



SERC RELIABILITY CORPORATION

Evaluation | Analysis | Assistance | Operating Experience

SERC Reliability Corporation

2019 Business Plan and Budget

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[Approval Date]

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Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2019.

	TOTAL RESOURCES (in whole dollars)			
	2019 Budget	U.S.	Canada	Mexico
Statutory FTEs	78.00			
Non-statutory FTEs	-			
Total FTEs	78.00			
Statutory Expenses	\$ 18,296,637			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 18,296,637			
Statutory Inc(Dec) in Fixed Assets	\$ (151,688)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (151,688)			
Statutory Working Capital Requirement	\$ (528,184)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (528,184)			
Total Statutory Funding Requirement	\$ 17,616,765			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 17,616,765			
Statutory Funding Assessments	\$ 17,372,215	\$ 17,372,215	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL *	1,050,336,219	1,050,336,219	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

* Based on 2016 NEL, final budget will reflect 2017 NEL.

Table 1. SERC Budget for 2019

Organizational Overview

SERC is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power system (BPS) in all or portions of 16 central and southeastern states. The SERC Region presently covers an area of approximately 560,000 square miles. Electric systems in the Region currently serve approximately 23% of the net energy for load (NEL) in North America and 31% of the NEL in the Eastern Interconnection.

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

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

SERC, originally called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the

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

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

On March 5, 2018, SERC – together with NERC and the Midwest Reliability Organization (MRO) – made application to FERC to allow 13 entities in the Southwest Power Pool Regional Entity (SPP RE) footprint to transfer their registrations to SERC. An effective date of July 1, 2018 was requested. If approved by FERC, this will transfer these 13 entities to SERC, as noted below. This will also add approximately 27.8 TWh of NEL to the SERC Region. This increase in NEL has been factored into Table 1 above.

SERC has a 2019 targeted staffing level of 78.0 Full-Time Equivalents (FTEs) (2019 total headcount of 78.0) comprised of power industry professionals and support personnel.

Membership and Governance

As part of its delegated duties, SERC currently monitors 198 registered entities in the SERC Region for compliance with the NERC Reliability Standards. It is anticipated FERC will approve a transfer of 13 entities from the Southwest Power Pool (SPP) Regional Entity, effective July 1, 2018. Membership in SERC is voluntary and free. SERC's member companies participate in the technical activities and governance of the organization. SERC currently has 53 member companies.

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

- Board Executive Committee (BEC): The BEC is empowered to make all such decisions and take such actions as are deemed to be necessary for the operation of the Corporation.
- Board Compliance Committee (BCC): Oversees the program that monitors and enforces compliance of registered entities in the Region to FERC-approved Reliability Standards.
- Human Resources and Compensation Committee (HRCC): Advises the President, Board officers, and the Board about employee compensation and human resources.
- Finance and Audit Committee (FAC): Advises the President, Board officers, and the Board about the organization's finances and internal controls.
- Nominating Committee: Identifies, vets, and recommends candidates for Board Officer and committee positions, as needed.

Statutory Functional Scope

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

- Analyzes events to identify lessons learned that will improve reliability.
- Promotes BPS reliability, adequacy, and security.
- Helps develop Reliability Standards for the North American BPS and the SERC Region.
- Monitors and enforces approved mandatory Reliability Standards.
- Registers and certifies responsible entities under the reliability compliance program.

- Assesses the BPS past, present, and future risk profile in order to assure reliability, adequacy, and security.
- Trains operating personnel to assure competence.

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

2019 Key Assumptions

NERC and Regional Entity business plans and budgets reflect the collaborative development of the ERO Enterprise Long-term Strategy and the ERO Enterprise Operating Plan. These Strategic Documents are available on NERC's website (<https://www.nerc.com/AboutNERC/Pages/Strategic-Documents.aspx>)

Working collaboratively, the ERO Enterprise has established six perennial goals, each of which is supported by key contributing activities of the combined ERO Enterprise, NERC and SERC:

1. Risk-responsive Reliability Standards.
2. Objective, risk-informed compliance monitoring, mitigation, enforcement and entity registration.
3. Reduction of known reliability risks.
4. Identification and assessment of emerging reliability risks.
5. Identification and reduction of cyber and physical security risks.
6. Effective and efficient ERO Enterprise operations.

2019 Goals and Key Deliverables

The overall goals and key deliverables for 2019 are as follows:

1. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - A. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - B. Enforce compliance of registered entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent reviews.
 - C. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner.
2. Promote a culture of compliance that addresses reliability risks across the SERC Region and the ERO.
 - A. Ensure that the industry understands the essential purpose of standards and compliance expectations.
 - B. Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
 - C. Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.
3. Identify the most significant risks to reliability in the SERC Region.

- A. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
 - B. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform standards, compliance, and other programs.
 - C. Ensure that the industry is well-informed of emerging trends, risk analysis, lessons learned, and expected actions.
4. Mitigate reliability risks.
 - A. Ensure that the industry understands security threats and addresses them effectively.
 - B. Facilitate information sharing among industry, Regions, ERO, and government.
 - C. Work with the ERO to track industry accountability for critical reliability and security recommendations.
 5. Promote a culture of reliability excellence.
 - A. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among registered entities.
 - B. Serve as a leading resource to industry and policy makers to supply reliability information.
 6. Improve transparency, consistency, quality, and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - A. Identify, understand, and manage internal risks.
 - B. Ensure processes are effective, efficient, and continually improving.

2019 Overview of Cost Impacts

SERC proposes to increase its operating budget in 2019 from \$17,182,868 to \$18,144,949, an increase of \$962,081 or 5.6% (this includes \$459,058 in operating expenses attributable to new registered entities transferring from the Southwest Power Pool Regional Entity (SPP) to SERC). The proposed 2019 assessment of \$17,372,215 is an increase of 1.0%, or \$167,079, from the 2018 assessment of \$17,205,136.

SERC believes that in 2019 it will continue to realize material efficiencies that will allow the Region to remain an efficient provider of statutory functions, as SERC will continue to be one of the lowest-cost Regional Entities on the basis of cost per NEL. SERC's culture promotes consistent delivery of excellent results at a cost that respects the longstanding tradition of affordable and reliable electricity across SERC's geography.

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

SERC will continue to perform Cross-Regional Compliance Monitoring and Enforcement Program (CMEP) activities for other Regions upon request. A Regional Entity that contracts with SERC for its services will pay the costs in accordance with the contract; \$34,500 is included in the *2019 Business Plan and Budget* under Other Funding and various expense accounts for the performance of these services.

The following targeted budget changes allow SERC to accomplish the specific objectives outlined in the *2019 Business Plan and Budget* (dollars are stated as an increase in the 2019 budget compared to the 2018 budget). The most significant changes to the budget are in personnel, which includes two components:

- **Staff changes proposed in 2019** – The targeted staffing level for 2019 is 78.00 FTEs. This reflects an increase of three FTEs compared to the 2018 budget. These additional personnel will accommodate the increase in workload in administration of the CMEP Program for new registered entities transferring from SPP to SERC. SERC also continues to use consultants in lieu of FTEs in the area of Information Technology (IT).
- **Cost increase for maintaining staff budgeted in 2019** – The net increase in Personnel costs of \$588,936 compared to 2018 reflects a Board approved merit increase and an increase in employee benefit costs. \$423,283 of the increase is attributable to the three FTEs added to support CMEP activities for the entities transferred from SPP. A 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 increase of \$68,053 reflects additional audits due to the transfer of SPP entities to SERC, increased stakeholder outreach efforts, and an increase in meeting expenses associated with board and committee governance activities to better reflect historical norms.
- **Consultants and Contracts** – SERC anticipates an overall increase in Consultants and Contracts of \$122,600. This reflects additional contract administrative support, an increase in IT related contract expenses, and the use of contract HR resources for various specialized needs.
- **Office Rent** – An increase of \$156,213 is due to the acquisition of additional space on the third floor of the SERC office building. SERC continues to record rent on a straight-line basis, per Generally Accepted Accounting Principles. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet.
- **Office Costs** – An increase of \$100,491 is primarily due to reclassification of laptop and related expenses previously budgeted as fixed asset purchases.

- **Professional Services** – An increase of \$53,340 is due to a combination of increased legal fees to review corporate bylaws, increased independent auditor fees, and third-party payroll processing fees.
- **Depreciation** – A decrease of \$81,381 is due to a subset of assets becoming fully depreciated in 2018, together with less than planned fixed asset purchases in 2017.
- **Fixed Assets** – A \$125,000 decrease in fixed asset purchases is a result of a reclassification of laptop purchases to Office Costs, and a decrease in Consortium User Group (CUG) software capital expenditures.

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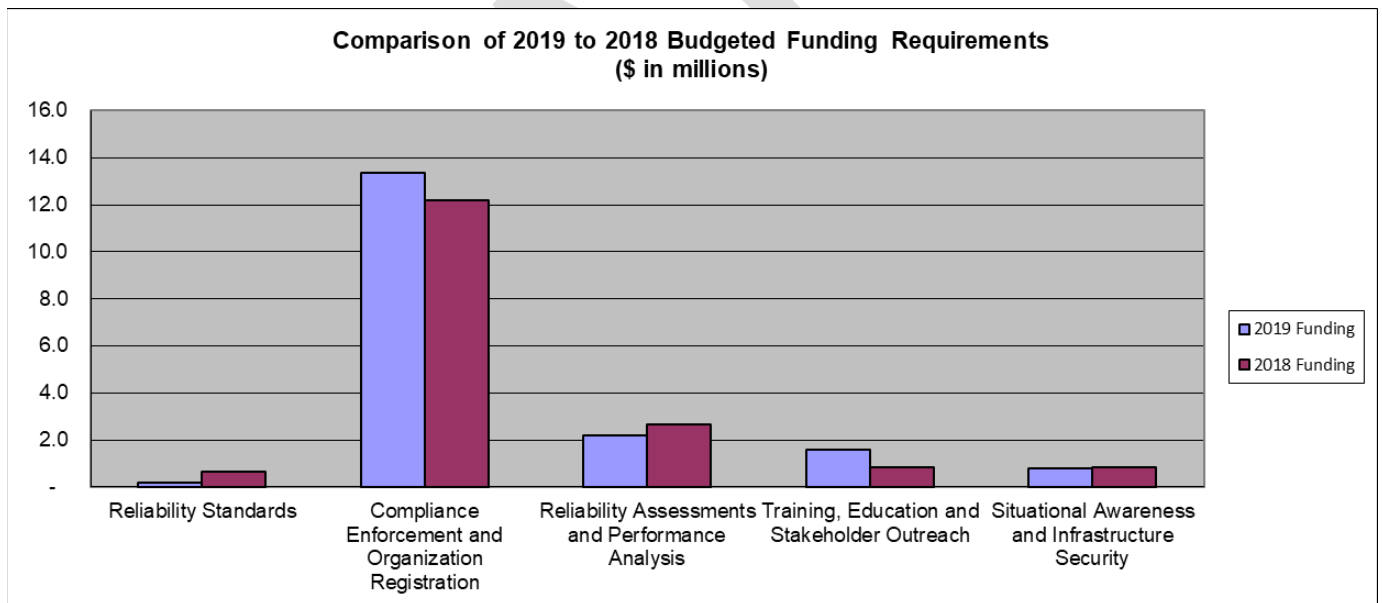
Summary by Program

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

Base Operating Budget	Budget 2018	Projection 2018	Budget 2019	Change	
				2019 Budget v 2018 Budget	% Change
Reliability Standards	658,556	563,698	172,439	(486,117)	-73.8%
Compliance Enforcement and Organization Registration	12,171,991	12,736,090	13,373,347	1,201,355	9.9%
Reliability Assessments and Performance Analysis	2,667,153	2,209,735	2,197,046	(470,108)	-17.6%
Training, Education and Stakeholder Outreach	843,926	1,600,316	1,594,010	750,084	88.9%
Situational Awareness and Infrastructure Security	841,242	499,864	808,107	(33,135)	-3.9%
Total	17,182,868	17,609,702	18,144,948	962,079	5.6%
Working Capital Reserve	1,013,271	968,462	(528,184)	(1,541,455)	
Total Funding	18,196,139	18,578,165	17,616,764	(579,376)	-3.2%

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

Table 2. Budgeted Funding by Program Area



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

Figure 1. Budgeted Funding by Program Area Chart

Reliability Standards – The \$486,117 decrease in total funding, from \$658,556 budgeted in 2018 to \$172,439 budgeted in 2019, is due to reallocation of personnel within SERC to support standards program requirements. FTEs in the Standards program have decreased by 1.25 in anticipation of overall volume of NERC Reliability Standard changes continuing to decrease.

