763	$	68,186
Meeting Expenses							
Meetings & Conference Calls	$ 120,153	$ 120,153	$	-	$ 3,483	$	(116,670)
Travel	85,690	67,690		(18,000)	74,965		(10,725)
Total Meeting Expenses	$ 205,843	$ 187,843	$	(18,000)	$ 78,448	$	(127,395)
Operating Expenses, excluding Depreciation							
Consultants & Contracts	$ 96,570	$ 96,570	$	-	$ -	$	(96,570)
Office Rent	-	-		-	-		-
Office Costs	1,817	1,817		-	2,217		400
Professional Services	-	-		-	-		-
Miscellaneous	-	-		-	-		-
Total Operating Expenses	$ 98,387	$ 98,387	$	-	$ 2,217	$	(96,170)
Total Direct Expenses	$ 1,565,807	$ 1,547,807	$	(18,000)	$ 1,410,428	$	(155,379)
Indirect Expenses	$ 1,391,905	$ 1,494,664	$	102,759	$ 1,549,216	$	157,311
Other Non-Operating Expenses	$ -	$ -	$	-	$ -	$	-
Total Expenses (B)	$ 2,957,712	$ 3,042,471	$	84,759	$ 2,959,644	$	1,932
Change in Assets	$ (26,496)	$ (114,078)	$	(87,582)	$ (51,359)	$	(24,863)
Fixed Assets, excluding Right of Use Assets (C)	$ 30,945	$ -	$	(30,945)	$ 4,923	$	(26,022)
TOTAL BUDGET (B+C)	$ 2,988,657	$ 3,042,471	$	53,814	$ 2,964,567	$	(24,090)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ (57,441)	$ (114,078)	$	(56,637)	$ (56,282)	$	1,159
FTEs	8.00	8.00		-	8.00		-

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

Situational Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2022 Budget	**2023 Budget**	**Increase (Decrease)**
Total FTEs	3.00	3.00	-
Direct Expenses	$ 694,198	$ 693,453	$ (745)
Indirect Expenses	$ 521,964	$ 580,956	$ 58,992
Other Non-Operating Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ 11,604	$ 1,846	$ (9,758)
Total Funding Requirement	$ 1,227,766	$ 1,276,255	$ 48,489

Table A-9.   **Situational Awareness and Infrastructure Security Budget**

Program Scope and Functional Description

The SERC Situational Awareness and Infrastructure Security (SAIS) program identifies and analyzes events and conditions that present risk to the BPS. This is accomplished by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. SERC analyzes significant BPS events and develops lessons learned to educate stakeholders on risks and vulnerabilities that could recur elsewhere within the BPS.

2023 Key Assumptions

The 2023 key assumptions for the SERC SAIS program are as follows:

- SERC will support the ERO Enterprise in the identification and mitigation of significant reliability risks, as well as the identification and assessment of conditions that indicate emerging risks.

- SERC will continue to work with NERC's Electricity Information Sharing and Analysis Center (E-ISAC) and SERC registered entities to identify opportunities for improving information sharing on CIP-related events, threats, and vulnerabilities to improve reliability within the BPS.

- SERC will continue its Outreach program to communicate lessons learned from analysis of SAIS events.

- SERC will continue to review, track, and trend reliability events to support the ERO Enterprises' goal of fewer, less severe events in the SERC Region.

- SERC will share mitigating measures and other BPS improvements with SERC entities and the ERO Enterprise to improve reliability on the BPS.

- SERC will continue to work with other Regional SAIS groups to identify conditions or best practices that improve reliability within the BPS.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC SAIS program are as follows:

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

- Evaluate events information to identify risk trends and benchmarking efforts;

- Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives;

- Continue stakeholder outreach efforts that encourage stakeholder participation in the SAIS program;

- Facilitate and promote post-event collaboration and coordination with NERC and applicable governmental agencies;

- Identify and prioritize risks based on reliability impacts, assessments, projected resources, and emerging issues; and

- Monitor and evaluate CIP-related threats, vulnerabilities, and events for information sharing with internal and external stakeholders.

Resource Requirements

Personnel

The number of FTEs assigned to the SAIS program is consistent with 2022.

Meeting & Travel Expenses

Travel costs associated with the System Operator Conference have moved into the RAPA group, and budgeted travel reduced to reflect historical norms, both of which result in decreases over 2022.

Situational Awareness and Infrastructure Security Budget Detail

		2022 Budget		2022 Projection		Variance 2022 Budget v 2022 Projection Over(Under)		2023 Budget		Variance 2023 Budget v 2022 Budget Inc(Dec)
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital **2022 Budget & Projection, and 2023 Budget**										
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY										
Funding										
Statutory Funding										
SERC Assessments	$	1,149,004	$	1,149,004	$	-	$	1,192,845	$	43,841
Penalties Released		52,747		52,747		-		56,762		4,015
Total Statutory Funding	$	1,201,751	$	1,201,751	$	-	$	1,249,607	$	47,856
Membership Fees	$	-	$	-	$	-	$	-	$	-
Services & Software		-		-		-		-		-
Workshops & Miscellaneous		1,099		-		(1,099)		1,099		-
Interest		1,319		1,358		39		1,319		-
Total Funding (A)	$	1,204,169	$	1,203,109	$	(1,060)	$	1,252,025	$	47,856
Expenses										
Personnel Expenses										
Salaries	$	507,248	$	507,248	$	-	$	524,780	$	17,532
Payroll Taxes		30,435		30,435		-		31,487		1,052
Benefits		49,258		49,258		-		49,269		11
Retirement Costs		63,928		63,928		-		66,138		2,210
Total Personnel Expenses	$	650,869	$	650,869	$	-	$	671,674	$	20,805
Meeting Expenses										
Meetings & Conference Calls	$	-	$	-	$	-	$	-	$	-
Travel		42,500		34,500		(8,000)		20,700		(21,800)
Total Meeting Expenses	$	42,500	$	34,500	$	(8,000)	$	20,700	$	(21,800)
Operating Expenses, excluding Depreciation										
Consultants & Contracts	$	-	$	-	$	-	$	-	$	-
Office Rent		-		-		-		-		-
Office Costs		829		829		-		1,079		250
Professional Services		-		-		-		-		-
Miscellaneous		-		-		-		-		-
Total Operating Expenses	$	829	$	829	$	-	$	1,079	$	250
Total Direct Expenses	$	694,198	$	686,198	$	(8,000)	$	693,453	$	(745)
Indirect Expenses	$	521,964	$	560,499	$	38,535	$	580,956	$	58,992
Other Non-Operating Expenses	$	-	$	-	$	-	$	-	$	-
Total Expenses (B)	$	1,216,162	$	1,246,697	$	30,535	$	1,274,409	$	58,247
Change in Assets	$	(11,993)	$	(43,588)	$	(31,595)	$	(22,384)	$	(10,391)
Fixed Assets, excluding Right of Use Assets (C)	$	11,604	$	-	$	(11,604)	$	1,846	$	(9,758)
TOTAL BUDGET (B+C)	$	1,227,766	$	1,246,697	$	18,931	$	1,276,255	$	48,489
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$	(23,597)	$	(43,588)	$	(19,991)	$	(24,230)	$	(633)
FTEs		3.00		3.00		-		3.00		-

