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SERC Reliability Corporation

2012 Business Plan and Budget

FINAL
July 13, 2011

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	73.7			
Non-statutory FTEs	-			
Total FTEs	73.7			
Statutory Expenses	\$ 15,537,397			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 15,537,397			
Statutory Inc(Dec) in Fixed Assets	\$ 57,048			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 57,048			
Statutory Working Capital Requirement*	\$ -			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ -			
Total Statutory Funding Requirement	\$ 15,594,445			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 15,594,445			
Statutory Funding Assessments	\$ 14,845,275	\$ 14,845,275	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL	1,075,402,877	1,075,402,877	-	-
NEL%	100%	100%	0%	0%

*Refer to Table B-1 on page 55 in Section B.

**As noted in Section C, SERC does not support any non-statutory functions.

Organizational Overview

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the region serve approximately 26.8% of the net energy for load (NEL) in North America and 31.9% of the NEL in the Eastern Interconnection.

SERC executed an agreement with the North American Electric Reliability Corporation (NERC) on May 2, 2007, for the purpose of delegating to SERC certain responsibilities and authorities of a regional entity as defined by 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, and NERC Rules of Procedure.

SERC, initially 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 been successful in promoting reliability of the bulk power system using an industry electric reliability organization (ERO) model, relying on

reciprocity, peer influence, and the mutual reliability focus of owners, operators, and users of the bulk power system to ensure that the system remained 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.

SERC has a 2012 targeted staffing level of 73.7 Full-Time Equivalents (FTEs) comprised of power industry professionals and support personnel.

Membership and Governance

SERC monitors 248 entities in the region for compliance with mandatory reliability standards. Membership in SERC, which is voluntary and free, affords participants the opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of SERC is approximately 60.

SERC is governed by a Board of Directors, comprised of a representative from each member company. The Board of Directors delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The Board has also formed a Board Compliance Committee to oversee the program that monitors and enforces compliance of registered entities in the region to FERC-approved reliability standards and a Human Resources and Compensation Committee to advise the President, Board officers, and the Board on matters of employee compensation and human resources.

The Board appoints one director to serve as a non-employee Treasurer of the corporation. The Treasurer is vested by the Board with the responsibility, working with the President, to provide oversight of the finances of the corporation. The Treasurer reports to the Board at its semiannual meetings in April and October.

Statutory Functional Scope

SERC provides statutory functions in support of the electric reliability organization, in accordance with the executed delegation agreement between SERC and NERC. The functions are:

- Active participation in the development of North American reliability standards for the bulk-power system, and as needed development of reliability standards applicable within the SERC Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the bulk-power system.
- Promoting situation awareness.
- Conducting event analysis to identify and distribute lessons learned to improve reliability.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.
- Promoting the protection of critical infrastructure.

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 applicable statutes and regulations.

In recognition of the importance of the compliance role of regional entities, SERC has dedicated over half of its staff resources to compliance monitoring and enforcement. The compliance staff is further divided into three groups, one conducting compliance audits, the second performing compliance assessments and enforcement, and the third supporting compliance activities on topics including investigations, Critical Infrastructure Protection, compliance monitoring and registration and certification. SERC has developed and deployed a robust set of online tools for the gathering, analysis, and tracking of compliance information.

SERC has organized its remaining technical staff into a reliability services group and a reliability assessment group to address the other statutory functions listed above. These experts in operations, engineering, and analysis assist registered entities in assessing and improving reliability. It is in support of these areas that SERC engages the majority of industry experts on its technical committees.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in Exhibit A of NERC's 2012 Business Plan and Budget.

Core Values

1. Improving Reliability and Stakeholder Service

- a. **Reliability Improvement** – SERC provides a reliability focus in its deliverables and promotes bulk power system reliability improvement.
- b. **Service Focus** – SERC develops and strengthens relations with its registered entities, and other reliability stakeholders, including NERC and applicable regulatory authorities, and achieves a reputation as a regional entity dedicated to the public's interest in the reliability of the Nation's bulk power system.
- c. **ERO Teamwork and Integration** – SERC influences and collaboratively facilitates process improvements, transparency, consistency, and quality and timely outcomes among the ERO and regional entities.

2. Providing Internal Process Controls and Accountability

- a. **Enforcement Accountability** – SERC performs its delegated compliance enforcement responsibilities in a manner that is firm, fair, objective, independent, and consistent. SERC protects confidential compliance information while striving to achieve a high level of transparency with respect to compliance process and expectations.
- b. **Compliance with Delegated Functions** – SERC maintains the necessary processes, controls, and document management to comply with its obligations under its delegation agreement.
- c. **Information Management** – SERC strives for transparency and user friendliness of both the public and nonpublic web sites. SERC streamlines and, to the extent practical, automates data gathering to reduce the overall burden on registered entities and members. SERC facilitates more effective and seamless information exchange across regional entities and NERC. SERC safeguards registered entities information in accordance with its confidentiality agreements.

3. Learning and Continuous Improvement

- a. **Learning Organization** – SERC is a learning organization focused on continuous improvement through self-assessment, acting on feedback from stakeholders providing adequate training, and proactive anticipation and preparation for externalities affecting the region and reliability stakeholders, including evolving reliability standards, rules, and directives.
- b. **Competency** – SERC strives to attract, develop, and retain highly competent and motivated staff. SERC seeks opportunities for resource sharing and collaboration with NERC and other regions in specialized areas where resources are scarce.

4. Financial Responsibility

- a. **Productive and Efficient Provider** – SERC leverages its size, resources, and other efficiencies to remain a productive and cost-effective regional entity, while maintaining performance excellence.

2012 Goals and Key Deliverables

1. Reliability improvement through rigorous, risk-based monitoring and enforcement of compliance with mandatory standards.