Compliance Enforcement and Organization Registration – The increase in total funding, from \$12,171,991 budgeted in 2018 to \$13,373,347 budgeted in 2019, results from an increase in indirect expenses allocated to the Compliance Enforcement and Organization Registration

program, and an increase in CMEP costs due to the number of registered entities transferring from SPP RE to SERC. FTEs in the CMEP area have increased by 1.44 in the 2019 budget, again to perform the additional CMEP duties for the registered entities transferring from SPP RE to SERC.

Reliability Assessments and Performance Analysis – The decrease in total funding, from \$2,667,153 in 2018 to \$2,197,046 budgeted in 2019, is due to a slight decrease in the indirect expense allocation. FTEs in RAPA decreased by 1.47 in the 2019 budget.

Training, Education and Stakeholder Outreach – Total funding increased from the \$843,926 budgeted in 2018 to \$1,594,010 budgeted in 2019. This is a result of adding 1.6 FTEs to increase stakeholder outreach efforts in the 2019 budget. The additional FTEs results in an increase in indirect expenses allocated to Training, Education and Stakeholder Outreach.

Situational Awareness and Infrastructure Security – The decrease in total funding, from \$841,242 budgeted in 2018 to \$808,107 budgeted in 2019, is due the decrease of 0.17 FTEs. This reduction in FTEs reduces overall personnel expenses for the Situational Awareness and Infrastructure Security budget, and allows for an additional decrease in indirect expenses allocated to the Situational Awareness and Infrastructure Security program.

Personnel Analysis

The targeted staffing level for 2019 is 78.00 FTEs, which represents an increase of three FTEs compared to the 2018 budget. These additional personnel will accommodate the increase in workload in administration of the CMEP Program for new registered entities transferring from the Southwest Power Pool (SPP) Regional Entity to SERC. Other shifts between program areas are a result of an internal restructuring to align resources with overall needs. Details are discussed in the Resource Requirements section in each program area in Section A.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2018	2018	2019 Budget	FTEs ¹ 2019 Budget	2019 Budget	from 2018 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.70	1.45	0.45	-	0.45	(1.25)
Compliance Monitoring and Enforcement and Organization Registration and Certification	32.56	34.00	34.00	-	34.00	1.44
Reliability Assessment and Performance Analysis	6.37	5.10	4.90	-	4.90	(1.47)
Training, Education and Stakeholder Outreach	1.70	3.85	3.30	-	3.30	1.60
Situation Awareness and Infrastructure Security	2.37	1.40	2.20	-	2.20	(0.17)
Total FTEs Operational Programs	44.70	45.80	44.85	-	44.85	0.15
Administrative Programs						
Technical Committees and Member Forums	4.70	3.90	4.70	-	4.70	-
General & Administrative	11.25	10.25	8.75	-	8.75	(2.50)
Legal and Regulatory	2.55	3.05	4.45	-	4.45	1.90
Analytics and IT	7.00	9.20	9.45	-	9.45	2.45
Human Resources	1.90	2.90	2.90	-	2.90	1.00
Finance and Accounting	2.90	2.90	2.90	-	2.90	-
Total FTEs Administrative Programs	30.30	32.20	33.15	-	33.15	2.85
Total FTEs	75.00	78.00	78.00	-	78.00	3.00

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

Table 3. Total FTEs by Program Area

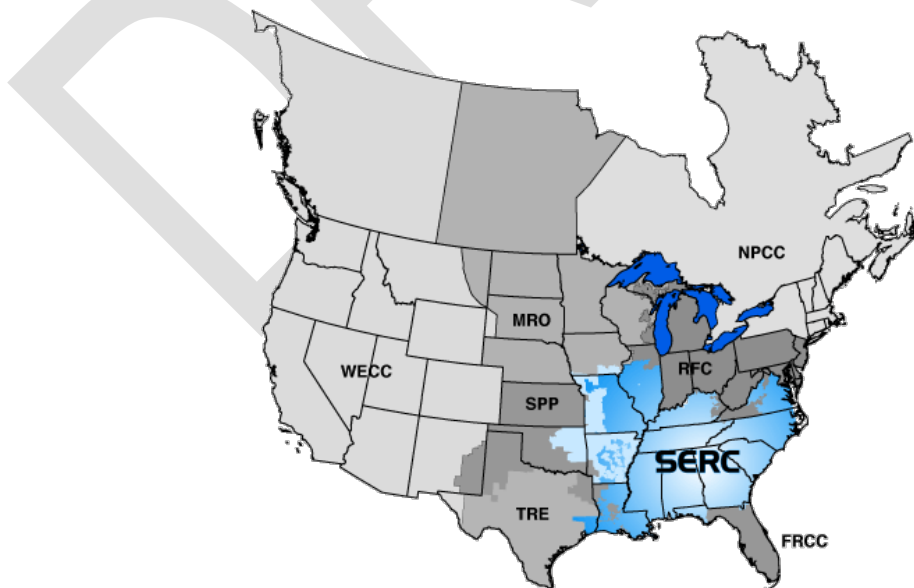
2018 Budget and Projection and 2019 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projection, and 2019 Budget					
STATUTORY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 17,205,136	\$ 17,205,136	\$ -	\$ 17,372,215	\$ 167,079
Penalty Sanctions	727,978	727,978	-	83,000	(644,978)
Total NERC Funding	\$ 17,933,114	\$ 17,933,114	\$ -	\$ 17,455,215	\$ (477,899)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	176,025	126,050	(49,975)	126,050	(49,975)
Interest	1,000	1,000	-	1,000	-
Miscellaneous	86,000	518,000	432,000	34,500	(51,500)
Total Funding (A)	\$ 18,196,139	\$ 18,578,164	\$ 382,025	\$ 17,616,765	\$ (579,374)
Expenses					
Personnel Expenses					
Salaries	\$ 9,833,357	\$ 9,842,328	\$ 8,971	\$ 10,276,729	\$ 443,371
Payroll Taxes	727,668	640,944	(86,724)	746,769	19,101
Benefits	1,094,551	1,136,353	41,802	1,172,398	77,847
Retirement Costs	1,281,811	1,284,271	2,460	1,330,427	48,617
Total Personnel Expenses	\$ 12,937,388	\$ 12,903,897	\$ (33,491)	\$ 13,526,324	\$ 588,936
Meeting Expenses					
Meetings	\$ 266,160	\$ 348,955	\$ 82,795	\$ 306,700	\$ 40,540
Travel	606,865	674,818	67,953	648,922	42,057
Conference Calls	44,544	36,000	(8,544)	30,000	(14,544)
Total Meeting Expenses	\$ 917,569	\$ 1,059,773	\$ 142,204	\$ 985,622	\$ 68,053
Operating Expenses					
Consultants & Contracts	\$ 1,855,881	\$ 2,096,867	\$ 240,986	\$ 1,978,481	\$ 122,600
Office Rent	628,983	784,983	156,000	785,196	156,213
Office Costs	435,496	452,182	16,686	535,986	100,491
Professional Services	57,000	87,000	30,000	110,340	53,340
Miscellaneous	5,550	3,000	(2,550)	3,000	(2,550)
Depreciation	453,068	399,944	(53,124)	371,688	(81,381)
Total Operating Expenses	\$ 3,435,978	\$ 3,823,976	\$ 387,998	\$ 3,784,691	\$ 348,712
Total Direct Expenses	\$ 17,290,935	\$ 17,787,646	\$ 496,711	\$ 18,296,636	\$ 1,005,701
Indirect Expenses	\$ -	\$ (1)	\$ (1)	\$ 1	\$ 1
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 17,290,935	\$ 17,787,645	\$ 496,710	\$ 18,296,637	\$ 1,005,702
Change in Assets	\$ 905,204	\$ 790,519	\$ (114,685)	\$ (679,872)	\$ (1,585,077)
Fixed Assets					
Depreciation	\$ (453,068)	\$ (399,944)	\$ 53,124	\$ (371,688)	\$ 81,381
Computer & Software CapEx	345,000	200,000	(145,000)	220,000	(125,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	22,000	22,000	-	-
Allocation of Fixed Assets	\$ 2	\$ 1	\$ (0)	\$ (0)	\$ (2)
Inc(Dec) in Fixed Assets (C)	(108,067)	(177,943)	(69,876)	(151,688)	(43,621)
TOTAL BUDGET (=B + C)	\$ 17,182,868	\$ 17,609,702	\$ 426,834	\$ 18,144,949	\$ 962,081
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 1,013,271	\$ 968,462	\$ (44,809)	\$ (528,184)	\$ (1,541,455)
FTEs	75.00	78.00	3.00	78.00	3.00

Table 4. Budget and Projection Comparison, 2018 to 2019

Section A – Statutory Programs

2019 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	1.70	0.45	(1.25)
Direct Expenses	\$ 342,948	\$ 77,046	\$ (265,902)
Indirect Expenses	\$ 321,091	\$ 96,915	\$ (224,176)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,483)	\$ (1,522)	\$ 3,961
Total Funding Requirement	\$ 658,556	\$ 172,439	\$ (486,117)

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). SERC, in accordance with the SERC Reliability Standards Development Procedure, develops and maintains its 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 BPS.

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

2019 Key Assumptions

The 2019 key assumptions for the Reliability Standards Program are:

- SERC expects the overall volume of NERC Reliability Standard changes to continue decreasing compared with prior years as the standards are expected to reach a steady state.
- SERC resources will support the standards development per the NERC Standards Process Manual.
- SERC regional standards development activity will continue to be limited.
- SERC anticipates Regional criteria development will continue to be limited.

2019 Goals and Key Deliverables

SERC Reliability Standards Program 2019 goals and key deliverables are as follows:

1. Manage the SERC Technical Committee Documents per the approved 2019 Review Work Plan.
2. Support the ERO to develop, modify, and conduct periodic reviews of the Reliability Standards to assure they are clear and properly structured for existing and emerging risks.