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

Corporate Services

Corporate Services (in whole dollars) Direct Expenses and Fixed Assets						
	2022 Budget	2023 Budget	Increase (Decrease)	FTEs 2022 Budget	FTEs 2023 Budget	Increase (Decrease)
Technical Committees and Member Forums	$ 1,129,720	$ 1,162,859	$ 33,139	3.90	3.90	-
General and Administrative	$ 4,357,419	$ 4,840,782	$ 483,363	8.65	8.65	-
Legal and Regulatory	$ 1,441,805	$ 1,499,408	$ 57,603	2.90	2.90	-
Analytics & Information Technology	$ 3,585,056	$ 4,137,943	$ 552,887	14.30	16.30	2.00
Human Resources	$ 1,138,627	$ 1,139,531	$ 904	3.00	3.00	-
Accounting and Finance	$ 486,059	$ 478,223	$ (7,836)	3.00	3.00	-
Total Corporate Services	$ 12,138,686	$ 13,258,746	$ 1,120,060	35.75	37.75	2.00

Table A-11. **Corporate Services Budget**

Program Scope and Functional Description

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

- Technical Committees and Member Forums

- General and Administrative

- Legal and Regulatory

- Analytics and Information Technology (IT)

- Human Resources

- Finance and Accounting

Methodology for Allocation of Corporate Services Expenses to Programs

Expenses related to indirect programs are allocated proportionally to the direct programs for 2023 based on the number of FTEs in those programs.

Where applicable, Operating Expenses are accounted for within the related department's budget. If an expense cannot be attributed to a specific department, it is included in one of the Corporate Services programs. All expenses for the Corporate Services program, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides improved financial perspective for the direct program areas.

Technical Committees and Member Forums

Program Scope and Functional Description

The Technical Committees and Member Forums programs engage reliability expertise within the Region through the active participation of industry volunteers to plan and operate the BPS reliably, securely, and in compliance with Reliability Standards.

The success of SERC's Technical Committees and Member Forums depends on the active and direct participation of its members to collectively solve technical challenges facing the grid. The forums are also a source of expertise in the industry to identify, prioritize and mitigate current and emerging risk to the BPS.

2023 Key Assumptions

The 2023 key assumptions for the SERC Technical Committees and Member Forums programs are as follows:

- SERC will continue its Technical Committee and subgroup structure for effective stakeholder involvement in 2023.

- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

- SERC's Reliability Risk Working Group (RRWG) will continue to identify, and educate SERC staff and Regional members about the reliability risks to the BPS in the SERC Region from an engineering, operations, and security perspective.

- SERC will continue to partner with its members as volunteer technical resources to support the Region's mission and initiatives. As needs change, SERC will assess committee structure to continue to meet the needs of our members.

- SERC Technical Committees and Member Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees*.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Technical Committees and Member Forums programs are as follows:

- Convene regular meetings of the standing committees and their subordinate groups, as necessary;

- Communicate to the Board and SERC staff on issues pertaining to operation, planning, and engineering of the BPS, and the advancement of the physical and cyber security of the BPS;

- Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security;

- Perform special projects at the request of the Board;

- Review the measurement of performance relative to Reliability Standards and performance measures (e.g., GADS, TADS, Mis-operations, etc.) to determine the risk level within the SERC Region;

- Review activities within the SERC Region that affect reliability and adequacy, as necessary, to meet Reliability Standards and other reliability initiatives;

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- Perform technical functions through the assignment of specific tasks to subordinate groups to address current and emerging risks;

- Coordinate the System Operator Conferences for SERC members through the SERC System Operator Working Group (SOWG)

- Provide key inputs from the SERC RRWG for the CMEP Implementation Plan; and

- Establish the Generator Working Group and engage SERC members to develop best practices for issues related to generation.

Resource Requirements

Personnel

The number of FTEs assigned to the Technical Committees and Member Forums programs is consistent with 2022.

General and Administrative

Program Scope and Functional Description

The SERC General and Administrative function provides executive management and oversight of the corporation. Responsibilities include interacting with the Board, performing the Corporate Treasurer function, and fostering strong relationships through coordinated and consistent outreach with governmental agencies, regulators, stakeholders, and other industry organizations.

The department ensures execution of the SERC strategic priorities and the day-to-day management of the corporation.

2023 Key Assumptions

The 2023 key assumptions for the SERC General and Administrative function are as follows:

- SERC will emphasize effective execution, efficiency, and transparency with a strong culture of continuous improvement and program readiness.

- SERC will facilitate reliability-enhancing activities.

- SERC will continue its outreach and communication with stakeholders to promote effective reduction of risk to the BPS.

The General and Administrative Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. ERO Enterprise strategic and operational objectives are considered in the development and maintenance of the SERC Strategic Plan on an annual basis.

2023 Goals and Key Deliverables

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

- Continue high-quality performance of delegated functions while maintaining an appropriate resource requirement; and

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

- Manage interface with NERC enterprise-wide internal audit initiatives

Resource Requirements

Personnel

The number of FTEs assigned to the General and Administrative function is consistent with 2022.

Contractors and Consultants

The 2023 budget includes support for corporate strategic initiatives.

Legal and Regulatory

Program Scope and Functional Description

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

- Provide legal advice to the Chief Executive Office, Board, and staff on legal and regulatory matters that affect SERC and the Electric Reliability Organization;

- Reconcile and determine SERC's legal position on all legal matters;

- Draft and review items filed with governmental agencies for legal sufficiency;

- Support SERC's corporate governance function, including facilitating implementation of governance changes to transition the Board into a more strategic oversight body and providing input on matters for the Board's consideration;

- Review contracts and corporate documents;

- Ensure continuing recognition of SERC as a Regional Entity;

- Negotiate and author necessary changes to SERC's governing documents, including the SERC Bylaws and Regional Delegation Agreement with NERC;

- Provide input and obtain regulatory approvals, as needed, on governance changes and for new and revised Regional Reliability Standards;

- Review legal documents, including Notices of Penalty and settlement agreements, required to be filed with FERC. Provide legal support for contested enforcement actions and other assistance;

- Provide legal counsel during compliance and enforcement proceedings and support the approval process of enforcement filings before the NERC Board of Trustees Compliance Committee and FERC;

- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders;

- Develop SERC's strategic engagement with states by building relationships with policy makers and regulators in each of the 16 states in the SERC footprint to educate on what SERC does in the areas of reliability and security, NERC and regional assessments, and reports.

- Assist in the development of and ensure proper administration of SERC corporate policies and procedures; and

- Manage relationships with SERC's outside counsel.

2023 Key Assumptions

The 2023 key assumptions for the SERC Legal and Regulatory function are as follows:

- SERC will continue to support SERC's governance structure by supporting the Board and Board committees, facilitating the selection of stakeholder and independent directors, and drafting and obtaining approval of any necessary modifications to Bylaws and other corresponding governance changes.

- SERC will continue to support the processing of enforcement actions through the development of settlement agreements and Notices of Penalty, leading settlement

negotiations with the registered entities, discussing resolutions with NERC, obtaining approvals from the NERC Board of Trustees Compliance Committee, and with FERC;

- SERC will continue to enhance its strategic engagement with states by building relationships with policy makers and regulators in each of the 16 states in the SERC footprint to educate on what SERC does in the areas of reliability and security, NERC and regional assessments, and reports.

- SERC will proactively engage with NERC and FERC to help ensure SERC's continued recognition as a Regional Entity.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Legal and Regulatory function are as follows:

- Work with Enforcement to support processing enforcement actions, including the documentation of settlement agreements and Notices of Penalty, through the filing process at FERC;

- Support SERC's corporate governance needs;

- Support SERC's corporate legal needs; and

- Work with NERC and other Regions on obtaining renewal of SERC's Regional Delegation Agreement with NERC.