- a. Monitor registered entities in the SERC region for compliance with mandatory reliability standards, in accordance with the delegation agreement and CMEP, while utilizing risk-based methods to optimize reliability benefits and achieving quality and timeliness.
- b. Enforce compliance with mandatory reliability standards by registered entities within the SERC region, in accordance with the delegation agreement and CMEP while achieving quality and timeliness.
- c. Ensure timely, thorough and comprehensive mitigation of all violations of mandatory reliability standards including prevention of recurrence.
- d. Promote a strong culture of compliance excellence, reliability assurance, and risk-based methods among registered entities in the SERC region.

2. Clear mandatory standards focused on reliability performance.

- a. Develop regional reliability standards as needed to comply with NERC's three-year work plan and FERC directives, and to meet any emergent reliability needs. Maintain active engagement of SERC stakeholders in NERC standards process.
- b. Continue working with stakeholders to develop results-based standards and to focus standards development on performance based requirements essential to reliability and eliminating nonessential or low-risk requirements.
- c. Based on compliance program results and system events, identify key areas needing improvement. Implement educational and other technical assistance programs to improve reliability performance in areas where event analysis indicates a potential benefit.

3. Systematic approach to improve Reliability Standards

Develop processes that feed back improvement opportunities to SERC and NERC Reliability Standards based on industry operating experience.

- a. Incorporate feedback from events and incidents.
- b. Incorporate feedback from Compliance actions.
- c. Incorporate tools to effectively monitor and track implementation of improvement (issues management approach).

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- d. Incorporate systematic process to capture and identify/quantify risks.
 - e. Incorporate processes to develop timely and effective solutions.
 - f. Incorporate issues tracking and management.
- 4. Objective and trustworthy reliability assessments and reliability performance trends.**
- a. Provide annual and seasonal assessments of the future reliability of the bulk power system in the region, in accordance with NERC definitions and requirements.
 - b. Provide thorough data validation and create new efficiencies in data collection and analysis in support of the assessment program.
 - c. Develop and demonstrate bulk power system performance metrics for the purpose of analyzing and trending reliability performance improvements and benefits.
- 5. Situation awareness capability and event analysis leading to reliability improvements.**
- a. Maintain a situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, SERC and SERC registered entities.
 - b. Develop SERC's capability to conduct rigorous event and trend analyses and develop relevant lessons learned including rigorous event and trend analysis.
 - c. Provide reliability issues tracking and management to systematically provide notice and document actions to improve reliability within the region.
 - d. Assist ES-ISAC by providing interface to SERC entities with NERC and government agencies during high impact events.
- 6. Cyber and physical security of critical infrastructure.**
- a. Facilitate and support registered entities in complying with CIP reliability standards, and responding to cyber security alerts.
 - b. Facilitate the development of proactive measures to mitigate the impact of design-basis cyber threats and to improve the ability of SERC entities to recover.
- 7. Knowledgeable and skilled reliability personnel.**
- a. Actively support the training and education of reliability personnel within the region, focusing on knowledge of reliability standards and recognizing and responding to system emergencies. Provide information and support to registered entities to assist in the deployment of a systematic approach to training.
- 8. Information sharing and collaboration through technology.**
- a. Be a leader in the deployment of technology to make SERC and its stakeholder participants more efficient and productive in its program activities.
 - b. Facilitate the integration and seamlessness of ERO and regional entity information systems used for compliance and other applicable statutory functions such as alerts and recommendations tracking.
 - c. Work with other regions to share experience and learning points to promote greater benefits beyond the region, including collaboration on information management.
- 9. Effective and efficient use of resources.**
- a. Continue to leverage industry expertise and leadership, to support SERC's statutory functions, and to be more efficient.
 - b. Maintain a talented staff at SERC and provide for continuous staff development through internal training, rotation of personnel, succession planning, and other personnel methods to continue to meet the needs of the organization.
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10. Continuous improvement.

- a. Maintain good standing as a regional entity by addressing all applicable recommendations and directives.
- b. Implement and refine performance indicators and feedback mechanisms to enable SERC to continue being a learning organization.
- c. Evaluate, develop, and implement meaningful performance indicators to assess performance of SERC Corporation and the region.

11. Effective financial controls.

- a. Provide rigorous cost controls and efficient management of resources to remain an efficient provider of regional entity functions.

2012 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$11,921,008 to \$15,594,445 in 2012, an increase of \$3,673,437 or 30.8%. The proposed 2012 assessment of \$14,845,275 is an increase of 39.1% higher than the 2011 assessment of \$10,671,508. SERC believes that in 2012 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions as SERC will continue to be one of the lowest cost regional entities on a cost per NEL basis. SERC's culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Southeast of affordable and reliable electricity.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2012 budget compared to the 2011 budget).

Having started in 2010, SERC performs Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. \$40,000 is included in the 2012 Business Plan and Budget under Other Funding and various expense accounts.

The most significant impacts on the budget are in the area of payroll due to increased staffing, which is described as three components:

- **Staff added in 2011** – An additional 13.2 FTEs were added in 2011 compared to the budget. The Compliance program added ten (10) FTEs to increase the ability of compliance staff to timely process the large volume of active violations. The Situation Awareness program added one (1) FTE as a root cause analysis specialist, to improve staff technical capabilities in standards development, events analyses, and training. The Reliability Assessment program added one (1.2) FTEs, one as a Reliability Assessment Analyst, to assist the Regional and inter-Regional study groups as well as an increase to a part-time employee's hours by 0.2. The General and Administrative program added one (1) lawyer to support the additional enforcement activity. In March and April 2011, the SERC Board Executive Committee approved the addition of these positions. These additions are being made in 2011 to meet critical needs to enable the organization to function effectively and to meet performance goals. During 2011, the costs of these additional employees will be funded through expense management and, if necessary, the reserve.