Resource Requirements

Personnel

Reliability Standards decreased the FTE allocation by 1.25 from 2018 to 2019 due to elimination of one position and a reallocation of resources.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Reliability Standards Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
RELIABILITY STANDARDS					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 630,870	\$ 630,870	\$ -	\$ 171,606	\$ (459,264)
Penalty Sanctions	27,686	27,686	-	833	(26,853)
Total NERC Funding	\$ 658,556	\$ 658,556	\$ -	\$ 172,439	\$ (486,117)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 658,556	\$ 658,556	\$ -	\$ 172,439	\$ (486,117)
Expenses					
Personnel Expenses					
Salaries	\$ 266,109	\$ 215,389	\$ (50,720)	\$ 55,268	\$ (210,841)
Payroll Taxes	19,692	14,000	(5,692)	4,035	(15,657)
Benefits	22,542	18,527	(4,015)	6,631	(15,911)
Retirement Costs	34,605	28,057	(6,548)	7,113	(27,493)
Total Personnel Expenses	\$ 342,948	\$ 275,974	\$ (66,975)	\$ 73,046	\$ (269,902)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	4,000	4,000	4,000	4,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 342,948	\$ 279,974	\$ (62,975)	\$ 77,046	\$ (265,902)
Indirect Expenses	\$ 321,091	\$ 306,979	\$ (14,112)	\$ 96,915	\$ (224,176)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 664,039	\$ 586,953	\$ (77,087)	\$ 173,961	\$ (490,078)
Change in Assets	\$ (5,483)	\$ 71,603	\$ 77,087	\$ (1,522)	\$ 3,961
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,483)	(10,259)	(4,776)	(1,522)	3,961
Inc(Dec) in Fixed Assets (C)	(5,483)	(10,259)	(4,776)	(1,522)	3,961
TOTAL BUDGET (=B + C)	\$ 658,556	\$ 576,694	\$ (81,863)	\$ 172,439	\$ (486,117)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ 81,862	\$ 81,863	\$ (0)	\$ 0
FTEs	1.70	1.45	(0.25)	0.45	(1.25)

Table A-2. Reliability Standards Budget Detail

Compliance Monitoring, Enforcement, and Organization Registration and Certification

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	32.56	34.00	1.44
Direct Expenses	\$ 6,091,064	\$ 6,165,873	\$ 74,808
Indirect Expenses	\$ 6,149,838	\$ 7,322,466	\$ 1,172,628
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (68,911)	\$ (114,992)	\$ (46,081)
Total Funding Requirement	\$ 12,171,991	\$ 13,373,347	\$ 1,201,355

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

Program Scope and Functional Description

SERC's Compliance Monitoring and Enforcement Program (CMEP) is implemented by Compliance and Enforcement personnel, who are independent of stakeholders and registered entities. To accomplish this objective, SERC has divided its CMEP into five areas: Compliance Monitoring, Compliance Programs and Services, Entity Assessment and Mitigation, Organization Registration and Certification, and Enforcement.

Compliance

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

- Compliance Monitoring
 - Conducts SERC compliance monitoring activities (e.g. Compliance audits, spot checks, guided self-certifications, and investigations)
 - Performs registered entity Internal Control Evaluations
 - Provides subject matter experts for Standards and Requirements
 - Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions process
- Compliance Programs and Services
 - Supports compliance staff by deploying CMEP-related analytics and reporting
 - Performs Compliance Assessments, when required, on Events reported by registered entities
- Entity Assessment and Mitigation
 - Conducts registered entity Inherent Risk Assessments
 - Staff serves as the single point of contact for all non-compliance issues discovered and/or self-reported
 - Performs risk harm assessment on non-compliance, which includes determining the scope of the non-compliance, potential, and actual potential risk to Bulk Power System (BPS) reliability.

- Reviews and approves the registered entity’s mitigating activities to ensure the registered entity performs the actions necessary to correct the non-compliance to protect BPS reliability
- Administers the SERC regional self-logging program
- Organization Registration and Certification
 - Registers owners, operators, and users of the BPS for compliance with Reliability Standards
 - Certifies applicable entities

Enforcement

SERC Enforcement personnel are responsible for processing violations of Reliability Standards and imposing penalties or sanctions, as appropriate. The Enforcement personnel follow these steps:

- Notify the registered entity of the findings regarding the violation and any applicable penalties or sanctions.
- Negotiate settlement with the registered entity or issue a notice of violation (if the entity is unwilling to settle).
- Submit the proposed enforcement action, along with any proposed penalty or sanctions, to NERC for review, approval, and subsequent submittal to FERC.
- Prosecute the case before a Hearing Body if a registered entity challenges the findings of the violation and/or penalty.

2019 Key Assumptions

Compliance

The 2019 key assumptions for SERC Compliance are:

- An increase in workload due to the transfer of Registered Entities from SPP RE to SERC. This will increase workload across all facets of the compliance program areas.
- Risk-based Compliance monitoring engagements. SERC expects to increase the use of spot checks and guided self-certifications for Compliance Monitoring engagements, instead of audits. Compliance staff will continue to receive training on risk principles and enhanced audit practices. Additionally, staff will pursue or maintain professional credentials and further enhance their knowledge on risk-based CMEP processes. This will ensure the skills of SERC staff remain current on industry trends and Reliability Standards.
- Operations and Planning Reliability Standard noncompliance are expected to remain relatively low as most registered entities have been previously audited, and the standards and Reliability Standards Audit Worksheets (RSAWs) have matured.
- The number of CIP Technical Feasibility Exception (TFE) requests will continue to decline as the CIP program for registered entities matures. SERC will continue to collaborate with NERC and implement the NERC approved certification process to assess a registered entity’s capability for performing its registered function(s) and to use the tools NERC provides. SERC expects the certification process to remain relatively consistent.
- The volume of documents for Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration will increase as registered entities better delineate shared responsibilities and promote efficiency and effectiveness in

Compliance. This increase will affect the workload for Registration and Compliance Monitoring within SERC.

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

Enforcement

The 2019 key assumptions for SERC Enforcement are:

- SERC will continue to see a high number of Enforcement actions due to the implementation of CIP Version 5.
- SERC will process or dismiss Possible Violations in a timely and fair manner.
- There will be no significant increase in travel for Enforcement staff to process Possible Violations.

2019 Goals and Key Deliverables

Compliance

SERC Compliance 2019 goals and key deliverables are as follows:

1. Conduct scheduled Compliance Monitoring activities pursuant to the 2019 Implementation Plan.

Compliance Monitoring engagements for 2019 are currently scheduled to include on-site audits, off-site audits, spot checks, and guided self-certifications. As Entity Assessment and Mitigation completes or updates registered entities' Inherent Risk Assessments, the 2019 Compliance Monitoring schedule will change with additional engagements added.

2. Facilitate efficient and collaborative transitions to new and revised standards through:
 - A. Continued ERO Enterprise-wide collaboration
 - B. Workshops focused on new or revised Standards
 - C. Registered entity site visits to review progress toward compliance with upcoming Standards
3. Work with the industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security.
 - A. Mature Compliance reform through Risk-Based Compliance Monitoring approach techniques and principles.
 - B. Collaborate with the industry regarding best practices to encourage effective internal controls models
 - C. Initiate Compliance phase-in learning periods for new standards
4. Continue delivery of Compliance Lessons Learned from all aspects of the CMEP process.
5. Evaluate the Compliance Monitoring, violation processing, risk-assessment, and registration and certification program for sufficiency and effectiveness. Modify the programs, as needed.
6. Collaborate with the ERO Enterprise to develop common and consistent CMEP processes, information systems, and methods among Regions.

7. Develop and implement the Compliance Monitoring and Enforcement reform through risk-based techniques, including the following:
 - A. Focus on serious risk violations to improve the effectiveness of SERC operations
 - B. Reduce unnecessary costs of compliance on registered entities while ensuring achievement of reliability objectives
8. Ensure timely mitigation of all violations to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS. Timely mitigation will cause the aging curve to trend positively.
9. Develop mature violation processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
10. Assume an active role in ERO Enterprise-wide CMEP Tools development.
11. 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:
 - A. Compliance staff and other personnel, as necessary, understand Compliance implementation guidance documents and risk-based principles
 - B. An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct
 - C. An annual assessment process exists to evaluate audit team content and capability needs
 - D. A training program exists that addresses initial and continuing training for capability and competency development
12. Operate an efficient Registration and Certification program that:
 - A. Ensures that SERC provides NERC timely and accurate information about changes in registrations, analysis of system events to confirm that all necessary entities are registered, and registered entities initiate corrective actions, as appropriate
 - B. Performs certification reviews, or if a new certification is required, accommodates a change in a registered entity's status
 - C. Documents certification activities sufficiently and makes recommendations to NERC regarding certification

Enforcement

SERC Enforcement 2019 goals and key deliverables are as follows:

1. Manage Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities.
2. Hold the industry accountable for violations that create a serious risk to the BPS. Ensure resulting actions are timely and fair, including appropriate use of Compliance Exceptions; Find, Fix, and Track (FFT); Spreadsheet Notice of Penalty (SNOP); and Full Notice of Penalty (NOP). To achieve this, SERC will:
 - A. Conduct outreach activities to help entities increase the percentage of self-identified non-compliances (Self Reports and Self Certifications)
 - B. Decrease the time needed to process violations and keep the average age of violations in inventory at less than one year

- C. Process minimal and moderate risk issues through non-Enforcement mechanisms where appropriate, and process higher risk violations and broad compliance failures through the SNOP and NOP processing tracks

Resource Requirements

Personnel

SERC is adding 3 FTEs to accommodate the increase in workload in administration of the CMEP Program for registered entities transferring from the SPP Regional Entity to SERC. These additions are partially offset by a reallocation of existing resources to other program areas, resulting in a net increase of 1.44 FTEs for its various Compliance program functions.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

2019 reflects an increase of \$120,375, primarily due to the reclassification of Consortium User Group (CUG) expenses previously budgeted in Analytics and IT. This total includes \$10,375 attributable to the registered entities transferring to SERC from SPP.

Compliance Monitoring, Enforcement, and Organization Registration and Certification Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 11,570,724	\$ 11,570,724	\$ -	\$ 13,275,926	\$ 1,705,202
Penalty Sanctions	530,267	530,267	-	62,921	(467,346)
Total NERC Funding	\$ 12,100,991	\$ 12,100,991	\$ -	\$ 13,338,847	\$ 1,237,856
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	71,000	503,000	432,000	34,500	(36,500)
Total Funding (A)	\$ 12,171,991	\$ 12,603,991	\$ 432,000	\$ 13,373,347	\$ 1,201,356
Expenses					
Personnel Expenses					
Salaries	\$ 4,293,726	\$ 4,040,542	\$ (253,184)	\$ 4,319,499	\$ 25,773
Payroll Taxes	317,736	262,440	(55,295)	315,323	(2,412)
Benefits	490,880	513,490	22,610	470,935	(19,945)
Retirement Costs	560,219	527,258	(32,961)	556,635	(3,584)
Total Personnel Expenses	\$ 5,662,560	\$ 5,343,731	\$ (318,830)	\$ 5,662,393	\$ (168)
Meeting Expenses					
Meetings	\$ 2,000	\$ 5,300	\$ 3,300	\$ 8,300	\$ 6,300
Travel	386,850	364,750	(22,100)	349,400	(37,450)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 388,850	\$ 370,050	\$ (18,800)	\$ 357,700	\$ (31,150)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 171,422	\$ 171,422	\$ 120,375	\$ 120,375
Office Rent	-	-	-	-	-
Office Costs	23,215	35,515	12,300	22,855	(360)
Professional Services	-	-	-	-	-
Miscellaneous	2,550	2,550	-	2,550	-
Depreciation	13,889	13,889	-	-	(13,889)
Total Operating Expenses	\$ 39,654	\$ 223,376	\$ 183,722	\$ 145,780	\$ 106,126
Total Direct Expenses	\$ 6,091,064	\$ 5,937,157	\$ (153,908)	\$ 6,165,873	\$ 74,808
Indirect Expenses	\$ 6,149,838	\$ 6,893,386	\$ 743,548	\$ 7,322,466	\$ 1,172,628
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 12,240,902	\$ 12,830,543	\$ 589,640	\$ 13,488,339	\$ 1,247,436
Change in Assets	\$ (68,911)	\$ (226,552)	\$ (157,640)	\$ (114,992)	\$ (46,080)
Fixed Assets					
Depreciation	(13,889)	(13,889)	-	-	13,889
Computer & Software CapEx	50,000	160,000	110,000	-	(50,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(105,022)	(240,564)	(135,542)	(114,992)	(9,970)
Inc(Dec) in Fixed Assets (C)	\$ (68,911)	\$ (94,453)	\$ (25,542)	\$ (114,992)	\$ (46,081)
TOTAL BUDGET (=B + C)	\$ 12,171,991	\$ 12,736,090	\$ 564,098	\$ 13,373,347	\$ 1,201,355
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (132,099)	\$ (132,098)	\$ 0	\$ 1
FTEs	32.56	34.00	1.44	34.00	1.44

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

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	6.37	4.90	(1.47)
Direct Expenses	\$ 1,484,552	\$ 1,158,321	\$ (326,232)
Indirect Expenses	\$ 1,203,147	\$ 1,055,297	\$ (147,850)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (20,546)	\$ (16,572)	\$ 3,974
Total Funding Requirement	\$ 2,667,153	\$ 2,197,046	\$ (470,108)

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

Program Scope and Functional Description

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

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

2019 Key Assumptions

The 2019 key assumptions for SERC RAPA are:

- SERC will continue to support NERC's RAPA program to report on the reliability of the BES.
- 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 SERC's integrated risk management initiatives to promote awareness and reliability resolution discussions. SERC will use project management and analytical software to collaborate, balance workloads, and manage resources effectively.