Resource Requirements

Personnel

The number of FTEs assigned to the Legal and Regulatory function is consistent with 2022.

Analytics and Information Technology

Program Scope and Functional Description

SERC's Analytics and Data Management, Information Technology (IT), and Security departments are implementing and integrating maturity model frameworks to increase the effectiveness and efficiency of SERC's security, technology, and data management. Increased maturity in these areas will provide security risk mitigation, increased technology innovation, support data collection and accuracy, and improve data-driven decisions and insights across SERC. The Analytics and Data Management, Information Technology, and Security programs include the following functions:

- IT Operations

- Analytics and Data Management

- Security Operations

The IT function offers computer and network services, including design and maintenance for the SERC computer and network infrastructure, as well as project and vendor management for all current and future technology-related contracts. The IT program executes and maintains the following functions:

- Improves Technology Service Delivery through implementing Information Technology Infrastructure Library's (ITIL) Information Technology Service Management (ITSM) Framework;

- Supports Security initiatives and NIST Cyber Security Framework;

- Ensures protection of SERC and registered entity data;

- Provides onsite end user support and services to conduct SERC business;

- Provides SERC users with Align and the Secure Evidence Locker support; and

- Provides project management and deployment of technical solutions.

The Analytics and Data Management function leverages information as a strategic asset. Data is critical to SERC's continued success, deepening relationships with stakeholders, and providing meaningful analysis of risk areas across the SERC Region. Analytics executes the following functions:

- Manage usability and integrity of data;

- Evaluation of data to determine risk;

- Visualization and reporting of data;

- Insight development; and

- Calculation of key performance indicators and operations metrics for SERC.

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

- Ensuring the proper controls are in place to protect the confidentiality, integrity and availability of SERC's IT infrastructure, business critical assets and data;

- Monitoring, evaluating and reporting control deficiencies and recommendations on a periodic basis;

- Partnering within SERC and the ERO to provide necessary cyber security awareness training

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

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

2023 Key Assumptions

The 2023 key assumptions for the Analytics and Information Technology program are as follows:

- SERC will continue to evaluate and consider shared ERO services and partnerships.

- SERC will continue to purchase and maintain a hardware and software lifecycle necessary to conduct business.

- SERC will continue utilizing secure third-party hosting centers.

- SERC will continue to support the ERO's Cybersecurity Strategy objectives and initiatives.

- SERC will continue to assess, enhance, and strengthen SERC's security posture.

2023 Goals and Key Deliverables

The 2023 goals and deliverables for the Analytics and Information Technology program are as follows:

- Improve the capabilities of SERC's Business Intelligence Center (BIC) to include internally focused operations reporting;

- Update and consolidate SERC committee and reliability portals, as the compliance portal is phased out to continue to provide the remaining functionality;

- Support the deployment of the Align application tool and Secure Evidence Locker (SEL);

- Upgrade Information Technology infrastructure per lifecycle management;

- Implement a multi-year plan that implements Information Technology and Security NIST Cybersecurity framework and strategy;

- Implement a multi-year plan to integrate a Data Management framework;

- Improve cyber and physical security controls to defend against emerging threats;

- Formalize and define Information Technology and Security policies, processes and procedures; and

- Implement new ERO-sponsored Security and Information Technology consolidation efforts.

Approved By Board of Directors June 23, 2022

Resource Requirements

Personnel

SERC has increased staffing levels in the IT department as personnel are needed to strengthen SERC's security posture and address expected impacts of the rapidly evolving cyber security threat landscape and ERO wide Align Project and Secure Evidence Locker (SEL), resulting in an overall increase of two FTEs.

Contractors and Consultants

The 2023 budget decreased as SERC anticipates an overall decrease in consultants and contracts as reliance on outside IT contractor support transitions to FTEs combined with fewer large projects in 2023.

Office Costs

The 2023 budget increase for the Advanced Analytics and IT program is primarily due to anticipated additional software costs associated with the support and maintenance of SERC's robust cyber security goals.

Human Resources

Program Scope and Functional Description

The SERC Human Resources function provides the organization with structure and the ability to meet business needs through managing our most valuable resources— our employees. The Human Resources department is responsible for a variety of essential functions:

- Strategic and succession planning across all areas of human resources.

- Recruitment and retention, hiring for cultural fit, employee relations, performance management, training and professional development and employee engagement.

- Compliance with state and federal laws to minimize organizational liability.

- Analysis and administration of competitive compensation and total rewards programs.

- Management of payroll, Human Resource Information Systems, and employee benefits administration.

2023 Key Assumptions

The 2023 key assumptions for the Human Resources function are as follows:

- SERC assumes a 5% vacancy rate to total Personnel Expenses.

- SERC will provide competitive compensation and benefits packages.

- SERC will ensure that staff attains and maintains elevated professional credentials to remain a leader in the industry.

- SERC will provide a Board-approved merit salary increase. The salary expense budget for all program areas reflects this assumption.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the Human Resources department are as follows:

- Promote employee engagement and empowerment;

- Attract, develop, and retain highly competent and motivated staff;

- Review compensation and benefits to ensure organization and industry competitiveness;

- Create growth, training and development opportunities for staff

- Promote a diverse and inclusive workplace; and

- Lead efforts to keep SERC a highly desirable place to work.

Resource Requirements

Personnel

The number of FTEs assigned to the Human Resources program is consistent with 2022.

Contractors and Consultants

The 2023 budget decreased and includes contractor support for leadership development and staff training.

Finance and Accounting

Program Scope and Functional Description

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

- Develop SERC's BP&B and provide ongoing financial analysis regarding expenditures and forecasts;

- Prepare monthly, quarterly, and annual financial statements;

- Review and refine accounting policies, procedures, and internal fiscal controls to support the changing business environment;

- Coordinate with external auditors to ensure timely completion of the annual audit;

- Prepare and file required federal and state tax returns;

- Maintain banking relationships and manage cash flow and investments; and

- Support the ERO's funding process by annually collecting NEL data as mandated by FERC;

- Work with the ERO Finance Working Group to provide consistent reporting throughout NERC and the Regions; and

- Manage accounts payable, accounts receivable, and fixed assets.

2023 Key Assumptions

The 2023 key assumptions for the Finance and Accounting function are as follows:

- Current accounting systems and controls are effective.

- There are no major changes in applicable accounting regulations.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Finance and Accounting department are as follows:

- Allocate financial resources in a manner that best promotes the security and reduction of risk to the BPS;

- Identify and prioritize opportunities, and create efficiency through new processes, procedures, and technology;

- Provide timely, relevant, and accurate reporting and financial analysis to SERC management, the FAC, and the Board; and

- Ensure SERC has effective financial controls and exercises fiscal prudence.

Resource Requirements

Personnel

The number of FTEs assigned to the Finance and Accounting program is consistent with 2022.

