



2023 Business Plan and Budget Overview

2023 Budget Drivers

- Inflation and market pressure on salaries
- Stronger IT & Security Platform
 - Shift to in-house IT expertise
 - Network and data security tools
 - Align and Secure Evidence Locker
- Efficiencies
 - Violation Processing
 - Monitoring

Budget Development Process

- As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate.
- SERC's Board of Directors approved draft 2023 Business Plan & Budget on March 30
 - Human Resources and Compensation Committee reviewed personnel assumptions
 - Finance and Audit Committee reviewed and endorsed Business Plan & Budget
- Business Plan & Budget posted for 30 day stakeholder comment period on April 18
 - No comments received
- Final approval by Board of Directors on June 23

2023 Statutory Budget and Assessment Overview

- 2023 Total Budget \$28,215,895 (5.6% increase)
- 2023 Total Assessment \$26,192,876 (5.6% increase)
 - Includes release of \$1,291,338 from the Assessment Stabilization Reserve, and a \$535,680 release of excess working capital reserves
 - Total FTEs 106 (increase of 2)

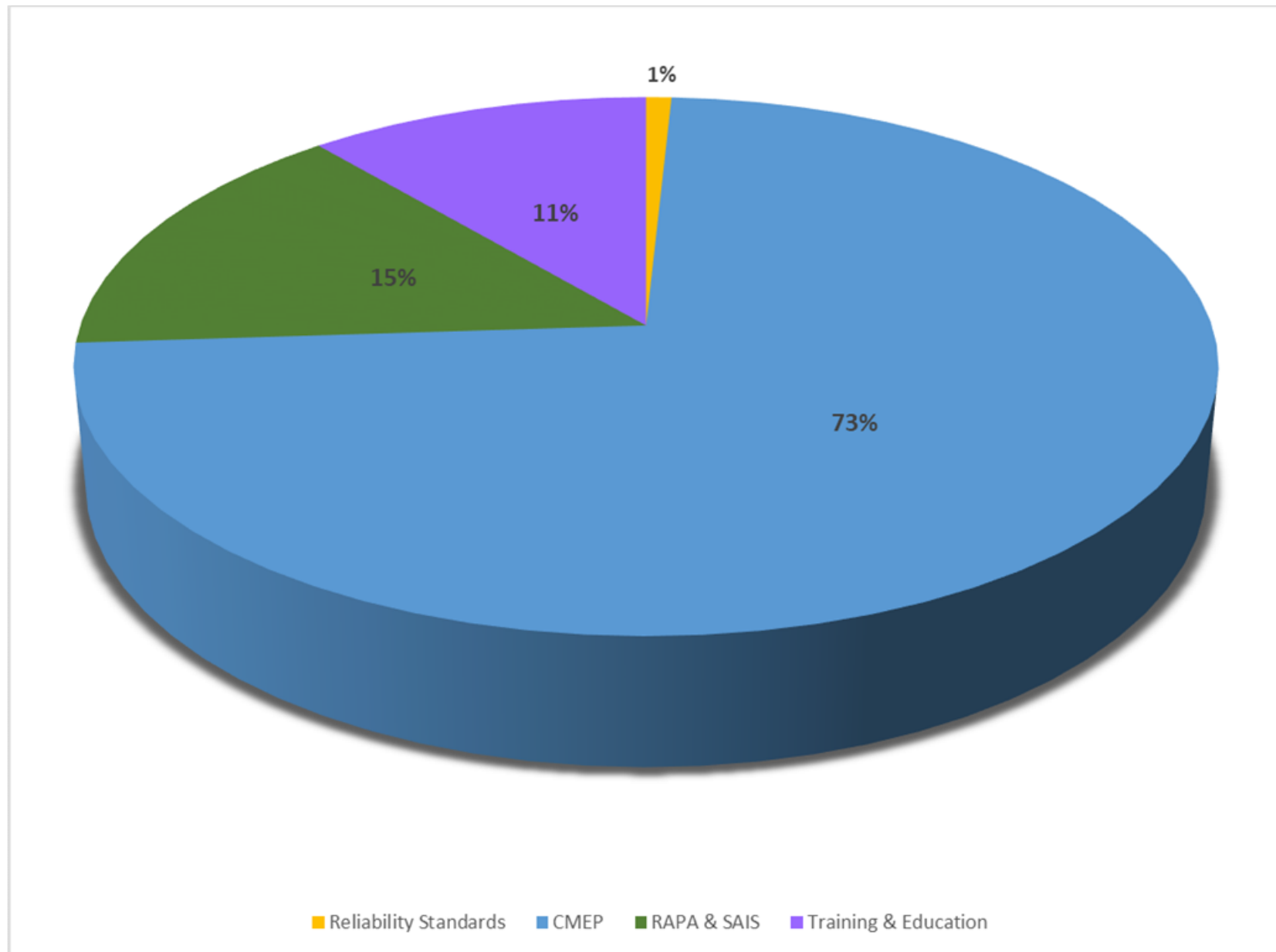
2023 Budget by Category

- Personnel \$22,966,815 (8.1% increase)
 - Approved staffing level of 106 Full-Time Equivalents (FTEs)
 - 3% merit increase and 2.5% pool for market adjustments and promotions to address inflation and market pressures
 - Vacancy rate of 5% applied to all Personnel Expenses
- Meetings and Travel \$1,326,563 (2.1% increase)
 - Minimal increase reflects expected return to in-person engagements

2023 Budget by Category

- Operating Expenses \$3,880,517 (0.3% decrease)
 - Decreased reliance on third party contractors, partially offset by increases in security related software tools.
- Fixed Assets \$42,000 (84.1% decrease)
 - Decrease of \$222,000 due to planned firewall replacements in 2022

2023 Budget by Program Area



2023 Assessment Details

- 2023 Assessment \$26,192,876 (5.6% increase)
- SERC's 2023 budget reflects the release of \$1,291,338 from the Assessment Stabilization Reserve as an offset to assessments, and a \$535,680 release of excess Working Capital Reserves

Reserve Overview

- **Working Capital Reserve**
 - The Working Capital Reserve is used to manage cash flow for daily operations, and as a contingency for unbudgeted expenses
 - The Reserve Policy allows for a reserve of up to 10% of the total annual budget
- **Assessment Stabilization Reserve**
 - The Assessment Stabilization Reserve is used to mitigate annual assessment volatility
 - Penalty sanctions are added to the reserve, and released to offset assessments in future years, subject to approval of the SERC Board of Directors

Projected Reserve Balances

- Total Projected Reserves 12/31/2022 - \$7,619,978
 - Working Capital Reserve \$2,228,640
 - Assessment Stabilization Reserve \$5,391,338
- Total Projected Reserves 12/31/2023 - \$5,792,960
 - Working Capital Reserve \$1,692,960
 - Assessment Stabilization Reserve \$4,100,000

Preliminary 2024 and 2025 Projections

2024

- Budget 4.2% increase over 2023
- Assessment 6.0% increase over 2023

2025

- Budget 3.8% increase over 2024
- Assessment 4.5% increase over 2024

Assumptions

- 4% merit/market adjustments in 2024, 3% in 2025
- Meeting and travel expenses flat in 2024, up 1% in 2025
- Increased rent expense upon expiration of current lease in 2025
- Relatively consistent release of assessment stabilization reserves

Questions and Answers