2019 Goals and Key Deliverables

The SERC RAPA program will support the following goals:

1. Support regional analysis that contributes to NERC reliability analysis efforts, SERC reliability risk discussions, and performance analysis efforts.

2. Continue to submit timely and quality probabilistic, seasonal, and long-term SERC and NERC reliability assessments and studies.
3. Continue to support ongoing improvements to SERC and ERAG eastern interconnection planning models, structure, assessments, and analysis.
4. Continue to support NERC RA, PA and System Analysis program data collections, data validation, and analytical efforts.
5. Provide support to the associated SERC and NERC committee member groups and initiatives.
6. Continue to support entity outreach efforts to increase reliability risk related discussions.
7. Assess the need for advanced probabilistic tools to support resource adequacy sensitivities and regional model improvements. Acquire tool(s), based upon findings.
8. Continue to provide employee analytical training that develops the capability to analyze projected, historical, and operational data, and creates value to annual assessments and studies.
9. Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified periods.
10. Continue NERC and regional coordination to improve processes, data collections, and information required to implement enhanced regional analytical efforts.

Resource Requirements

Personnel

A decrease of 1.47 FTEs in Reliability Assessment and Performance Analysis due to the realignment of personnel supporting the RAPA program.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

The 2019 budget includes contractor support for a probabilistic assessment performed through the Resource Adequacy Working Group, and for the performance of special reliability assessments of the SERC footprint. The 2019 budget also includes contractor support for development of the Multiregional Modeling Working Group 2018 model cases.

Section A – Statutory Programs Reliability Assessment and Performance Analysis Program Funding Sources and Expenditures

Reliability Assessment and Performance Analysis Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,563,412	\$ 2,563,412	\$ -	\$ 2,187,978	\$ (375,434)
Penalty Sanctions	103,741	103,741	-	9,068	(94,673)
Total NERC Funding	\$ 2,667,153	\$ 2,667,153	\$ -	\$ 2,197,046	\$ (470,107)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,667,153	\$ 2,667,153	\$ -	\$ 2,197,046	\$ (470,107)
Expenses					
Personnel Expenses					
Salaries	\$ 880,830	\$ 692,515	\$ (188,315)	\$ 641,291	\$ (239,539)
Payroll Taxes	65,181	45,013	(20,168)	46,814	(18,367)
Benefits	96,848	91,740	(5,107)	75,413	(21,435)
Retirement Costs	114,835	90,326	(24,510)	82,585	(32,250)
Total Personnel Expenses	\$ 1,157,695	\$ 919,594	\$ (238,100)	\$ 846,103	\$ (311,592)
Meeting Expenses					
Meetings	\$ 29,200	\$ 29,200	\$ -	\$ 29,200	\$ -
Travel	46,768	66,768	20,000	56,768	10,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 75,968	\$ 95,968	\$ 20,000	\$ 85,968	\$ 10,000
Operating Expenses					
Consultants & Contracts	\$ 249,640	\$ 195,000	\$ (54,640)	\$ 225,000	\$ (24,640)
Office Rent	-	-	-	-	-
Office Costs	1,250	1,250	-	1,250	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 250,890	\$ 196,250	\$ (54,640)	\$ 226,250	\$ (24,640)
Total Direct Expenses	\$ 1,484,552	\$ 1,211,812	\$ (272,740)	\$ 1,158,321	\$ (326,232)
Indirect Expenses	\$ 1,203,147	\$ 1,079,720	\$ (123,427)	\$ 1,055,297	\$ (147,850)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,687,699	\$ 2,291,532	\$ (396,167)	\$ 2,213,618	\$ (474,082)
Change in Assets	\$ (20,546)	\$ 375,621	\$ 396,167	\$ (16,572)	\$ 3,975
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (20,546)	\$ (36,085)	\$ (15,539)	\$ (16,572)	\$ 3,974
Inc(Dec) in Fixed Assets (C)	\$ (20,546)	\$ (36,085)	\$ (15,539)	\$ (16,572)	\$ 3,974
TOTAL BUDGET (=B + C)	\$ 2,667,153	\$ 2,255,447	\$ (411,706)	\$ 2,197,046	\$ (470,108)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ 411,706	\$ 411,706	\$ 0	\$ 1
FTEs	6.37	5.10	(1.27)	4.90	(1.47)

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

Training, Education, and Stakeholder Outreach

Training, Education and Entity Outreach (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	1.70	3.30	1.60
Direct Expenses	\$ 528,318	\$ 894,461	\$ 366,143
Indirect Expenses	\$ 321,091	\$ 710,710	\$ 389,619
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,483)	\$ (11,161)	\$ (5,678)
Total Funding Requirement	\$ 843,926	\$ 1,594,010	\$ 750,084

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

Program Scope and Functional Description

The SERC Training, Education, and Stakeholder Outreach program provides education and training necessary to obtain essential knowledge of BPS operations, and provides targeted outreach to its members and registered entities in an effort to increase understanding of and compliance with NERC Reliability Standards and associated Regional Standards. SERC Training and Education programs support the continuing education of NERC Certified System Operators in the SERC Region. The program's target audience is BPS operating personnel, system operators, operations support personnel, and training personnel.

The SERC Training and Education program supports the development of SERC and stakeholder staff training and education in bulk power system operating and security topics.

2019 Key Assumptions

SERC Training, Education, and Stakeholder Outreach Program 2019 key assumptions are:

- SERC will support the ERO goal to implement Risk-Based Compliance Monitoring. Achieving this goal will require structured training.
 - SERC will use common ERO training methods and curriculum for regional consistency of auditors and other key staff on the required qualification and competencies.
- SERC will provide training to operating personnel to promote the reliability of the BPS in North America.
 - SERC will educate utility personnel regarding changes to NERC Reliability Standards, ERO procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with reliability and/or compliance.
- The SERC Training program will maintain SERC's status as a NERC certified Continuing Education Provider. SERC education programs will focus on developing reliability and security skills of internal and external stakeholders.
- SERC will increase targeted outreach efforts that promote BPS reliability and risk mitigation across its footprint.

2019 Goals and Key Deliverables

The SERC Training, Education and Stakeholder Outreach program will support the following goals:

1. Develop and deliver training on required technical knowledge, skills, and abilities for auditors and other key staff positions within SERC.
2. Develop and deliver four System Operator Conferences that promote BES reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics.
3. Deliver NERC Reliability Standards workshops or webinars to BPS system operators, operating support personnel, compliance, and training personnel to explain changed expectations within new or revised Reliability Standards and related procedures and programs.
4. Develop and deliver timely and effective education to internal and external stakeholders that promotes the mission of SERC and the ERO.
5. Provide targeted outreach aimed to facilitate a greater understanding of reliability, security, and compliance risk to the Bulk Power system.

Resource Requirements

Personnel

Training and Education has increased its FTE allocation from 2018 to 2019 by 1.6 to reflect an increase in targeted outreach efforts. Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

The 2019 budget includes contractor support for the System Operator Conferences, Restoration Drill exercises and workshops to provide NERC System Operator Continuing Education Hours.

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
TRAINING, EDUCATION and STAKEHOLDER OUTREACH					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 640,215	\$ 640,215	\$ -	\$ 1,480,253	\$ 840,038
Penalty Sanctions	27,686	27,686	-	6,107	(21,579)
Total NERC Funding	\$ 667,901	\$ 667,901	\$ -	\$ 1,486,360	\$ 818,459
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	176,025	107,650	(68,375)	107,650	(68,375)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 843,926	\$ 775,551	\$ (68,375)	\$ 1,594,010	\$ 750,084
Expenses					
Personnel Expenses					
Salaries	\$ 197,631	\$ 445,064	\$ 247,433	\$ 472,590	\$ 274,960
Payroll Taxes	14,625	30,792	16,167	34,701	20,076
Benefits	21,342	39,001	17,659	48,242	26,900
Retirement Costs	25,790	58,669	32,879	60,872	35,082
Total Personnel Expenses	\$ 259,388	\$ 573,526	\$ 314,138	\$ 616,406	\$ 357,018
Meeting Expenses					
Meetings	\$ 118,850	\$ 141,555	\$ 22,705	\$ 101,600	\$ (17,250)
Travel	17,400	41,000	23,600	41,000	23,600
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 136,250	\$ 182,555	\$ 46,305	\$ 142,600	\$ 6,350
Operating Expenses					
Consultants & Contracts	\$ 132,680	\$ 90,900	\$ (41,780)	\$ 135,455	\$ 2,775
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 132,680	\$ 90,900	\$ (41,780)	\$ 135,455	\$ 2,775
Total Direct Expenses	\$ 528,318	\$ 846,981	\$ 318,663	\$ 894,461	\$ 366,143
Indirect Expenses	\$ 321,091	\$ 780,575	\$ 459,484	\$ 710,710	\$ 389,619
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 849,409	\$ 1,627,556	\$ 778,147	\$ 1,605,171	\$ 755,762
Change in Assets	\$ (5,483)	\$ (852,005)	\$ (846,522)	\$ (11,161)	\$ (5,678)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,483)	\$ (27,240)	(21,757)	(11,161)	\$ (5,678)
Inc(Dec) in Fixed Assets (C)	\$ (5,483)	\$ (27,240)	\$ (21,757)	\$ (11,161)	\$ (5,678)
TOTAL BUDGET (=B + C)	\$ 843,926	\$ 1,600,316	\$ 756,390	\$ 1,594,010	\$ 750,084
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ (824,765)	\$ (824,765)	\$ 0	\$ 0
FTEs	1.70	3.85	2.15	3.30	1.60

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

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	2.37	2.20	(0.17)
Direct Expenses	\$ 401,247	\$ 341,741	\$ (59,506)
Indirect Expenses	\$ 447,639	\$ 473,807	\$ 26,168
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(7,644)	(7,441)	203
Total Funding Requirement	\$ 841,242	\$ 808,107	\$ (33,135)

Table A-9. Situational Awareness and Infrastructure Security Budget

Program Scope and Functional Description

The SERC Situational Awareness (SA), Events Analysis (EA) and Infrastructure Security program identifies and analyzes conditions that impact or might impact reliable operations. These programs accomplish this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. Initiatives are developed to mitigate and improve reliability by analyzing significant BES events and existing technical reliability guidance for risks and vulnerabilities that could recur elsewhere within the BPS.

2019 Key Assumptions

SERC Situation Awareness and Infrastructure Security Program 2019 key assumptions are:

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

2019 Goals and Key Deliverables

The SERC Situational Awareness and Infrastructure Security program will support the following goals:

1. Continue to increase the utilization of data collection tools that provide oversight of the BPS to support analysis and NERC reporting requirements.
2. Evaluate events information to identify risk trends and benchmarking efforts.

3. Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives.
4. Continue stakeholder outreach efforts that support the SA and EA programs.
5. Facilitate and promote post-event collaboration and coordination with NERC and applicable governmental agencies.
6. Identify and prioritize risks based on reliability impacts, practicality assessments, projected resources, and emerging issues.
7. Monitor and evaluate CIP related threats, vulnerabilities, and events for information sharing internally (SERC staff) and externally (registered entities).