Corporate Services Program Budget Detail

	Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget				
	CORPORATE SERVICES				
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	$ -	$ -	$ -	$ -	$ -
Penalties Released	-	-	-	-	-
Total Statutory Funding	$ -	$ -	$ -	$ -	$ -
Membership Fees	$ -	$ -	$ -	$ -	$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	-	25,000	25,000	-	-
Interest	-	-	-	-	-
Total Funding (A)	$ -	$ 25,000	$ 25,000	$ -	$ -
Expenses					
Personnel Expenses					
Salaries	$ 5,861,951	$ 5,811,951	$ (50,000)	$ 6,799,194	$ 937,243
Payroll Taxes	349,293	349,293	-	404,201	54,908
Benefits	894,622	894,622	-	1,079,668	185,046
Retirement Costs	753,103	753,103	-	878,752	125,649
Total Personnel Expenses	$ 7,858,969	$ 7,808,969	$ (50,000)	$ 9,161,815	$ 1,302,846
Meeting Expenses					
Meetings & Conference Calls	$ 268,554	$ 268,554	$ -	$ 267,263	$ (1,291)
Travel	232,675	185,675	(47,000)	255,575	22,900
Total Meeting Expenses	$ 501,229	$ 454,229	$ (47,000)	$ 522,838	$ 21,609
Operating Expenses, excluding Depreciation					
Consultants & Contracts	$ 1,068,874	$ 1,018,874	$ (50,000)	$ 811,929	$ (256,945)
Office Rent	840,067	840,067	-	850,067	10,000
Office Costs	1,104,187	1,104,187	-	1,341,947	237,760
Professional Services	501,360	501,360	-	528,150	26,790
Miscellaneous	-	-	-	-	-
Total Operating Expenses	$ 3,514,488	$ 3,464,488	$ (50,000)	$ 3,532,093	$ 17,605
Total Direct Expenses	$ 11,874,686	$ 11,727,686	$ (147,000)	$ 13,216,746	$ 1,342,060
Indirect Expenses	$ (11,874,686)	$ (11,727,686)	$ 147,000	$ (13,216,746)	$ (1,342,060)
Other Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -
Total Expenses (B)	$ -	$ -	$ -	$ -	$ -
Change in Assets	$ -	$ 25,000	$ 25,000	$ -	$ -
Fixed Assets, excluding Right of Use Assets (C)	$ -	$ -	$ -	$ -	$ -
TOTAL BUDGET (B+C)	$ -	$ -	$ -	$ -	$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ -	$ 25,000	$ 25,000	$ -	$ -
FTEs	35.75	37.75	2.00	37.75	2.00

Table A-12.   **Corporate Services Budget Detail**

Approved By Board of Directors June 23, 2022

Section B – Supplemental Financial Information

2023 Business Plan and Budget
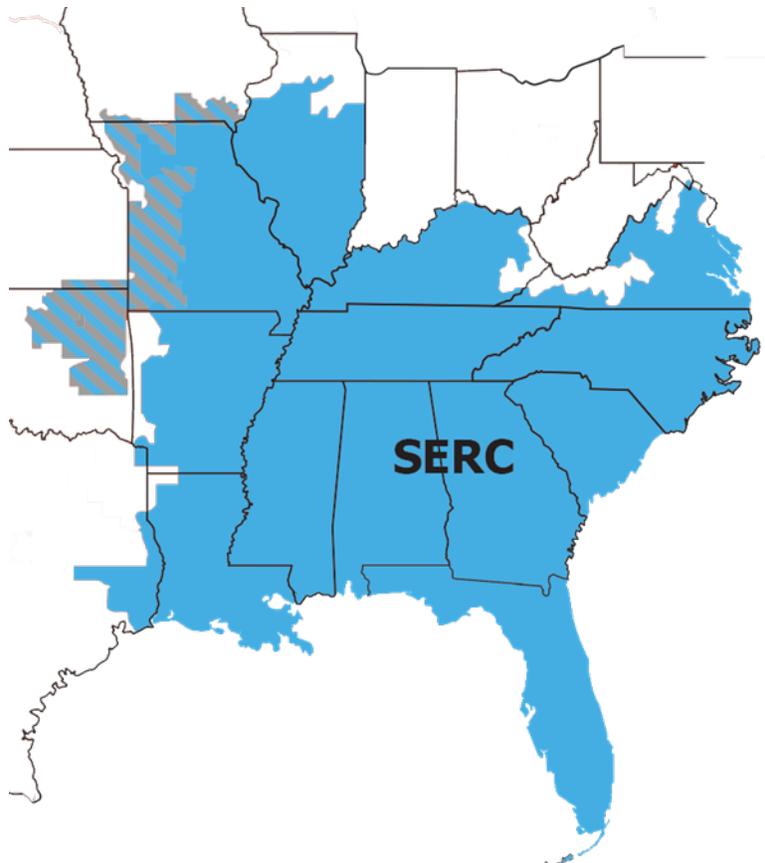
Section B – Supplemental Financial Information

Working Capital and Assessment Stabilization Reserve Analysis

	Total Reserves	Working Capital Reserve	Assessment Stabilization Reserve[1]
Reserve Analysis			
STATUTORY			
Beginning Reserves, January 1, 2022 $	8,186,304	$ 2,777,966	$ 5,408,338
Plus: 2022Funding (from Load-Serving Entities (LSE) or desgnees) $	24,798,934	$ 24,798,934	$ -
Plus: 2022 Other funding sources	196,000	196,000	-
Penalties released from Assessment Stabilization Reserve in 2022	-	1,200,000	(1,200,000)
Penalty Sanctions January 1 - June 30, 2022	1,183,000	-	1,183,000
Less: 2022 Projected expenses & capital expenditures	(26,744,260)	(26,744,260)	-
Projected Reserves, December 31, 2022 $	7,619,978	$ 2,228,640	$ 5,391,338
Targeted Reserve, December 31, 2023 $	5,792,960	$ 1,692,960	$ 4,100,000
Less: Projected Reserves, December 31, 2022	(7,619,978)	(2,228,640)	(5,391,338)
Increase/(decrease) to 2022 Assessments $	(1,827,018)	$ (535,680)	$ (1,291,338)
2023 Expenses and Capital Expenditures $	28,215,894		
Less: Penalties released from Assessment Stabilization Reserve	(1,291,338)		
Adjustment to achieve targeted Working Capital Reserve	(535,680)		
Less: Other funding sources	(196,000)		
2023 SERC Assessment $	26,192,876		

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

Table B-1.   Working Capital Reserve Analysis 2022- 2023

Explanation of the Working Capital Reserve

Pursuant to SERC's Cash Reserves Policy, as approved by the Board on June 26, 2019, SERC maintains a Working Capital Reserve to satisfy cash flow needs for daily operations, as well as for contingencies that were not anticipated at the time the BP&B was prepared. The policy provides for a working capital target of up to 10% of the annual budget. The targeted Working Capital Reserve included in SERC's 2023 BP&B is $1,692,960. SERC reduced the 2023 ERO Assessments by $535,680 to adjust its Working Capital Reserve to the targeted amount.

Explanation of the Assessment Stabilization Reserve

Pursuant to SERC's Cash Reserves Policy, SERC maintains an Assessment Stabilization Reserve to mitigate annual assessment volatility. With NERC and FERC approval, Penalty sanctions are added to the reserve, and released to offset assessments in future years. SERC is requesting to place $3,226,338 of Penalty sanctions received between July 1, 2021 and June 30, 2022, into the Assessment Stabilization Reserve, and to release $1,291,338 from the Assessment Stabilization Reserve to offset 2023 SERC Assessments.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 12, of the 2023 BP&B. All significant variances have been disclosed by program area on the preceding pages.

Penalty Sanctions

All penalty monies received between July 1, 2021 and June 30, 2022, are detailed below, including the amount and date received.

Pursuant to the NERC ROP Section 1107.4, SERC is requesting an exception to NERC ROP 1107.2. *All funds from financial Penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or for the second subsequent fiscal year, if received on or after July 1.* Specifically, SERC is requesting an exception in order to place $3,226,338 of Penalty sanctions received between July 1, 2021 and June 30, 2022, into the Assessment Stabilization Reserve, and to release $1,291,338 from the Assessment Stabilization Reserve to offset 2023 SERC Assessments.