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- **Staff additions proposed in 2012** – The targeted staffing level for 2012 is 73.7 FTEs, an increase of an additional 7 FTEs compared to 2011 actual and 20 compared to 2011 budget. The compliance program added four (4) FTEs; the Situation Awareness program added one (1) FTE, a system protection and control engineer; and the general and administrative program added two (2) FTEs, a human resource specialist and a Information Technology Technician.
 - For 2012, the budget impact of the above two items is \$2,555,438, including salary and benefits.
 - **Cost increase for maintaining staff budgeted in 2012** – The remaining increase in personnel costs of \$489,970 or 5.6% compared to 2011 reflects a budgeted average increase in salary for existing staff of 2.5%, with the remaining increase due to adjustments in employee benefits.

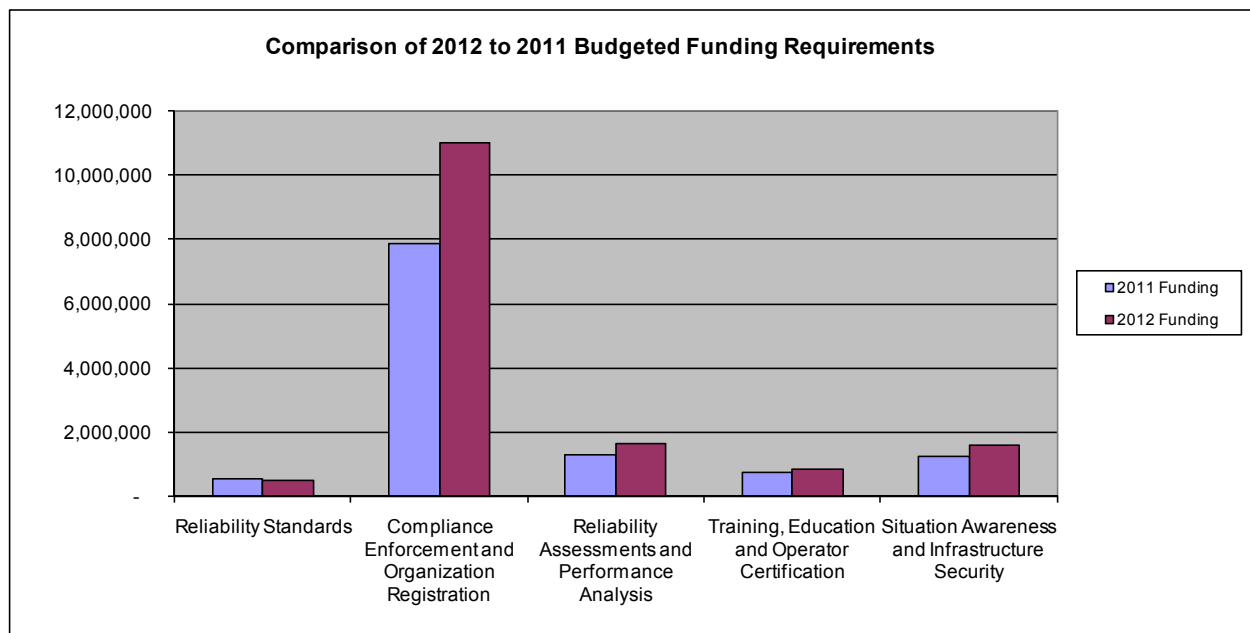
Other notable changes in the proposed budget from year to year include the following:

- **Office rent** – Due to the additional FTEs, additional office space was obtained, causing an increase of \$149,030 or 50.4% in office rent.
- **Office costs** – An increase of \$385,053 or 129.3% due to a Microsoft Office Sharepoint server license to assist in the interaction with NERC systems and the other regions; and additional computers and equipment to support the new FTEs and office space.
- **Professional services** – An increase of \$24,200 or 67.8% due mainly to additional legal support.