Resource Requirements

Personnel

A decrease of 0.17 FTEs is due to the realignment of personnel supporting the Situational Awareness and Infrastructure Security program.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Section A – Statutory Programs Situational Awareness and Infrastructure Security Program Funding Sources and Expenditures

Situational Awareness and Infrastructure Security Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
SITUATIONAL AWARENESS and INFRASTRUCTURE SECURITY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 802,644	\$ 802,644	\$ -	\$ 804,036	\$ 1,392
Penalty Sanctions	38,598	38,598	-	4,071	(34,527)
Total NERC Funding	\$ 841,242	\$ 841,242	\$ -	\$ 808,107	\$ (33,135)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 841,242	\$ 841,242	\$ -	\$ 808,107	\$ (33,135)
Expenses					
Personnel Expenses					
Salaries	\$ 283,517	\$ 150,940	\$ (132,577)	\$ 240,121	\$ (43,396)
Payroll Taxes	20,980	9,824	(11,156)	17,529	(3,451)
Benefits	31,848	17,620	(14,228)	26,828	(5,019)
Retirement Costs	37,052	19,692	(17,360)	30,960	(6,092)
Total Personnel Expenses	\$ 373,397	\$ 198,075	\$ (175,321)	\$ 315,438	\$ (57,959)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	27,500	27,500	-	25,953	(1,547)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 27,500	\$ 27,500	\$ -	\$ 25,953	\$ (1,547)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	350	350	-	350	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 350	\$ 350	\$ -	\$ 350	\$ -
Total Direct Expenses	\$ 401,247	\$ 225,925	\$ (175,321)	\$ 341,741	\$ (59,506)
Indirect Expenses	\$ 447,639	\$ 296,394	\$ (151,245)	\$ 473,807	\$ 26,168
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 848,886	\$ 522,319	\$ (326,566)	\$ 815,548	\$ (33,338)
Change in Assets	\$ (7,644)	\$ 318,923	\$ 326,566	\$ (7,441)	\$ 203
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (7,644)	\$ (9,906)	(2,262)	(7,441)	203
Inc(Dec) in Fixed Assets (C)	\$ (7,644)	\$ (9,906)	\$ (2,262)	\$ (7,441)	\$ 203
TOTAL BUDGET (=B + C)	\$ 841,242	\$ 512,413	\$ (328,828)	\$ 808,107	\$ (33,135)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 328,829	\$ 328,828	\$ 0	\$ 0
FTEs	2.37	1.40	(0.97)	2.20	(0.17)

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

Administrative Services

	Administrative Services (in whole dollars)					
	Direct Expenses and Fixed Assets			FTEs		
	2018 Budget	2019 Budget	Inc(Dec)	2018 Budget	2019 Budget	Inc(Dec)
Technical Committees and Member Forums	\$ 1,118,236	\$ 1,109,412	\$ (8,824)	4.70	4.70	-
General and Administrative	\$ 2,913,479	\$ 3,195,436	\$ 281,957	11.25	8.75	(2.50)
Legal and Regulatory	\$ 776,647	\$ 1,059,741	\$ 283,094	2.55	4.45	1.90
Analytics and IT	\$ 2,592,214	\$ 2,883,755	\$ 291,541	7.00	9.45	2.45
Human Resources	\$ 456,476	\$ 753,405	\$ 296,929	1.90	2.90	1.00
Finance and Accounting	\$ 441,574	\$ 505,758	\$ 64,184	2.90	2.90	-
Total Administrative Services	\$ 8,298,626	\$ 9,507,508	\$ 1,208,882	30.30	33.15	2.85

Table A-11. Administrative Services Budget

Program Scope and Functional Description

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

- Technical Committees and Member Forums
- General and Administrative
- Legal and Regulatory
- Analytics and IT
- Human Resources
- Finance and Accounting

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionally to the direct programs for 2019 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Program Scope and Functional Description

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

2019 Key Assumptions

SERC Technical Committees and Member Forums 2019 key assumptions are:

- SERC will continue its technical committee and subgroup structure for effective stakeholder involvement in 2019.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
- SERC's Reliability Risk Team will continue to identify and educate SERC staff and regional members of the reliability risk to the BPS in the SERC Region from an engineering, operations, and security perspective.
- SERC will continue to leverage its members as volunteer technical resources to support the Region's mission and initiatives. As needs change, SERC will assess committee structure and optimize, as required.
- The SERC Technical Committees and Member Forums programs will manage committee work according to the Organization and Procedures Manual for SERC Technical Committees.

2019 Goals and Key Deliverables

1. The SERC Technical Committees and Member Forums programs will address reliability risks by doing the following:
 - A. Convene regular meetings of the standing committees and the subordinate groups, as necessary
 - B. Communicate to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning, and engineering of the Bulk Electric System, and the advancement of the physical and cyber security of the BES
 - C. Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security
 - D. Perform special projects at the request of the SERC Board of Directors
 - E. Participate in the establishment of Reliability Standards
 - F. Review the measurement of performance relative to Reliability Standards and performance statistics (e.g., GADS, TADS, Misoperations, etc.) to determine the risk level within the SERC Region
 - G. Review activities within the SERC Region impacting reliability and adequacy, as necessary, to meet Reliability Standards and other reliability initiatives
 - H. Perform technical functions through the assignment of specific tasks to subordinate groups to address current and emerging risks
2. Provide key inputs from the SERC Reliability Risk Team for the CMEP Implementation Plan.

Resource Requirements

Personnel

FTE remained the same from 2018 to 2019. Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

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General and Administrative

Program Scope and Functional Description

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

2019 Key Assumptions

SERC General and Administrative 2019 key assumptions are:

- SERC will emphasize effective execution, efficiency, transparency, and consistency.
- SERC will facilitate reliability-enhancing activities.
- SERC will continue its outreach and communication with members/stakeholders to ensure SERC's effectiveness.

2019 Goals and Key Deliverables

1. Continue high-quality performance of delegated functions while maintaining a level resource requirement.
2. Provide pertinent and timely information to members/stakeholders to improve efficiency of interactions with SERC staff.

Resource Requirements

Personnel

A decrease of 2.50 FTE in General and Administrative consists of the following:

- Elimination of administrative support position, replaced by contractor
- Transfer of 1.5 FTEs from G&A based on changes in roles and responsibilities

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in overall benefits.

Contractors and Consultants

The 2019 budget includes contractor support for corporate goals and administrative support.

Legal and Regulatory

Program Scope and Functional Description

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

- Provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters that impact SERC.
- Reconcile and determine SERC's legal position on major legal matters.
- Review items filed with governmental agencies for legal sufficiency.
- Review contracts and corporate documents, as needed.
- Ensure continuing recognition of SERC as a Regional Entity.
- Negotiate and author necessary changes to SERC's governing documents, including the bylaws and delegation agreement.
- 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 Compliance actions and other assistance, as needed.
- Provide legal counsel during Compliance and Enforcement proceedings, as needed.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Assist in the development of and ensure proper administration of SERC corporate policies and procedures.
- Manage relationships with SERC's outside counsel.

2019 Key Assumptions

SERC Legal and Regulatory 2019 key assumptions are:

- SERC will continue to support the Enforcement action cycle time.
- SERC will proactively engage with NERC and FERC to help ensure SERC's continued recognition as a Regional Entity.

2019 Goals and Key Deliverables

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

Resource Requirements

Personnel

Legal and Regulatory increased the FTE allocation by 1.90 from 2018 to 2019 due to a reallocation of the Corporate Secretary position from G&A and the addition of a Board Liaison position.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Meeting Expenses

The 2019 budget includes increased meeting and travel expenses, primarily related to board and committee governance activities to better reflect historical norms and the addition of a board liaison.

Contractors and Consultants

The 2019 budget includes a consultant to the Board.

Professional Services

An increase in legal fees is primarily due to planned review of the SERC bylaws.

Analytics and IT

Program Scope and Functional Description

The Analytics and IT department of SERC provides technology innovation, leads operational excellence, and develops insights through data for the corporation. Analytics and IT comprises the following functions:

- Information Technology
- Operational Excellence
- Data Analytics

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

- Host, maintain, develop, and improve SERC's information systems
- Maintain network and server infrastructure at both public and private facilities
- Ensure protection of SERC data
- Provide onsite end user support

The Operational Excellence (OE) function facilitates improvement of the internal health and performance of the organization. OE executes these functions:

- Continuous Process Improvement
- Internal Audits
- Project Management Office
- Strategic Planning
- Operational Metrics

The Data Analytics (DA) 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 focus areas across the SERC region. DA executes these functions:

- Data Collection and Cleansing
- Data Visualization and Reporting
- Insight Development

SERC supports the NERC 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 *Business Plan and Budget* will include ongoing funding support for the development, operation, and maintenance of NERC- and Regional Entity-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved *Business Plan and Budget*.

2019 Key Assumptions

SERC Analytics and IT 2019 key assumptions are:

- FRCC, NPCC, and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total cost of maintenance and development.
- SERC IT will continue to purchase and maintain hardware and software necessary to conduct business.
- SERC will continue to use contracted augmented staff.

2019 Goals and Key Deliverables

1. Improve the capabilities of SERC's Business Intelligence Center (BIC) to include internally focused operations reporting.
2. Upgrade infrastructure per lifecycle management.
3. Improve security monitoring and detection.

Resource Requirements

Personnel

SERC has realigned certain roles and responsibilities from other program areas to centralize data analytic and project management support, resulting in an increase of 2.45 FTEs in Analytics and IT.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Meeting Expenses

Travel expense increases are related to employee participation in various committees, including NERC supported projects, as well as training and certification related travel.

Contractors and Consultants

The 2019 budget includes contractor support for augmented IT staff, infrastructure hosting, software and application development, systems maintenance, database administration, cyber and physical security assessments.

Human Resources

Program Scope and Functional Description

The SERC Human Resources function provides the organization with structure and the ability to meet business needs through managing its most valuable resources -- its employees. By its nature, the Human Resources department takes on a variety of responsibilities including strategic and succession planning, hiring for fit, protecting against liability, employee engagement, compensation analysis, and benefits administration.

2019 Key Assumptions

SERC Human Resources 2019 key assumptions are:

- SERC assumes a vacancy rate to total Personnel Expenses.
- SERC will provide competitive compensation and benefits packages.
- SERC will assume an increased expectation for staff skills training in areas such as analytics.
- SERC will ensure that staff attains elevated professional credentials to become a leader in the industry.
- SERC will provide a Board approved merit salary increase. The salary expense budget for all program areas reflects this assumption.

2019 Goals and Key Deliverables

1. Increase employee engagement and empowerment.
2. Attract, develop, and retain highly competent and motivated staff.
3. Review compensation and benefits continually to ensure organization and industry competitiveness.
4. Create growth and development plans for key employees.
5. Provide payroll and expense administration.

Resource Requirements

Personnel

- Human Resources has increased the FTE allocation by 1 from 2018 to 2019 with the addition of a Recruiter position.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in overall benefits.

Contractors and Consultants

The 2019 budget includes contractor support for leadership development, and corporate goals.

Finance and Accounting

Program Scope and Functional Description

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

- Develop SERC's Business Plan and Budget, and provide ongoing financial analysis regarding actual expenditures and forecasts.
- Prepare monthly, quarterly and annual financial statements.
- Review and refine fiscal controls to support changing business environment.
- Coordinate with external auditors to ensure timely completion of annual audit.
- Prepare and file required federal and state tax returns.
- Maintain banking relationships and manage cash flow and investments.
- Manage accounts payable, accounts receivable and fixed assets.

2019 Key Assumptions

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

2019 Goals and Key Deliverables

1. Identify and prioritize opportunities, and implement improvements through new processes, procedures and technology.
2. Provide timely, relevant and accurate reporting and financial analysis to SERC management, the FAC and the SERC Board.
3. Ensure SERC has effective financial controls and exercises fiscal prudence.

Resource Requirements

Personnel

No changes in personnel allocations are planned for 2019.