Allocation Method: Penalty sanctions released to offset 2023 assessments have been allocated to the following statutory programs to reduce assessments: Reliability Standards, Compliance Monitoring and Enforcement, RAPA, Training, Education and Stakeholder Outreach, and SAIS. 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, 2022.

Penalty Sanctions Received on or Prior to June 30, 2022		
Payment	**Date Received**	**Amount Received**
Penalty payment 1	9/15/2021	$ 420,000
Penalty payment 2	9/15/2021	260,000
Penalty payment 3	11/8/2021	1,188,000
Penalty payment 4	11/10/2021	175,338
Penalty payment 5	1/24/2022	40,000
Penalty payment 6	3/10/2022	111,000
Penalty payment 7	3/29/2022	120,000
Penalty payment 8	3/31/2022	165,000
Penalty payment 9	4/14/2022	36,000
Penalty payment 10	4/21/2022	435,000
Penalty payment 11	4/25/2022	245,000
Penalty payment 12	5/3/2022	31,000
Total Penalties Received		$ 3,226,338

Table B-2.   **Penalty Sanctions Received**

Table B-3 Supplemental Funding

Other Revenue Breakdown By Program (Excludes Assessments & Penalty Sanctions)	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget
Reliability Standards				
Workshops & Miscellaneous	$ 183	$ -	$ 183	$ -
Interest	$ 220	$ 226	$ 220	$ -
Total	$ 403	$ 226	$ 403	$ -
Compliance Monitoring, Enforcement & Org. Registration				
Workshops & Miscellaneous	$ 29,480	$ 11,000	$ 29,480	$ -
Interest	22,176	21,940	22,176	-
Total	$ 51,656	$ 32,940	$ 51,656	$ -
Reliability Assessment and Performance Analysis				
Workshops & Miscellaneous	$ 2,308	$ -	$ 2,308	$ -
Interest	$ 2,769	$ 2,853	$ 2,769	$ -
Total	$ 5,077	$ 2,853	$ 5,077	$ -
Training, Education and Stakeholder Outreach				
Workshops & Miscellaneous	$ 132,930	$ 130,000	$ 132,930	$ -
Interest	3,516	3,623	3,516	-
Total	$ 136,446	$ 133,623	$ 136,446	$ -
Situation Awareness and Infrastructure Security				
Workshops & Miscellaneous	$ 1,099	$ -	$ 1,099	$ -
Interest	$ 1,319	$ 1,358	$ 1,319	$ -
Total	$ 2,418	$ 1,358	$ 2,418	$ -
Corporate Services				
Workshops & Miscellaneous	$ -	$ 25,000	$ -	$ -
Interest	$ -	$ -	$ -	$ -
Total	$ -	$ 25,000	$ -	$ -
Total Outside Funding	$ 196,000	$ 196,000	$ 196,000	$ -

Table B-3.   Supplemental Funding

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Workshops and Miscellaneous funding in 2023 remains the same from the 2022 budget due to anticipated return to in-person workshop attendance.

Approved By Board of Directors June 23, 2022

Table B-4 Personnel Expenses

Personnel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Total Salaries	$ 16,239,814	$ 16,114,814	$ 17,445,769	$ 1,205,955	7.4%
Total Payroll Taxes	$ 971,965	$ 971,965	$ 1,042,996	$ 71,031	7.3%
Total Benefits	$ 1,981,828	$ 1,981,828	$ 2,256,982	$ 275,154	13.9%
Total Retirement	$ 2,061,442	$ 2,061,442	$ 2,221,068	$ 159,626	7.7%
Total Personnel Costs	$ 21,255,049	$ 21,130,049	$ 22,966,815	$ 1,711,766	8.1%
FTEs	104.0	104.0	106.0	2.0	1.9%
Cost per FTE					
Salaries	$ 156,152	$ 154,950	$ 164,583	$ 8,431	5.4%
Payroll Taxes	9,346	9,346	9,840	494	5.3%
Benefits	19,056	19,056	21,292	2,236	11.7%
Retirement	19,822	19,822	20,953	1,132	5.7%
Total Cost per FTE	$ 204,375	$ 203,174	$ 216,668	$ 12,293	6.0%

Table B-4.   Personnel Expenses

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

The budget reflects a Board-approved merit increase and an increase in health insurance premiums. A vacancy rate of 5% has been applied to all Personnel Expenses.

The combination of two incremental FTEs and a shift toward in-house versus third party resources is driving increases in Salaries, Benefits and Retirement expenses.

Table B-5 Meeting Expenses

Meeting, Conference & Travel Expense	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Meeting & Conference Expenses	$ 443,307	$ 443,307	$ 448,836	$ 5,529	1.2%
Travel Expenses	$ 855,340	$ 680,340	$ 877,727	$ 22,387	2.6%
Total Meeting, Conference & Travel Expenses	$ 1,298,647	$ 1,123,647	$ 1,326,563	$ 27,916	2.1%

Table B-5.   Meeting Expenses

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

The 2023 budget includes a slight increase in Meeting Expenses related to Training and Outreach activities.

Travel expenses reflect a moderate increase associated with rising travel costs as SERC staff continue to utilizing a hybrid mix of on-site and virtual meetings.

Consultants and Contracts	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	$ -	$ -	$ -	$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	-	-	-	-	
Reliability Assessment and Performance Analysis	212,500	212,500	282,482	69,982	32.9%
Training and Outreach	96,570	96,570	-	(96,570)	(100.0%)
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	1,068,874	1,018,874	811,929	(256,945)	(24.0%)
Total Consultants and Contracts	**$ 1,377,944**	**$ 1,327,944**	**$ 1,094,411**	**$ (283,533)**	**(20.6%)**

Table B-6 Consultants and Contracts

Table B-6.   Consultants and Contracts

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

RAPA – The 2023 increase is due to Contract support for the System Operator Conferences being moved from Training and Outreach to RAPA. The budget also includes contractor support for Dynamic model reduction performed through the Dynamic Working Group, seasonal probabilistic assessment support through the Resource Adequacy Working Group, the performance of the Under Frequency Load Shed study as well as the additional contractor support for the special scenario study as proposed by NERC.

Training and Outreach – The 2023 decrease is due to Contract support for the System Operator Conferences being moved from Training and Outreach to RAPA.

Corporate Services:

- **General & Administrative** – The 2023 budget includes support for corporate strategic initiatives which are lower than what was required in 2022.

- **IT** – Reduced reliance on third party resources is driving the reduction to contractor and consulting expenses.

Table B-7 Office Rent

Office Rent	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Office Rent	$ 840,067	$ 840,067	$ 850,067	$ 10,000	1.2%
Utilities	-	-	-	-	0.0%
Maintenance	-	-	-	-	0.0%
Total Office Rent	$ 840,067	$ 840,067	$ 850,067	$ 10,000	1.2%

Table B-7.   **Office Rent**

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Increase in building's operational Common Area Maintenance expenses.