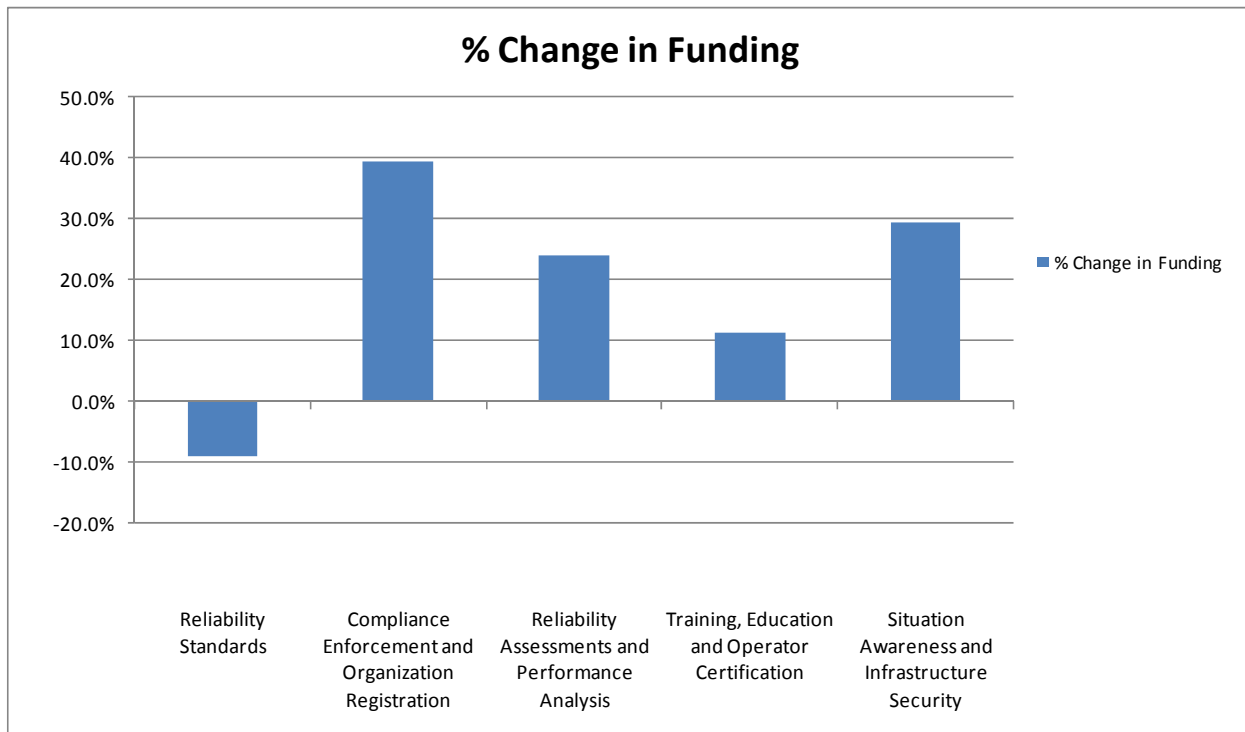
Summary by Program

Program	Budget 2011	Projection 2011	Budget 2012	Variance	
				2012 Budget v 2011 Budget	Variance %
Reliability Standards	575,149	483,173	524,440	(50,709)	-8.8%
Compliance Enforcement and Organization Registration	7,890,536	8,151,633	10,997,669	3,107,133	39.4%
Reliability Assessments and Performance Analysis	1,311,838	1,283,036	1,627,796	315,958	24.1%
Training, Education and Operator Certification	762,933	720,974	849,096	86,163	11.3%
Situation Awareness and Infrastructure Security	1,226,184	1,279,618	1,585,444	359,260	29.3%

This graphical representation does not include an allocation of working capital requirements among the Program Areas



This graphical representation does not include an allocation of working capital requirements among the Program Areas



Reliability Standards – The 8.8% decrease in total funding from \$575,149 budgeted in 2011 to \$524,440 budgeted in 2012 is mainly due to meetings and travel costs due to the elimination of effectiveness training workshops as these are now ERO-wide workshops, with NERC covering the cost. Additionally, a decrease in indirect expenses in the Reliability Standards program is due to the addition of FTEs in other program areas.

Compliance Enforcement and Organization Registration – The 39.4% increase in total funding from \$7,890,536 budgeted in 2011 to \$10,997,669 budgeted in 2012 is primarily due to the addition of 14 FTEs as described below in the Total FTEs by Program Area schedule. With the additional FTEs, the indirect expenses allocated to the Compliance program have increased from 2011.

Reliability Assessments and Performance Analysis – The 24.1% increase in total funding from \$1,311,838 budgeted in 2011 to \$1,627,796 budgeted in 2012 is due to the addition of 1.2 FTEs as described below in the Total FTEs by Program Area schedule. Additionally, an increase in the need for consultants and contracts is due to the Under Frequency Load Shedding study, which is performed every five years. The increase in indirect expenses being allocated to the Reliability Assessments program is due to the addition of FTEs.

Training, Education and Operator Certification – The 11.3% increase in total funding from \$762,933 budgeted in 2011 to \$849,096 budgeted in 2012 is mainly due to an increase in meetings and the need for consultants and contracts. A decrease in the indirect expenses being allocated to the Training program is due to the addition of FTEs in other program areas.

Situation Awareness and Infrastructure Security – The 29.3% increase in total funding from \$1,226,184 budgeted in 2011 to \$1,585,444 budgeted in 2012 is primarily due to the addition of 2 FTEs as described below in the Total FTEs by Program Area schedule. The increase in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the addition of FTEs.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2011	2011	2012 Budget	FTEs ¹ 2012 Budget	2012 Budget	from 2011 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.75	1.75	1.75	-	1.75	-
Compliance and Organization Registration and Certification	28.00	38.00	42.00	-	42.00	14.00
Training and Education	1.75	1.75	1.75	-	1.75	-
Reliability Assessment and Performance Analysis	4.50	5.70	5.70	-	5.70	1.20
Situation Awareness and Infrastructure Security	3.75	4.75	5.75	-	5.75	2.00
Total FTEs Operational Programs	39.75	51.95	56.95	-	56.95	17.20
Administrative Programs						
Technical Committees and Member Forums	2.75	2.75	2.75	-	2.75	-
General & Administrative	11.00	12.00	14.00	-	14.00	3.00
Information Technology	-	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
Total FTEs Administrative Programs	13.75	14.75	16.75	-	16.75	3.00
Total FTEs	53.50	66.70	73.70	-	73.70	20.20

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

This chart reflects the following changes:

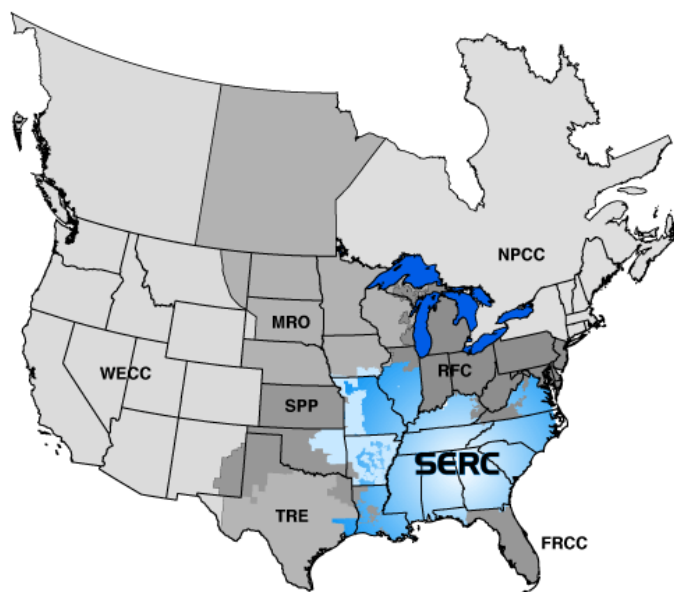
1. A total increase in the Compliance program of 14 FTEs, which includes 4 auditors, 7 enforcement engineers, and 3 CIP auditors.
2. An increase in the Reliability Assessment program of 1.2 FTEs includes a reliability assessment analyst and an increase in a part-time FTE's hours.
3. An increase in the Situation Awareness and Infrastructure Security program of 2 FTEs includes a root cause analysis specialist and a protection and controls engineer.
4. An increase within the general and administrative program of 3 FTEs is due to a senior information technology technician, a human resource specialist and an attorney.