Other changes in Personnel Expenses consist of the following:

- The 2019 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and account for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2019. SERC is anticipating an additional increase in premiums for the second half of 2019 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

SERC utilizes temporary contractor support as needed.

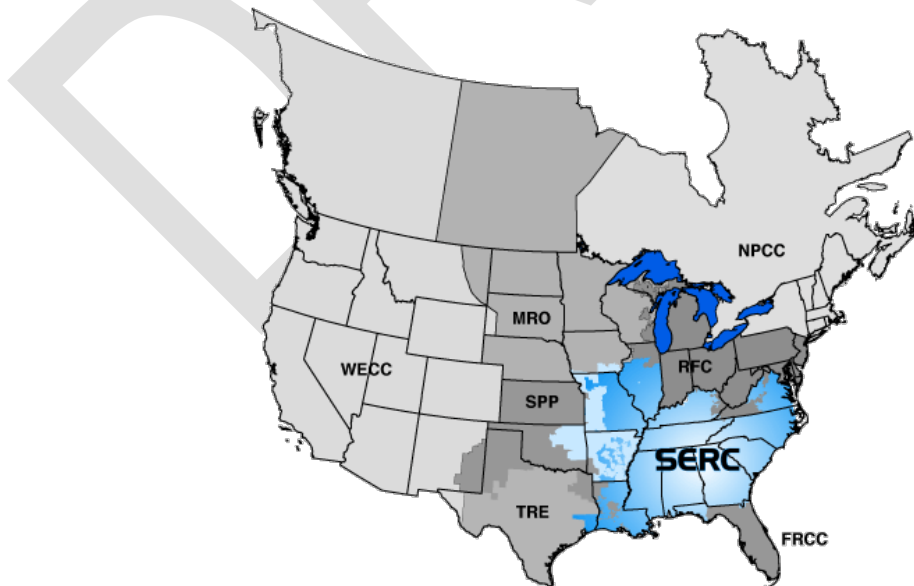
Administrative Services Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
ADMINISTRATIVE SERVICES					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 997,271	\$ 997,271	\$ -	\$ (547,584)	\$ (1,544,855)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ 997,271	\$ 997,271	\$ -	\$ (547,584)	\$ (1,544,855)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	18,400	18,400	18,400	18,400
Interest	1,000	1,000	-	1,000	-
Miscellaneous	15,000	15,000	-	-	(15,000)
Total Funding (A)	\$ 1,013,271	\$ 1,031,671	\$ 18,400	\$ (528,184)	\$ (1,541,455)
Expenses					
Personnel Expenses					
Salaries	\$ 3,911,545	\$ 4,297,880	\$ 386,335	\$ 4,547,960	\$ 636,415
Payroll Taxes	289,454	278,875	(10,580)	328,367	38,913
Benefits	431,092	455,974	24,882	544,349	113,257
Retirement Costs	509,309	560,269	50,960	592,262	82,953
Total Personnel Expenses	\$ 5,141,400	\$ 5,592,997	\$ 451,597	\$ 6,012,939	\$ 871,539
Meeting Expenses					
Meetings	\$ 116,110	\$ 172,900	\$ 56,790	\$ 167,600	\$ 51,490
Travel	128,347	170,800	42,453	171,801	43,454
Conference Calls	44,544	36,000	(8,544)	30,000	(14,544)
Total Meeting Expenses	\$ 289,001	\$ 379,700	\$ 90,699	\$ 369,401	\$ 80,400
Operating Expenses					
Consultants & Contracts	\$ 1,473,561	\$ 1,639,545	\$ 165,984	\$ 1,497,651	\$ 24,090
Office Rent	628,983	784,983	156,000	785,196	156,213
Office Costs	410,681	415,067	4,386	511,531	100,851
Professional Services	57,000	87,000	30,000	110,340	53,340
Miscellaneous	3,000	450	(2,550)	450	(2,550)
Depreciation	439,179	386,056	(53,124)	371,688	(67,492)
Total Operating Expenses	\$ 3,012,404	\$ 3,313,101	\$ 300,696	\$ 3,276,856	\$ 264,451
Total Direct Expenses	\$ 8,442,805	\$ 9,285,798	\$ 842,992	\$ 9,659,195	\$ 1,216,390
Indirect Expenses	\$ (8,442,806)	\$ (9,285,798)	\$ (842,992)	\$ (9,659,194)	\$ (1,216,388)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ (1)	\$ (0)	\$ 0	\$ 1	\$ 2
Change in Assets	\$ 1,013,272	\$ 1,031,671	\$ 18,400	\$ (528,185)	\$ (1,541,457)
Fixed Assets					
Depreciation	(439,179)	(386,056)	53,124	(371,688)	67,492
Computer & Software CapEx	295,000	40,000	(255,000)	220,000	(75,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	22,000	22,000	-	-
Allocation of Fixed Assets	\$ 144,180	\$ 324,055	\$ 179,876	\$ 151,688	\$ 7,508
Inc(Dec) in Fixed Assets (C)	\$ 0	\$ (0)	\$ (0)	\$ -	\$ (0)
TOTAL BUDGET (=B + C)	\$ (0)	\$ (1)	\$ (0)	\$ 1	\$ 2
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 1,013,271	\$ 1,031,672	\$ 18,400	\$ (528,185)	\$ (1,541,457)
FTEs	30.3	32.2	1.9	33.15	2.85

Table A-12. Administrative Services Budget Detail

Section B – Supplemental Financial Information

2019 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2018 through 2019.

Working Capital Reserve Analysis 2018-2019	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2017	\$ 1,359,722
Plus: 2018 Funding (from LSEs or designees)	\$ 17,933,114
Plus: 2018 Other funding sources	\$ 645,050
Less: 2018 Projected expenses & capital expenditures	\$ (17,609,702)
Projected Working Capital Reserve (Deficit), December 31, 2018	\$ 2,328,184
Desired Working Capital Reserve, December 31, 2019	¹ \$ 1,800,000
Minus: Projected Working Capital Reserve, December 31, 2018	2,328,184
Increase(decrease) in funding requirement to achieve Working Capital Reserve	\$ (528,184)
2019 Expenses and Capital Expenditures	\$ 18,144,949
Less: Penalty Sanctions ²	(83,000)
Less: Other Funding Sources	(161,550)
Adjustment to achieve desired Working Capital Reserve	(528,184)
2019 ERO Assessment	\$ 17,372,215

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

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

² Represents collections on or prior to June 30, 2018.

Table B-1. Working Capital Reserve Analysis 2018- 2019

Explanation of Changes in Reserve Policy from Prior Years

Pursuant to SERC's Working Capital and Operating Reserve policies, the desired working capital reserve included in the *2019 Business Plan and Budget* totals \$1,800,000. SERC reduced the 2019 ERO Assessment by \$528,184 to decrease its Working Capital Reserve to the desired amount.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 13, of the *2019 Business Plan and Budget*. All significant variances have been disclosed by program area on the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2018, are to be used to offset assessments in the 2019 Budget, as documented in the *NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2018 through June 30, 2019 will be used to offset assessments in the 2020 Budget.

All penalties received prior to July 1, 2018, are detailed below, including the amount and date received.

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

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2018.

Penalty Sanctions Received On or Prior to June 30, 2018	Date Received	Amount Received
Penalty payment 1	10/17/2017	\$ 50,000
Penalty payment 2	4/13/2018	33,000
Total Penalties Received		\$ 83,000

Table B-2. Penalty Sanctions Received

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA Function in FRCC	\$ 30,000	\$ 50,000	\$ 34,500	\$ 4,500
Miscellaneous - CEA Function in SPP	41,000	21,000	-	(41,000)
Miscellaneous - SPP Transition Funding	-	432,000	-	-
Total	\$ 71,000	\$ 503,000	\$ 34,500	\$ (36,500)
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training, Education and Entity Outreach				
Workshops	176,025	107,650	107,650	(68,375)
Total	\$ 176,025	\$ 107,650	\$ 107,650	\$ (68,375)
Situational Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Technical Committee Workshops	-	18,400	18,400	18,400
Miscellaneous Income - Other	15,000	15,000	-	(15,000)
Total	\$ 16,000	\$ 34,400	\$ 19,400	\$ 3,400
Total Outside Funding	\$ 263,025	\$ 645,050	\$ 161,550	\$ (101,475)

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Compliance Monitoring, Enforcement, and Organization Registration –The costs associated with SERC performing Cross-Regional Compliance Monitoring with respect to affiliated of registered entity functions performed by other Regional Entities are funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entities.

The 2018 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General and Administrative costs, as required by the contract with Florida Reliability Coordinating Council, Inc. (FRCC) and Southwest Power Pool (SPP), whereas the decrease in 2019 is due to the termination of SERC's agreement with SPP.

The 2018 Projection of Supplemental Funding of \$432,000 from SPP Transition Funding represents estimated transitional funding from SPP RE assessments due to the transfer of registered entities from SPP RE to SERC in the second half of 2018; this 2018 transitional funding is projected to be approximately equal to SERC's incremental transition costs due to the transfer of SPP RE registered entities to SERC in 2018.

Training and Education – SERC will hold most meetings in the Charlotte office location, which has a large meeting space, or at a member's facilities. By using these facilities, SERC is able to reduce the costs associated with hosting a meeting, enabling SERC to charge lower registration fees. In addition, \$18,400 of workshop revenue budgeted in Training and Education in 2018, has been budgeted in General and Administrative for 2019.

General and Administrative – Technical Committee Workshop revenue of \$18,400 was previously budgeted in Training and Education. Other funding is decreasing by \$15,000 due to the expiration of a contractual agreement.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Total Salaries	\$ 9,833,357	\$ 9,842,328	\$ 10,276,729	\$ 443,371	4.5%
Total Payroll Taxes	727,668	640,944	746,769	19,101	2.6%
Total Benefits	1,094,551	1,136,353	1,172,398	77,847	7.1%
Total Retirement	1,281,811	1,284,271	1,330,427	48,617	3.8%
Total Personnel Costs	\$ 12,937,388	\$ 12,903,897	\$ 13,526,324	\$ 588,936	4.6%
FTEs	75.00	78.00	78.00	3.00	4.0%
Cost per FTE					
Salaries	\$ 131,111	\$ 126,184	\$ 131,753	642	0.5%
Payroll Taxes	9,702	8,217	9,574	(128)	-1.3%
Benefits	14,594	14,569	15,031	437	3.0%
Retirement	17,091	16,465	17,057	(34)	-0.2%
Total Cost per FTE	\$ 172,498	\$ 165,435	\$ 173,415	\$ 917	0.5%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

The budget reflects a Board approved merit increase and an increase in medical insurance premiums. A vacancy rate has been applied to all personnel costs. \$423,283 of the increase is attributable to the addition of 3 FTEs to support CMEP activities associated with entities transferred to SERC from SPP.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Meetings	\$ 266,160	\$ 348,955	\$ 306,700	\$ 40,540	15.23%
Travel	606,865	674,818	648,922	42,057	6.93%
Conference calls	44,544	36,000	30,000	(14,544)	-32.65%
Total Meeting Expenses	\$ 917,569	\$ 1,059,773	\$ 985,622	\$ 68,053	7.42%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

The 2019 budget includes increased meeting expenses, primarily related to board and committee governance activities to better reflect historical norms.

Travel expenses reflect an increase in the number of audits due to the transfer of SPP entities to SERC, as well as increased outreach efforts.

Budgeted expense for conference calls has been decreased to reflect expected reductions in expense.