Table B-8 Office Costs

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Telephone	$ 160,420	$ 160,420	$ 182,340	$ 21,920	13.7%
Office Supplies	97,408	97,408	86,209	(11,199)	(11.5%)
Computers, Hardware and Supplies	112,000	112,000	75,000	(37,000)	(33.0%)
Software	607,233	607,233	838,243	231,010	38.0%
Publications & Subscriptions	20,420	20,420	20,500	80	0.4%
Dues	29,712	29,712	33,997	4,285	14.4%
Postage, Shipping & Copying	14,000	14,000	14,000	-	0.0%
Equipment Repair/Service Contracts	36,000	36,000	66,000	30,000	83.3%
Bank Charges	3,000	3,000	3,000	-	0.0%
Taxes	25,000	25,000	25,000	-	0.0%
Merchant Credit Card Fees	12,000	12,000	9,600	(2,400)	(20.0%)
Insurance - Commercial	54,000	54,000	54,000	-	0.0%
Total Office Costs	$ 1,171,193	$ 1,171,193	$ 1,407,889	$ 236,696	20.2%

Table B-8.   **Office Costs**

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Telephone - expenses projected to increase as cost of wireless services and phone equipment rise.

Office Supplies – a printer lease program planned for 2023 will reduce the need to purchase toner supplies. Increase is reflected in Equipment Repairs/Service Contracts.

Computer, Hardware and Supplies – decreases as some server purchases will be capitalized in 2023.

Software – increase due to anticipated additional software costs associated with the support and maintenance of SERC's robust cyber security goals.

Table B-9 Professional Services

Professional Services	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Outside Legal	$ 72,400	$ 72,400	$ 49,000	$ (23,400)	(32.3%)
Independent Director Fees	$ 394,800	$ 394,800	$ 440,000	$ 45,200	11.4%
Accounting & Auditing Fees	34,160	34,160	39,150	4,990	14.6%
Total Services	$ 501,360	$ 501,360	$ 528,150	$ 26,790	5.3%

Table B-9.   Professional Services

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Outside Legal expenses are decreasing based on historical norms. Independent Director Fees have increased to reflect actual cost.

Table B-10 Miscellaneous

Miscellaneous Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Miscellaneous	$ -	$ -	$ -	$ -	
Total Micellaneous Expenses	$ -	$ -	$ -	$ -	

Table B-10.   Miscellaneous

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

There are no costs budgeted for these items in 2022 or 2023.

Table B-11 Non-Operating Expenses

Other Non-Operating Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 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 – 2023 Budget versus 2022 Budget

There are no costs budgeted for these items in 2022 or 2023.

Table B-12 Fixed Assets

Fixed Assets	Budget 2022		Projection 2022		Budget 2023		Variance 2022 Budget v 2023 Budget	Variance %
Computer & Software CapEx	$	264,000	$	650,000	$	-	$ (264,000)	(100.0%)
Furniture & Fixtures CapEx		-		-		-	-	
Equipment CapEx		-		-		42,000	42,000	
Leasehold Improvements		-		-		-	-	
	$	264,000	$	650,000	$	42,000	$ (222,000)	(84.1%)

Table B-12.   Fixed Assets

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

An overall Fixed Asset decrease of $222,000 is due to fewer capitalized purchases for cyber security enhancements. Planned server hardware purchases will be capitalized in 2023.

Table B-13 2023 and 2024 Projections

	2023 Budget	2024 Projection	$ Change 23 v 24	% Change 23 v 24	2025 Projection	$ Change 24 v 25	% Change 24 v 25
Statement of Activities and Capital Expenditures 2023 Budget & Projected 2024 and 2025 Budgets							
Statutory							
Funding							
Statutory Funding							
SERC Assessments	$ 26,192,877	$ 27,774,907	$ 1,582,030	6.0%	$ 29,014,882	$ 1,239,975	4.5%
Penalties Released*	1,291,337	1,425,000	133,663	10.4%	1,300,000	(125,000)	(8.8%)
Total Statutory Funding	$ 27,484,214	$ 29,199,907	$ 1,715,693	6.2%	$ 30,314,882	$ 1,114,975	3.8%
Membership Fees	$ -	$ -	$ -		$ -	$ -	
Workshops & Miscellaneous	166,000	166,000	-	0.0%	166,000	-	0.0%
Interest	30,000	30,000	-	0.0%	30,000	-	0.0%
Total Funding (A)	$ 27,680,214	$ 29,395,907	$ 1,715,693	6.2%	$ 30,510,882	$ 1,114,975	3.8%
Expenses							
Personnel Expenses							
Salaries	$ 17,445,769	$ 18,143,600	$ 697,831	4.0%	$ 18,687,908	$ 544,308	3.0%
Payroll Taxes	1,042,996	1,084,716	41,720	4.0%	1,117,257	32,541	3.0%
Benefits	2,256,982	2,426,256	169,274	7.5%	2,499,043	72,788	3.0%
Retirement Costs	2,221,068	2,309,911	88,843	4.0%	2,379,208	69,297	3.0%
Total Personnel Expenses	$ 22,966,815	$ 23,964,482	$ 997,667	4.3%	$ 24,683,416	$ 718,934	3.0%
Meeting Expenses							
Meetings & Conference Calls	$ 448,836	$ 448,836	$ -	0.0%	$ 453,324	$ 4,488	1.0%
Travel	877,727	877,727	-	0.0%	886,504	8,777	1.0%
Total Meeting Expenses	$ 1,326,563	$ 1,326,563	$ -	0.0%	$ 1,339,829	$ 13,266	1.0%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	$ 1,094,411	$ 1,094,411	$ -	0.0%	$ 1,105,355	$ 10,944	1.0%
Office Rent	850,067	858,568	8,501	1.0%	1,200,000	341,432	39.8%
Office Costs	1,407,889	1,407,889	-	0.0%	1,421,968	14,079	1.0%
Professional Services	528,150	543,995	15,845	3.0%	560,314	16,320	3.0%
Miscellaneous	-	-	-		-	-	
Total Operating Expenses	$ 3,880,517	$ 3,904,862	$ 24,345	0.6%	$ 4,287,637	$ 382,775	9.8%
Total Direct Expenses	$ 28,173,895	$ 29,195,907	$ 1,022,012	3.6%	$ 30,310,882	$ 1,114,975	3.8%
Indirect Expenses	$ -	$ -	$ -		$ -	$ -	
Other Non-Operating Expenses	$ -	$ -	$ -		$ -	$ -	
Total Expenses (B)	$ 28,173,895	$ 29,195,907	$ 1,022,012	3.6%	$ 30,310,882	$ 1,114,975	3.8%
Change in Assets	$ (493,681)	$ 200,000	$ 693,681	(140.5%)	$ 200,000	$ -	0.0%
Fixed Assets							
Computer & Software CapEx	-	200,000	200,000		200,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	42,000	-	(42,000)	(100.0%)	-	-	
Leasehold Improvements	-	-	-		-	-	
Allocation of Fixed Assets	-	-	-		-	-	
Incr(Dec) in Fixed Assets (C)	$ 42,000	$ 200,000	$ 158,000	376.2%	$ 200,000	$ -	0.0%
TOTAL BUDGET (B+C)	$ 28,215,895	$ 29,395,907	$ 1,180,012	4.2%	$ 30,510,882	$ 1,114,975	3.8%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ (535,681)	$ -	$ 535,681	(100.0%)	$ -	$ -	
FTEs	106.0	106.0	-	0.0%	106.0	-	0.0%

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

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

Explanation of 2024 and 2025 Budget Projections

Personnel Expenses

- Annual merit pay increases in 2024 and 2025

- Annual increase in insurance premiums; and

- A continuation of a 5% vacancy rate.

Meeting Expenses

- Meetings and travel costs include a 1% inflationary increase in 2025.

Operating Expenses

- Commercial lease rates have increased significantly in recent years, and will have an impact on rent expense when the current office lease expires in 2025.

- Professional services include a 3% increase in both 2024 and 2025 associated with Independent Director Fees.

- Other operating expenses remain flat for 2024 and include a 1% inflationary increase in 2025.