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
STATUTORY						
	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 10,671,508	\$ 10,671,508	\$ -	\$ 14,845,275	\$ 4,173,767	
Penalty Sanctions	919,000	919,000	-	434,500	(484,500)	
Total ERO Funding	\$ 11,590,508	\$ 11,590,508	\$ -	\$ 15,279,775	\$ 3,689,267	
Workshops	280,500	263,850	(16,650)	264,670	(15,830)	
Interest	10,000	9,000	(1,000)	10,000	-	
Other Funding	40,000	37,956	(2,044)	40,000	-	
Total Funding	\$ 11,921,008	\$ 11,901,314	\$ (19,694)	\$ 15,594,445	\$ 3,673,437	
Expenses						
Personnel Expenses						
Salaries	\$ 6,720,718	\$ 7,260,337	\$ 539,619	\$ 8,908,407	\$ 2,187,689	
Payroll Taxes	739,279	637,827	(101,452)	801,758	62,479	
Benefits	723,655	803,950	80,295	895,883	172,228	
Retirement Costs	584,444	565,855	(18,589)	1,207,456	623,012	
Total Personnel Expenses	\$ 8,768,096	\$ 9,267,969	\$ 499,873	\$ 11,813,504	\$ 3,045,408	
Meeting Expenses						
Meetings	\$ 458,258	\$ 386,391	\$ (71,867)	\$ 402,078	\$ (56,180)	
Travel	652,158	456,511	(195,647)	616,591	(35,567)	
Conference Calls	66,000	58,284	(7,716)	96,000	30,000	
Total Meeting Expenses	\$ 1,176,416	\$ 901,186	\$ (275,230)	\$ 1,114,669	\$ (61,747)	
Operating Expenses						
Consultants & Contracts	\$ 1,150,081	\$ 1,036,957	\$ (113,124)	\$ 1,159,275	\$ 9,194	
Office Rent	295,692	369,988	74,296	444,722	149,030	
Office Costs	297,822	255,304	(42,518)	682,875	385,053	
Professional Services	65,200	63,365	(1,835)	89,400	24,200	
Miscellaneous	-	12,665	12,665	-	-	
Depreciation	112,609	124,083	11,474	232,952	120,343	
Total Operating Expenses	\$ 1,921,404	\$ 1,862,362	\$ (59,042)	\$ 2,609,224	\$ 687,820	
Total Direct Expenses	\$ 11,865,916	\$ 12,031,517	\$ 165,601	\$ 15,537,397	\$ 3,671,481	
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 11,865,916	\$ 12,031,517	\$ 165,601	\$ 15,537,397	\$ 3,671,481	
Change in Assets	\$ 55,092	\$ (130,203)	\$ (185,295)	\$ 57,048	\$ 1,956	
Fixed Assets						
Depreciation	(112,609)	(124,083)	(11,474)	(232,952)	(120,343)	
Computer & Software CapEx	-	20,000	-	290,000	290,000	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	23,333	-	(23,333)	-	(23,333)	
Leasehold Improvements	-	-	-	-	-	
(Incr)Dec in Fixed Assets	\$ 89,276	\$ 104,083	\$ 34,807	\$ (57,048)	\$ (146,324)	
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Change in Fixed Assets	89,276	104,083	34,807	(57,048)	(146,324)	
TOTAL CHANGE IN NET ASSETS	\$ 144,368	\$ (26,120)	\$ (150,488)	\$ -	\$ (144,368)	

Section A – Statutory Programs

2012 Business Plan and Budget



Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Direct Expenses	\$ 399,308	\$ 365,853	\$ 33,455
Indirect Expenses	\$ 179,771	\$ 156,834	\$ 22,937
Inc(Dec) in Fixed Assets	\$ (3,930)	\$ 1,753	\$ (5,683)
Total Funding Requirement	\$ 575,149	\$ 524,440	\$ 50,709

Program Scope and Functional Description

The SERC Reliability Standards program is required under the Delegation Agreement (Exhibit C) and NERC Rules of Procedure Section 300. The program will develop regional reliability standards in accordance with Exhibit C to the Delegation Agreement as well as develop regional criteria. The program will also promote the development and maintenance of NERC reliability standards that enable NERC and regional entities to measure the reliability performance of bulk power system owners, operators, and users.

2012 Key Assumptions

- SERC resources will support North American initiatives in the areas of:
 - Results-based standards
 - Fill-in-the-Blank standards
- SERC regional standards development activity will be limited
- Regional Standards Development processes will be reviewed and updated as necessary to keep pace with similar changes with the NERC process
- The ERO will revise the definition of adequate level of reliability (“ALR”) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee, and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustees for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate level of reliability related metrics used in reliability assessments.