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

Consultants and Contracts	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization					
Registration and Certification	-	171,422	120,375	120,375	
Reliability Assessment and Performance Analysis	249,640	195,000	225,000	(24,640)	-10%
Training, Education and Entity Outreach	132,680	90,900	135,455	2,775	2%
Situational Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	152,680	133,124	140,900	(11,780)	-8%
General and Administrative	100,000	196,260	148,000	48,000	48%
Legal and Regulatory	80,000	80,000	5,000	(75,000)	-94%
Analytics and IT	1,032,500	1,088,500	1,048,441	15,941	2%
Human Resources	108,381	108,381	125,000	16,619	15%
Accounting and Finance	-	33,280	30,310	30,310	
Consultants Total	\$ 1,855,881	\$ 2,096,867	\$ 1,978,481	\$ 122,600	7%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Compliance – 2019 reflects an increase of \$120,375, primarily due to the reclassification of Consortium User Group (CUG) expenses previously budgeted in Analytics and IT. This total includes \$10,375 attributable to the registered entities transferring to SERC from SPP.

Reliability Assessments – A decrease of \$24,640 in the program consists of a reduction in non-recurring costs for a renewable impact study and modeling software budgeted in 2018, partially offset by an increase in budgeted costs for NERC special studies, and a biennial Dynamic Study.

Committee and Member Forums – A decrease of \$11,780 due to the completion of a corporate strategic initiative completed in 2018.

General and Administrative – An increase of \$48,000 is due to additional contract administrative support.

Legal and Regulatory – The decrease of \$75,000 is a result reduced reliance on contractor to support the Legal and Regulatory function.

Analytics and IT – SERC outsources the majority of IT related support, and is expecting a modest increase of 2% in 2019.

Human Resources – An increase of \$16,619 relates to increased contractor support for leadership development, and corporate goals.

Table B-7 lists the budget for Office Rent.

Rent	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Office Rent	\$ 628,983	\$ 784,983	\$ 785,196	\$ 156,213	24.84%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 628,983	\$ 784,983	\$ 785,196	\$ 156,213	24.84%

Table B-7. Office Rent

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

The increase in rent is due to additional space subleased at the end of 2017.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Telephone	\$ 104,790	\$ 107,310	\$ 103,250	\$ (1,540)	-1.47%
Office Supplies	46,492	50,992	68,300	21,808	46.91%
Computer Supplies and Maintenance				-	
Computers and Supplies	-	25,000	80,000	80,000	
Software	154,288	139,300	122,796	(31,492)	-20.41%
Network Supplies	17,500	-	-	(17,500)	-100.00%
Publications & Subscriptions	1,740	1,740	2,033	293	16.84%
Dues	14,460	14,825	16,795	2,335	16.15%
Postage	500	500	500	-	0.00%
Express Shipping	2,080	2,080	4,600	2,520	121.15%
Copying	1,920	1,920	6,000	4,080	212.50%
Equipment Repair/Service Contracts	2,600	14,684	31,712	29,112	1119.69%
Bank Charges	2,895	3,300	4,200	1,305	45.08%
Taxes	25,000	25,000	25,000	-	0.00%
Merchant Card Fees	6,500	10,800	10,800	4,300	66.15%
Insurance - Commercial	54,731	54,731	60,000	5,270	9.63%
Total Office Costs	\$ 435,496	452,182	\$ 535,986	\$ 100,491	23.07%

Table B-8. Office Costs

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Office Supplies is increasing due to replacement and upgrading of existing equipment, as well as additional equipment required in the new office space.

Software is decreasing by \$31,492 as a result of non-recurring software purchases in 2018.

Computers and Supplies are increasing by \$80,000. Laptops and monitors previously budgeted as capital expenditures are budgeted in expense in 2019, together with a reclassification of Network Supplies in the 2019 budget.

Network Supplies is decreasing by \$17,500 due to reclassification to Computer Supplies.

Equipment Repair/Service Contracts increase of \$29,112 for expenses not previously budgeted.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Candidate Search	\$ -	\$ -	\$ -	\$ -	
Outside Legal	40,000	60,000	70,000	30,000	75.00%
Accounting & Auditing Fees	17,000	27,000	27,840	10,840	63.76%
Insurance Commercial	-	-	-	-	
Human Resources Fees	-	-	12,500	12,500	
Total Professional Services	\$ 57,000	\$ 87,000	\$ 110,340	\$ 53,340	93.58%

Table B-9. Professional Services

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Outside Legal expenses are increasing as SERC undertakes a review of its bylaws.

The increase in Accounting and Auditing Fees is due to SERC hiring a new accounting firm to complete an annual independent audit and assist with tax return preparation.

An increase in Human Resources Fees relates to third party outsourcing of payroll, which was not budgeted in 2018.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expense	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Miscellaneous Expense	\$ 5,550	\$ 3,000	\$ 3,000	\$ (2,550)	-45.95%
Total Miscellaneous Expense	\$ 5,550	\$ 3,000	\$ 3,000	\$ (2,550)	-46%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

No significant budget variance in Miscellaneous Expense.

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

Other Non-Operating Expenses	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 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 – 2019 Budget versus 2018 Budget

There are no costs budgeted for these items in 2018 or 2019.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2018	Projection 2018	Budget 2019	Variance 2019 Budget v 2018 Budget	Variance %
Depreciation	\$ (453,069)	\$ (399,944)	\$ (371,688)	\$ 81,381	-17.96%
Computer & Software CapEx	345,000	200,000	220,000	(125,000)	-36.23%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	22,000	-	-	
Allocation of Fixed Assets	2	1	-	(2)	-100.00%
Total Fixed Assets	\$ (108,067)	\$ (177,943)	\$ (151,688)	\$ (43,621)	40%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

A decrease of \$43,621 is due to a decrease in fixed asset purchases of \$125,000, partially offset by a decrease in depreciation of \$81,381 in 2019.

The decrease in 2019 capital spending is a result of a reclassification of budgeted laptop purchases as Office Costs from fixed assets, and a decrease in Consortium User Group (CUG) Computer and Software capital expenditures.

The decrease in depreciation of \$81,381 or 18.0% is due to a subset of assets becoming fully depreciated in 2018, together with less than planned fixed asset purchases in 2017.

Table B-13 compares the 2019 budget with projections for 2020-2021, based on the following assumptions:

Personnel Expenses

- No changes in FTEs
- A Board approved annual increase in personnel costs for merit pay increases in 2020 and 2021
- Annual increase in insurance premiums
- Continuation of historic vacancy rates

Meeting Expenses

- Meetings and travel costs include a 1% inflationary increase for both 2020 and 2021

Operating Expenses

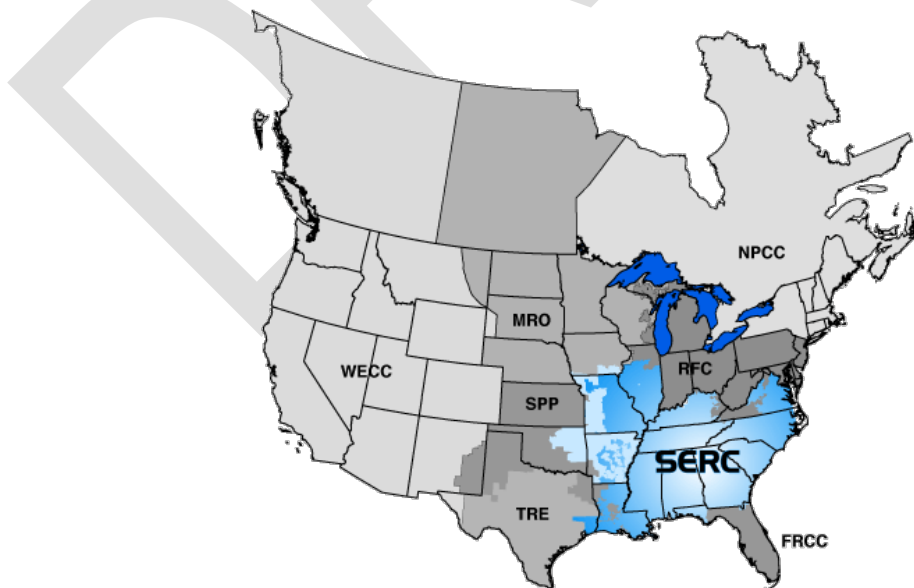
- Consultants and contracts assume a 2.5% annual increase
- A 1% inflation rate was applied to office costs and professional services
- Office rent and miscellaneous remain flat for both 2020 and 2021

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital							
2019 Budget & Projected 2020 and 2021 Budgets							
	2019	2020	\$ Change	% Change	2021	\$ Change	% Change
	Budget	Projection	20 v 19	20 v 19	Projection	21 v 20	21 v 20
Funding							
ERO Funding							
NERC Assessments	\$ 17,372,215	\$ 18,189,117	\$ 816,902	4.7%	\$ 19,369,410	\$ 1,180,293	6.1%
Penalty Sanctions	83,000	595,000	512,000	616.9%	-	(595,000)	
Total NERC Funding	\$ 17,455,215	\$ 18,784,117	\$ 1,328,902	7.6%	\$ 19,369,410	\$ 585,293	3.0%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	126,050	126,050	-	0.00%	126,050	-	0.0%
Interest	1,000	1,000	-	0.00%	1,000	-	0.0%
Miscellaneous	34,500	34,500	-	0.00%	34,500	-	0.0%
Total Funding (A)	\$ 17,616,765	\$ 18,945,667	\$ 1,328,902	7.5%	\$ 19,530,960	\$ 585,293	3.1%
Expenses							
Personnel Expenses							
Salaries	\$ 10,276,729	\$ 10,790,565	\$ 513,836	5.0%	\$ 11,114,282	\$ 323,717	3.0%
Payroll Taxes	746,769	784,108	37,339	5.0%	807,631	23,523	3.0%
Benefits	1,172,398	1,289,638	117,240	10.0%	1,418,602	128,964	10.0%
Retirement Costs	1,330,427	1,396,949	66,521	5.0%	1,438,857	41,908	3.0%
Total Personnel Expenses	\$ 13,526,324	\$ 14,261,260	\$ 734,937	5.4%	\$ 14,779,373	\$ 518,112	3.6%
Meeting Expenses							
Meetings	\$ 306,700	\$ 309,767	\$ 3,067	1.0%	\$ 312,865	\$ 3,098	1.0%
Travel	648,922	655,411	6,489	1.0%	661,965	6,554	1.0%
Conference Calls	30,000	30,300	300	1.0%	30,603	303	1.0%
Total Meeting Expenses	\$ 985,622	\$ 995,478	\$ 9,856	1.0%	\$ 1,005,433	\$ 9,955	1.0%
Operating Expenses							
Consultants & Contracts	\$ 1,978,481	\$ 2,027,943	\$ 49,462	2.5%	\$ 2,078,642	\$ 50,699	2.5%
Office Rent	785,196	785,196	-	0.0%	785,196	-	0.0%
Office Costs	535,986	541,346	5,360	1.0%	546,759	5,413	1.0%
Professional Services	110,340	111,443	1,103	1.0%	112,558	1,114	1.0%
Miscellaneous	3,000	3,000	-	0.0%	3,000	-	0.0%
Depreciation	371,688	371,688	-	0.0%	371,688	-	0.0%
Total Operating Expenses	\$ 3,784,691	\$ 3,840,616	\$ 55,925	1.5%	\$ 3,897,842	\$ 57,226	1.5%
Total Direct Expenses	\$ 18,296,636	\$ 19,097,354	\$ 800,718	4.4%	\$ 19,682,648	\$ 585,293	3.1%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 18,296,636	\$ 19,097,354	\$ 800,718	4.4%	\$ 19,682,648	\$ 585,293	3.1%
Change in Assets	\$ (679,871)	\$ (151,688)	\$ 528,184	-77.7%	\$ (151,688)	\$ -	0.0%
Fixed Assets							
Depreciation	\$ (371,688)	\$ (371,688)	\$ -	0.0%	\$ (371,688)	\$ -	0.0%
Computer & Software CapEx	220,000	220,000	-	0.0%	220,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (151,688)	\$ (151,688)	\$ -	0.0%	\$ (151,688)	\$ -	0.0%
TOTAL BUDGET (=B + C)	\$ 18,144,948	\$ 18,945,667	\$ 800,718	4.4%	\$ 19,530,960	\$ 585,293	3.1%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (528,183)	\$ -	\$ 528,184	100.0%	\$ -	\$ -	#DIV/0!
FTEs	78.00	78.00	-	-	78.00	-	-