Section C – Non-Statutory Activities

2023 Business Plan and Budget
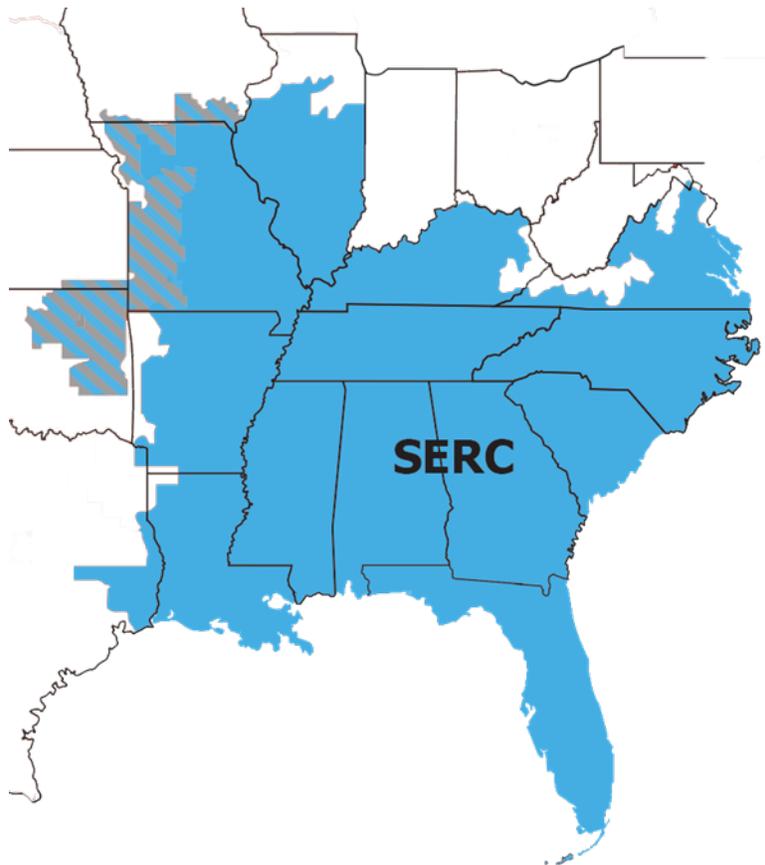
Section C – Non-Statutory Activities

2023 Non-Statutory Business Plan and Budget

At present, SERC does <u>not</u> provide any non-statutory functions; therefore, Section C is not applicable at this time. However, SERC may in the future consider providing non-statutory functions from time to time, as appropriate and as permitted by its Board and applicable statutes and regulations.

Section D – Additional Consolidated Financial Statements

2023 Business Plan and Budget
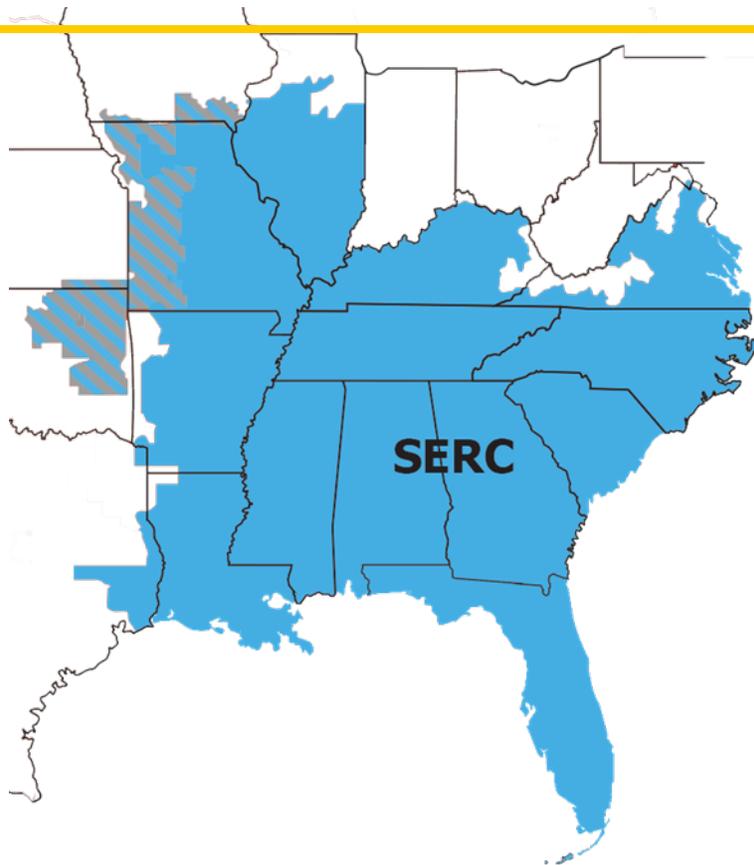
Consolidated Financial Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards	Compliance Monitoring and Enforcement; Organization Registration and Certification	Reliability Assessment and Performance Analysis	Training and Outreach	Situation Awareness and Infrastructure Security	Corporate Services
Funding										
Statutory Funding										
SERC Assessments	$ 26,192,877	$ 26,192,877	$ -	$ 26,192,877	$ 221,439	$ 19,247,483	$ 2,910,637	$ 2,620,473	$ 1,192,845	$ -
Penalties Released	1,291,337	1,291,337	-	1,291,337	9,460	954,549	119,200	151,366	56,762	-
Total Statutory Funding	$ 27,484,214	$ 27,484,214	$ -	$ 27,484,214	$ 230,899	$ 20,202,032	$ 3,029,837	$ 2,771,839	$ 1,249,607	$ -
Non-statutory Funding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Workshops & Miscellaneous	166,000	166,000	-	166,000	183	29,480	2,308	132,930	1,099	-
Interest	30,000	30,000	-	30,000	220	22,176	2,769	3,516	1,319	-
Total Funding (A)	$ 27,680,214	$ 27,680,214	$ -	$ 27,680,214	$ 231,302	$ 20,253,688	$ 3,034,914	$ 2,908,285	$ 1,252,025	$ -
Expenses										
Personnel Expenses										
Salaries	$ 17,445,770	$ 17,445,770	$ -	$ 17,445,770	$ 106,056	$ 7,991,710	$ 1,002,102	$ 1,021,928	$ 524,780	$ 6,799,194
Payroll Taxes	1,042,996	1,042,996	-	1,042,996	6,363	479,503	60,126	61,316	31,487	404,201
Benefits	2,256,982	2,256,982	-	2,256,982	10,378	889,013	110,965	117,689	49,269	1,079,668
Retirement Costs	2,221,067	2,221,067	-	2,221,067	13,347	1,007,692	126,308	128,830	66,138	878,752
Total Personnel Expenses	$ 22,966,815	$ 22,966,815	$ -	$ 22,966,815	$ 136,144	$ 10,367,918	$ 1,299,501	$ 1,329,763	$ 671,674	$ 9,161,815
Meeting Expenses										
Meetings & Conference Calls	$ 448,836	$ 448,836	$ -	$ 448,836	$ -	$ 13,090	$ 165,000	$ 3,483	$ -	$ 267,263
Travel	877,727	877,727	-	877,727	2,500	426,487	97,500	74,965	20,700	255,575
Total Meeting Expenses	$ 1,326,563	$ 1,326,563	$ -	$ 1,326,563	$ 2,500	$ 439,577	$ 262,500	$ 78,448	$ 20,700	$ 522,838
Operating Expenses, excluding Depreciation										
Consultants & Contracts	$ 1,094,411	$ 1,094,411	$ -	$ 1,094,411	$ -	$ -	$ 282,482	$ -	$ -	$ 811,929
Office Rent	850,067	850,067	-	850,067	-	-	-	-	-	850,067
Office Costs	1,407,889	1,407,889	-	1,407,889	-	37,366	25,280	2,217	1,079	1,341,947
Professional Services	528,150	528,150	-	528,150	-	-	-	-	-	528,150
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation										
Total Operating Expenses	$ 3,880,517	$ 3,880,517	$ -	$ 3,880,517	$ -	$ 37,366	$ 307,762	$ 2,217	$ 1,079	$ 3,532,093
Total Direct Expenses	$ 28,173,895	$ 28,173,895	$ -	$ 28,173,895	$ 138,644	$ 10,844,861	$ 1,869,763	$ 1,410,428	$ 693,453	$ 13,216,746
Indirect Expenses	$ -	$ 0	$ -	$ 0	$ 96,826	$ 9,769,741	$ 1,220,007	$ 1,549,216	$ 580,956	$ (13,216,746)
Other Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Expenses (B)	$ 28,173,895	$ 28,173,895	$ -	$ 28,173,895	$ 235,470	$ 20,614,602	$ 3,089,770	$ 2,959,644	$ 1,274,409	$ -
Change in Assets	$ (493,681)	$ (493,681)	$ -	$ (493,681)	$ (4,168)	$ (360,914)	$ (54,856)	$ (51,359)	$ (22,384)	$ -
Depreciation										
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	-	-		-						
Equipment CapEx	42,000	42,000	-	42,000	-	-	-	-	-	42,000
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	308	31,046	3,877	4,923	1,846	(42,000)
Fixed Assets, excluding Right of Use Assets (C)	$ 42,000	$ 42,000	$ -	$ 42,000	$ 308	$ 31,046	$ 3,877	$ 4,923	$ 1,846	$ -
TOTAL BUDGET (B+C)	$ 28,215,895	$ 28,215,895	$ -	$ 28,215,895	$ 235,778	$ 20,645,648	$ 3,093,647	$ 2,964,567	$ 1,276,255	$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ (535,681)	$ (535,681)	$ -	$ (535,681)	$ (4,476)	$ (391,960)	$ (58,733)	$ (56,282)	$ (24,230)	$ -
FTEs	106.0	106.0	-	106.0	0.5	50.5	6.3	8.0	3.0	37.8