2012 Goals and Key Deliverables

- The SERC Reliability Standards program will manage SERC’s catalogue of Regional Criteria and administer the SERC Regional Reliability Standards development procedure
- Additionally, the SERC Reliability Standards program will:
 - Provide communication and outreach opportunities with stakeholders and SERC standing committees on Reliability Standards development
 - Enhance project level communications, education, and training for new or revised standards;
 - Continue to improve the standards portion of the SERC Website;
 - Work with stakeholders to jointly identify needs for new or revised standards or standards products; and
- Provide the necessary information and background to allow the industry stakeholders to perform a cost effectiveness analysis

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- There are no significant changes requiring an explanation.

Meeting Expenses

- Decrease in meetings expense of \$42,760 is due to the elimination of effectiveness training workshops as these are now ERO-wide workshops, with NERC covering the cost.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Reliability Standards						
	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 532,975	\$ 532,975	\$ -	\$ 510,346	\$ (22,629)	
Penalty Sanctions	42,174	42,174	-	14,094	(28,080)	
Total ERO Funding	\$ 575,149	\$ 575,149	\$ -	\$ 524,440	\$ (50,709)	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Other Funding	-	-	-	-	-	
Total Funding	\$ 575,149	\$ 575,149	\$ -	\$ 524,440	\$ (50,709)	
Expenses						
Personnel Expenses						
Salaries	\$ 248,272	\$ 250,767	\$ 2,495	\$ 258,039	\$ 9,767	
Payroll Taxes	27,310	22,030	(5,280)	23,224	(4,086)	
Benefits	26,281	24,629	(1,652)	26,719	438	
Retirement Costs	23,961	23,775	(186)	34,787	10,826	
Total Personnel Expenses	\$ 325,824	\$ 321,201	\$ (4,623)	\$ 342,769	\$ 16,945	
Meeting Expenses						
Meetings	\$ 46,720	\$ 12,008	\$ (34,712)	\$ 3,960	\$ (42,760)	
Travel	26,764	18,735	(8,029)	19,124	(7,640)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 73,484	\$ 30,743	\$ (42,741)	\$ 23,084	\$ (50,400)	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Direct Expenses	\$ 399,308	\$ 351,944	\$ (47,364)	\$ 365,853	\$ (33,455)	
Indirect Expenses	\$ 179,771	\$ 134,735	\$ (45,036)	\$ 156,834	\$ (22,937)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 579,079	\$ 486,679	\$ (92,400)	\$ 522,687	\$ (56,392)	
Change in Assets	\$ (3,930)	\$ 88,470	\$ 92,400	\$ 1,753	\$ 5,683	
Fixed Assets						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Allocation of Fixed Assets	\$ 3,930	\$ 3,506	\$ (424)	(1,753)	\$ (5,683)	
Change in Fixed Assets	3,930	3,506	(424)	(1,753)	(5,683)	
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 91,976	\$ 91,976	\$ -	\$ -	

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	28.00	42.00	14.00
Direct Expenses	\$ 5,077,085	\$ 7,191,584	\$ 2,114,499
Indirect Expenses	\$ 2,876,338	\$ 3,764,013	\$ 887,675
Inc(Dec) in Fixed Assets	\$ (62,887)	\$ 42,072	\$ 104,959
Total Funding Requirement	\$ 7,890,536	\$ 10,997,669	\$ 3,107,133

Program Scope and Functional Description

The Compliance Monitoring and Enforcement Program is implemented by the SERC compliance staff, which is independent of stakeholders, registered entities, and other SERC staff. The SERC compliance staff makes the initial determination of alleged violations and proposes appropriate penalties and sanctions in accordance with the NERC Compliance Monitoring and Enforcement Program and the Sanction Guidelines. To accomplish this objective, SERC's compliance staff is further divided into three areas: audit, enforcement and programs.

The SERC Board Compliance Committee, a balanced committee of the SERC Board of Directors, is responsible for oversight of the SERC Compliance Monitoring and Enforcement Program. The Board Compliance Committee also acts as the hearing body responsible for resolving any disputes related to either a finding of violation or a sanction administered for a confirmed violation.

Compliance Audits

SERC's compliance audit staff is charged with conducting compliance audits and spot-checks of all registered entities and identifying possible violations of non-CIP standards. The group maintains a long-range compliance audit plan that ensures compliance audits are conducted for each applicable registered entity within the SERC Region in accordance with a predefined frequency. Qualified senior SERC staff leads each compliance audit. The teams prepare public and non-public audit and spot check reports with their findings and recommendations, including the identification of any possible violations. Specific lessons learned are factored into the audit program to promote continuous improvement.

Compliance Enforcement

SERC's compliance enforcement staff evaluates all possible violations of reliability standards, whether identified in an audit, a self-report, complaint, or other source, and conducts a thorough assessment to determine whether there is a sufficient basis to allege a violation, including the complete scope of the violation and the actual and potential risk imposed by the violation on the reliability of the bulk power system. Once the assessment is completed, the staff will formally notify the entity of its findings regarding the violation and any applicable penalties or sanctions and evaluate and accept the related mitigation plan. The enforcement staff may also engage in settlement negotiations with the entity, if requested.

Once a final determination of a confirmed violation is made by the enforcement staff, or settlement terms are agreed upon by the registered entity and the enforcement staff, the proposed enforcement action, along with any proposed penalty or sanctions, is submitted to the SERC President and CEO for regional approval prior to submitting the enforcement action to NERC for its review and approval, and subsequent submittal to FERC. If a registered entity challenges the findings of the enforcement staff, the enforcement staff would prosecute its case before the Board Compliance Committee, in its role as the hearing body. Hearings at SERC are conducted under the supervision of a qualified, independent hearing officer.

Compliance enforcement staff also is responsible for administering a number of monitoring processes including self-reporting, complaints, and self-certifications.

Compliance Programs

SERC's Compliance Programs group is responsible for coordinating and implementing a variety of programmatic compliance activities including Critical Infrastructure Protection (CIP) compliance monitoring, leading or participating in compliance investigations, as well as all activities related to entity registration and certification within the SERC region.