Table B-13. Budget 2019 Compared with 2020-2021 Projections

Section C – Non-Statutory Activities

2018 Business Plan and Budget



Section C – Non-Statutory Activities

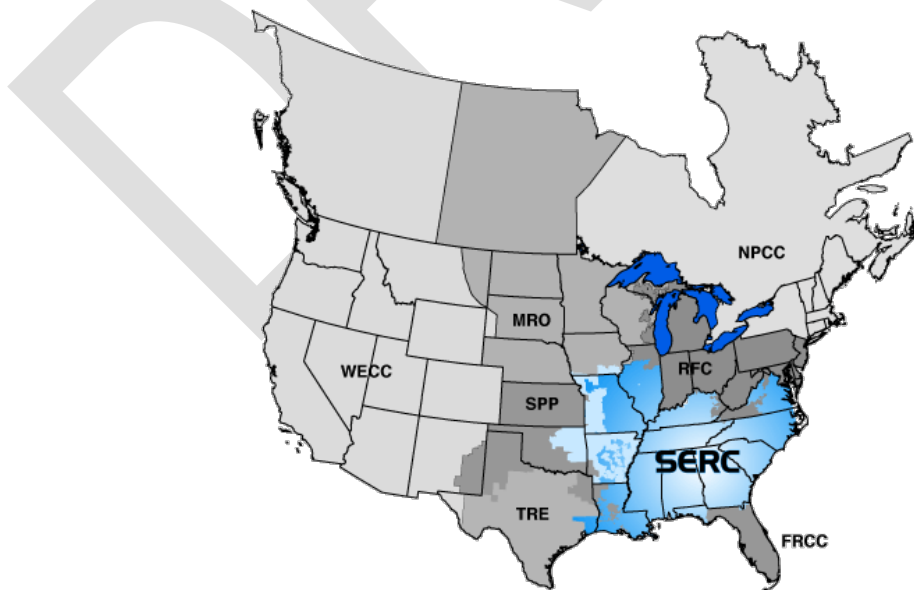
2019 Non-Statutory Business Plan and Budget

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

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Section D – Additional Consolidated Financial Statements

2019 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2019 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2019 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training, Education and Stakeholder Outreach (Section 900)	Situational Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Analytics and IT	Human Resources	Accounting and Finance
Funding															
ERO Funding															
NERC Assessments	17,372,215	17,372,215	-	17,372,215	171,606	13,275,926	2,187,978	1,480,253	804,036	-	(547,584)	-	-	-	-
Penalty Sanctions	83,000	83,000	-	83,000	833	62,921	9,068	6,107	4,071	-	-	-	-	-	-
Total NERC Funding	17,455,215	17,455,215	-	17,455,215	172,439	13,338,847	2,197,046	1,486,360	808,107	-	(547,584)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	126,050	126,050	-	126,050	-	-	-	107,650	-	18,400	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Miscellaneous	34,500	34,500	-	34,500	-	34,500	-	-	-	-	-	-	-	-	-
Total Funding (A)	17,616,765	17,616,765	-	17,616,765	172,439	13,373,347	2,197,046	1,594,010	808,107	18,400	(547,584)	-	-	-	1,000
Expenses															
Personnel Expenses															
Salaries	10,276,729	10,276,729	-	10,276,729	55,268	4,319,499	641,291	472,590	240,121	677,116	1,572,057	677,146	971,080	358,119	292,442
Payroll Taxes	746,769	746,769	-	746,769	4,035	315,323	46,814	34,701	17,529	49,429	114,760	49,432	70,889	22,509	21,348
Benefits	1,172,398	1,172,398	-	1,172,398	6,631	470,935	75,413	48,242	26,828	58,360	111,987	61,232	131,996	142,887	37,887
Retirement Costs	1,330,427	1,330,427	-	1,330,427	7,113	556,635	82,585	60,872	30,960	87,206	200,676	87,006	125,202	54,540	37,631
Total Personnel Expenses	13,526,324	13,526,324	-	13,526,324	73,046	5,662,393	846,103	616,406	315,438	872,112	1,999,480	874,816	1,299,167	578,055	389,308
Meeting Expenses															
Meetings	306,700	306,700	-	306,700	-	8,300	29,200	101,600	-	56,900	23,200	80,500	-	6,000	1,000
Travel	648,922	648,922	-	648,922	4,000	349,400	56,768	41,000	25,953	39,500	42,100	44,250	31,801	7,400	6,750
Conference Calls	30,000	30,000	-	30,000	-	-	-	-	-	-	-	-	30,000	-	-
Total Meeting Expenses	985,622	985,622	-	985,622	4,000	357,700	85,968	142,600	25,953	96,400	65,300	124,750	61,801	13,400	7,750
Operating Expenses															
Consultants & Contracts	1,978,481	1,978,481	-	1,978,481	-	120,375	225,000	135,455	-	140,900	148,000	5,000	1,048,441	125,000	30,310
Office Rent	785,196	785,196	-	785,196	-	-	-	-	-	-	785,196	-	-	-	-
Office Costs	535,986	535,986	-	535,986	-	22,855	1,250	-	350	-	197,010	5,175	254,346	4,450	50,550
Professional Services	110,340	110,340	-	110,340	-	-	-	-	-	-	-	50,000	-	32,500	27,840
Miscellaneous	3,000	3,000	-	3,000	-	2,550	-	-	-	-	450	-	-	-	-
Depreciation	371,688	371,688	-	371,688	-	-	-	-	-	-	55,319	-	316,369	-	-
Total Operating Expenses	3,784,691	3,784,691	-	3,784,691	-	145,780	226,250	135,455	350	140,900	1,185,975	60,175	1,619,156	161,950	108,700
Total Direct Expenses	18,296,636	18,296,636	-	18,296,636	77,046	6,165,873	1,158,321	894,461	341,741	1,109,412	3,250,755	1,059,741	2,980,123	753,405	505,758
Indirect Expenses	1	1	-	1	96,915	7,322,466	1,055,297	710,710	473,807	(1,109,412)	(3,250,755)	(1,059,741)	(2,980,123)	(753,405)	(505,758)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	18,296,637	18,296,637	-	18,296,637	173,961	13,488,339	2,213,618	1,605,171	815,548	(0)	(0)	0	0	0	0
Change in Assets	(679,872)	(679,872)	-	(679,872)	(1,522)	(114,992)	(16,572)	(11,161)	(7,441)	18,400	(547,584)	(0)	(0)	(0)	1,000
Fixed Assets															
Depreciation	(371,688)	(371,688)	-	(371,688)	-	-	-	-	-	(55,319)	-	(316,369)	-	-	-
Computer & Software CapEx	220,000	220,000	-	220,000	-	-	-	-	-	-	-	-	220,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	(0)	-	(0)	(1,522)	(114,992)	(16,572)	(11,161)	(7,441)	55,319	-	-	96,369	-	-
Inc(Dec) in Fixed Assets (C)	(151,688)	(151,688)	-	(151,688)	(1,522)	(114,992)	(16,572)	(11,161)	(7,441)	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	18,144,949	18,144,949	-	18,144,949	172,439	13,373,347	2,197,046	1,594,010	808,107	(0)	(0)	0	0	0	0
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(528,184)	(528,184)	-	(528,184)	(0)	0	0	0	0	18,400	(547,584)	(0)	(0)	(0)	1,000
FTEs	78.00	78.00	-	78.00	0.45	34.00	4.90	3.30	2.20	4.70	8.75	4.45	9.45	2.90	2.90

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

Statement of Financial Position

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

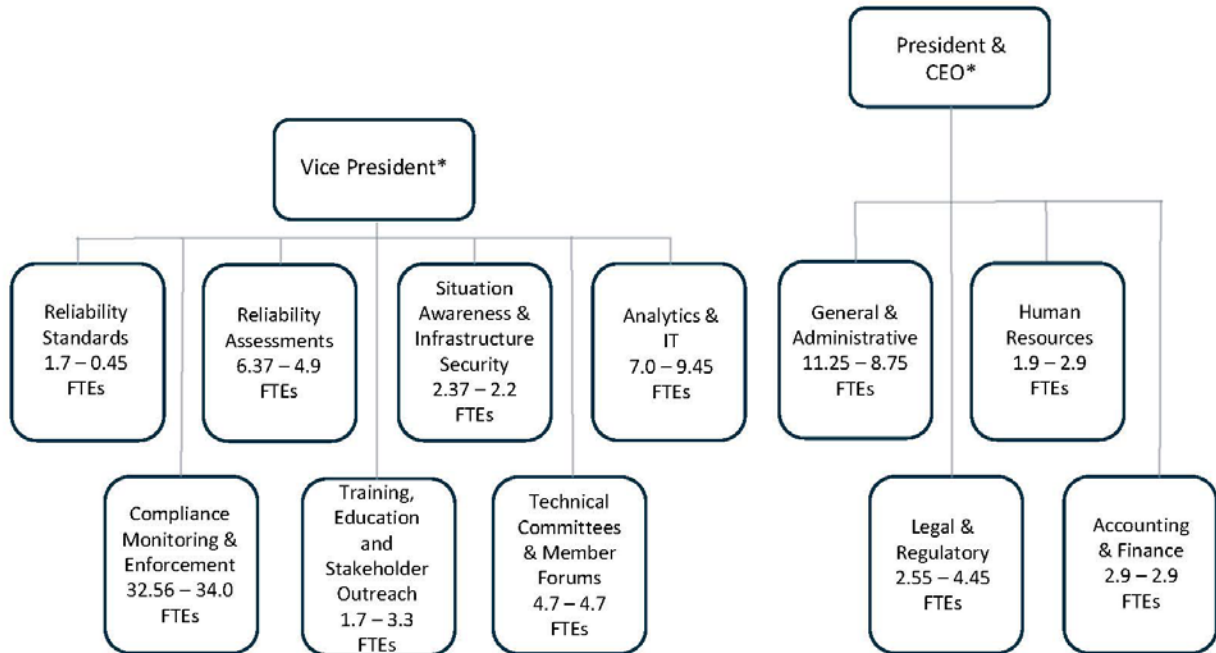
- As of December 31, 2017, per audit
- As of December 31, 2018, projected
- As of December 31, 2019, as budgeted

Statement of Financial Position			
2017 Audited, 2018 Projection, and 2019 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-17	31-Dec-18	31-Dec-19
ASSETS			
Cash	5,407,587	6,376,051	6,156,051
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	22,477	22,477	22,477
Other Receivables	-	-	-
Prepaid expenses and other current assets	84,762	84,762	84,762
Deferred Compensation Plan Assets	304,472	304,472	304,472
Cash value of insurance policies	-	-	-
Property and equipment	802,796	980,739	1,132,427
Total Assets	6,622,094	7,768,501	7,700,189
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	686,830	686,830	686,830
Deferred income	33,807	33,807	33,807
Deferred penalty income (short-term)	727,977	83,000	-
Deferred penalty income (long-term)	50,000	-	-
Deferred rent	478,236	472,676	464,201
Regional assessments	-	-	-
Deferred compensation	304,472	304,472	304,472
Accrued personnel benefits other	301,308	310,000	319,000
Accrued retirement liabilities	532,176	531,000	547,000
Accrued incentive compensation	1,344,770	1,241,229	1,346,435
Total Liabilities	4,459,576	3,663,014	3,701,745
Net Assets - unrestricted	2,162,518	4,105,487	3,998,444
Total Liabilities and Net Assets	6,622,094	7,768,501	7,700,189

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

Appendix A Organization Chart

The SERC Organization chart shown here compares 2018 and 2019 SERC personnel counts.



* Executive positions are recorded within General & Administrative

Figure 2. SERC Organization Chart

Appendix B Acronyms

This section lists and defines acronyms used in this document.

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

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