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

Statement of Financial Position

Statement of Financial Position 2021 Audited, 2022 Projection, and 2023 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit) **31-Dec-21**	**Projected** **31-Dec-22**	**Budget** **31-Dec-23**
ASSETS			
Cash and cash equivalents	$ 5,695,065	$ 4,607,599	$ 4,565,604
Investments	7,656,950	8,156,950	8,156,950
Accounts receivable, net	-	-	-
Prepaid expenses and other assets	446,007	400,000	400,000
Property and equipment, net	2,443,079	2,493,079	1,985,079
Total Assets	$ 16,241,101	$ 15,657,628	$ 15,107,633
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	$ 60,808	$ 40,000	$ 40,000
Accrued expenses	4,682,670	4,700,000	4,700,000
Deferred revenue	45,253	45,253	45,253
Other liabilities	822,987	797,987	772,987
Total Liabilities	$ 5,611,718	$ 5,583,240	$ 5,558,240
Unrestricted net assets	10,629,383	10,074,388	9,549,393
Total Liabilities and Net Assets	$ 16,241,101	$ 15,657,628	$ 15,107,633

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

Appendix A: Organization Chart

The SERC Organization chart shown here compares 2022 and 2023 SERC personnel counts.
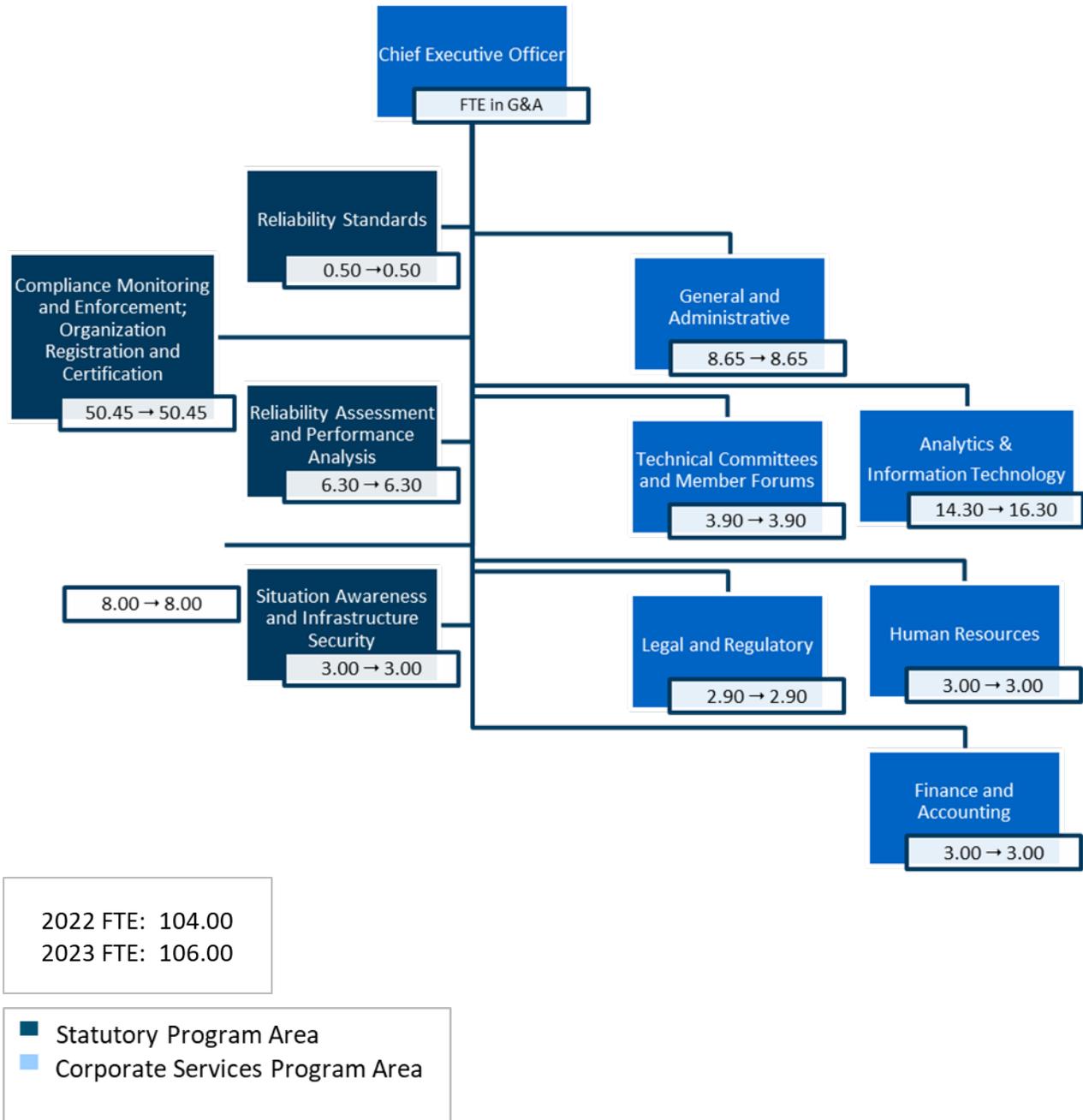
Figure 2.   SERC Organization Chart

Appendix B: Index of Figures and Tables

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