In the area of CIP, Compliance Programs staff conducts compliance audits and spot-checks in accordance with the implementation plans for the CIP standards. The team also conducts all phases of Technical Feasibility Exceptions (TFEs) reviews and validations.

The Registration and Certification staff leads all certification audits and acts as the subject matter experts for all registration related activities and questions. Staff also supports determination of the Net Energy for Load of each Load Serving Entity located in the SERC region for proper annual assessments.

2012 Key Assumptions

- SERC and NERC continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two auditor workshops and monthly auditor calls will occur to provide auditors with updates on compliance policies, actions, and requirements in order to promote consistency of audit practices and procedures. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel, lodging, and labor) to participate and attend this training.
- SERC has provided time for staff to maintain industry certifications, such as NERC System Operator Certification and Critical Infrastructure Protection (CIP) certifications, etc.
- Implementation of results-based standards and risk-based audit scope definition will expand in 2012 but without a significant reduction in required audit resources.
- Increased training and continuing education for auditors and enforcement staff
- Audits of RC, TOP and BA entities will require three sub-teams to cover planning and operating-related standards, and the transfer capability (MOD) standards.
- CIP audits of larger registered entities will comprise a three week schedule including two weeks on site with the middle week conducted off-site for additional evidence collection and review.
- Reduction in the number of required onsite follow-up visits for CIP activities, due to the installation of required equipment and associated procedures to provide for secure handling and retention of sensitive CIP compliance evidence within SERC's offices.
- TFE on-site reviews continue at a reduced pace (25%) in 2012.
- Less than five Compliance Investigations (CIs) are conducted, but an increase in resources is required to conduct reviews of registered entity compliance assessments resulting from reportable events.

- Additional resources (5%) are required to support cross-regional coordination and implementation of the Multi-regional Registered Entity (MRRE) program
- Between 250 and 300 possible violations (CIP and non-CIP) are identified from all monitoring sources (approximately equal to 2010 levels)
- Regional enforcement resources to assess scope and risk of violations will not be significantly reduced due to continued implementation of streamlined enforcement processes
- Two or less hearings are conducted
- The numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration (MRRE) documents are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance. This increase will have a direct impact on the workload associated with registration and compliance monitoring within the Region.
- SERC estimates it will perform 24 CIP audits and 40 audits.

2012 Goals and Key Deliverables

- Reliability improvement through rigorous monitoring and enforcement of compliance with mandatory standards and adoption of risk-based efficiencies. Staff actions ensure that:
 - Compliance actions are focused to best promote reliability and minimize risk
 - Compliance audits are conducted to conform with 3 and 6 year audit intervals
 - Spot-checks are conducted to address adverse trends and to validate a random subset of self-certifications.
 - Effective and timely follow-up is conducted for self-reports and self-certifications indicating either noncompliant or not applicable.
 - Timely and thorough mitigation is implemented for all violations of reliability standards.
 - The rate at which violations are processed by enforcement staff continues to improve.
 - NERC and other regions collaborate to streamline Rules of Procedure to allow for efficient processing of lower risk / significance violations.
- Clear mandatory standards focused on reliability performance.
 - Provide effective feedback from various compliance processes to improve reliability standards through requests for interpretation or revisions.
- Cyber and physical security of critical infrastructure.
 - Conduct a sufficient number of high quality CIP audits and spot-checks to promote improvements in cyber and physical security within the SERC Region
- Knowledgeable and skilled reliability personnel, effective and efficient use of resources, and continuous improvement.
 - Attract and retain a highly competent and skilled workforce.
 - Evolve processes, tools, and work assignments to optimize resources.
 - Continue to promote continuous improvement through active use of feedback, metrics, training, self-assessments, and other related tools.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation. Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contracts between SERC and the other Regional Entities.

Personnel Expenses

- The Compliance Program budgeted 28 FTEs in 2011. 2011 projected staffing is 38, with the addition of two auditors; six enforcement engineers; and two CIP Auditors. These positions are included in the 2012 budget, but were advanced in 2011.
- In 2012, SERC plans to increase staffing within the compliance program by 4.0 additional FTEs.
 - Two additional Auditors. New MOD standards and PRC-023 became effective in 2011. Compliance monitoring of these standards, and other new or revised standards, increase the need for technical expertise and depth of audit teams.
 - One additional Compliance Enforcement Engineer. The number of possible violations identified from all monitoring sources has continued to increase each year with the projected 2012 possible violations totaling 250-300. A large fraction of these possible violations involve CIP standards that pose added challenges in technical rigor and evidence handling. Additional resources in the enforcement area are necessary to achieve an improvement in the timeliness of processing enforcement actions and reviewing and accepting mitigation plans and verifying the timely completion of mitigation plans.
 - One additional CIP Auditor. The number of Registered Entities with Critical Assets is expected to increase with the implementation of Version 4 of CIP-002, resulting in a corresponding increase in the number of scope of CIP audits. Compliance monitoring of the CIP standards pose added challenges in technical rigor and evidence handling.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Contracts/Consultants decreased by \$90,786 due to a reduction in consultants to execute projected non-CIP audits and Compliance Violation Investigations (CVI) due to the additional FTEs in 2012.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Compliance and Organization Registration and Certification						
				Variance		Variance
	2011	2011	2011 Projection	v 2011 Budget	2012	2012 Budget
	Budget	Projection	Over(Under)		Budget	v 2011 Budget
						Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 7,215,911	\$ 7,215,911	\$ -		\$ 10,639,545	\$ 3,423,634
Penalty Sanctions	634,625	634,625	-		318,124	(316,501)
Total ERO Funding	\$ 7,850,536	\$ 7,850,536	\$ -		\$ 10,957,669	\$ 3,107,133
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Other Funding	40,000	20,000	(20,000)		40,000	-
Total Funding	\$ 7,890,536	\$ 7,870,536	\$ (20,000)		\$ 10,997,669	\$ 3,107,133
Expenses						
Personnel Expenses						
Salaries	\$ 3,346,925	\$ 3,717,413	\$ 370,488		\$ 4,930,643	\$ 1,583,718
Payroll Taxes	368,162	326,578	(41,584)		443,758	75,596
Benefits	396,309	445,709	49,400		519,619	123,310
Retirement Costs	291,778	271,413	(20,365)		676,627	384,849
Total Personnel Expenses	\$ 4,403,174	\$ 4,761,113	\$ 357,939		\$ 6,570,647	\$ 2,167,473
Meeting Expenses						
Meetings	\$ 15,375	\$ 16,987	\$ 1,612		\$ 18,950	\$ 3,575
Travel	377,810	264,467	(113,343)		406,887	29,077
Conference Calls	-	-	-		-	-
Total Meeting Expenses	\$ 393,185	\$ 281,454	\$ (111,731)		\$ 425,837	\$ 32,652
Operating Expenses						
Consultants & Contracts	\$ 253,286	\$ 237,083	\$ (16,203)		\$ 162,500	\$ (90,786)
Office Rent	-	-	-		-	-
Office Costs	7,440	7,440	-		12,600	5,160
Professional Services	20,000	15,000	(5,000)		20,000	-
Miscellaneous	-	-	-		-	-
Depreciation	-	-	-		-	-
Total Operating Expenses	\$ 280,726	\$ 259,523	\$ (21,203)		\$ 195,100	\$ (85,626)
Total Direct Expenses	\$ 5,077,085	\$ 5,302,090	\$ 225,005		\$ 7,191,584	\$ 2,114,499
Indirect Expenses	\$ 2,876,338	\$ 2,925,677	\$ 49,339		\$ 3,764,013	\$ 887,675
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses	\$ 7,953,423	\$ 8,227,767	\$ 274,344		\$ 10,955,597	\$ 3,002,174
Change in Assets	\$ (62,887)	\$ (357,231)	\$ (294,344)		\$ 42,072	\$ 104,959
Fixed Assets						
Depreciation	-	-	-		-	-
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -
Allocation of Fixed Assets	\$ 62,887	\$ 76,134	\$ 13,247		(42,072)	\$ (104,959)
Change in Fixed Assets	62,887	76,134	13,247		(42,072)	(104,959)
TOTAL CHANGE IN NET ASSETS	\$ -	\$ (281,097)	\$ (281,097)		\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.50	5.70	1.20
Direct Expenses	\$ 859,676	\$ 1,111,256	\$ 251,580
Indirect Expenses	\$ 462,269	\$ 510,830	\$ 48,561
Inc(Dec) in Fixed Assets	\$ (10,107)	\$ 5,710	\$ 15,817
Total Funding Requirement	\$ 1,311,838	\$ 1,627,796	\$ 315,958

Program Scope and Functional Description

SERC's Reliability Assessment Department conducts data gathering and analysis to perform an independent reliability assessment of the entities within the region,¹ in accordance with the Delegation Agreement and applicable NERC Rules of Procedure. The Department utilizes information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS) and Demand Response Availability Data System (DADS) programs.

SERC conducts and reports the results of its independent assessments of the overall reliability and adequacy of SERC region in support of the NERC obligation to perform similar analysis of the interconnected North American bulk power systems. The analysis performed addresses both the "as existing" and "as planned" system. The Reliability Assessment function of SERC develops reliability performance benchmarks for both resource and delivery activities within the region.

SERC maintains an effective data collection system utilizing the SERC Portal to support SERC's internal and NERC's external assessments and performance analysis processes. SERC works closely with registered entities in the region, as well as with the leadership of the applicable standing committees involved in the processes,² and seeks constant improvement through refinements to the SERC Portal.

2012 Key Assumptions

It is a logical assumption to expect a higher workload from the additional post seasonal and special assessments NERC has created. Several of SERC's study groups have requested SERC staff support for their annual database deliverables. It is also assumed that the Generator Availability Database System (GADS) system will evolve from 'optional' to 'mandatory' use, and that the Generation and Transmission Reliability Planning Models Task Force's expectations, which include probabilistic studies, will indeed be carried out.

¹ The Annual Reliability Review Subcommittee Report to the Engineering Committee is the key SERC document which provides an overall assessment of the health and ability of the system within SERC to carry out its functions. The data used for this report supports all NERC assessments

² SERC committees involved in the Reliability Assessment process include; Engineering Committee, Reliability Review subcommittee, Dynamics Review subcommittee, Near Term, Long Term, Dynamics and Short Circuit study groups.

2012 Goals and Key Deliverables

- Continuous improvement via annual data collection portal upgrades for Reliability Assessment purposes.
- Engagement with NERC Reliability Assessment process, through the NERC Reliability Assessment Subcommittee of the Planning Committee in 2012 including performance in accordance with the agreed upon performance metrics between NERC and the regions.
- Assess and implement the indicated follow-on studies from SERC's first region-wide resource adequacy assessment using probabilistic methods. Obtain computer hardware and software for the effort.
- Complete the SERC Reliability Review Subcommittee (RRS) Annual Report to the Engineering Committee.
- Complete NERC Seasonal and Long Term Assessment reports for 2012 in accordance with the agreed upon performance metrics between NERC and the regions.
- Implement Scenario Analysis and Special Assessments in accordance with the agreed upon performance metrics between NERC and the regions.
- Complete SERC submittals for the FERC Form 715 by March 31st.
- Complete SERC submittals for the EIA-411, and publish final data by July 31st.
- Assist SERC's Registered Entities in implementing NERC's DADS, GADS and TADS programs.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- The Reliability Assessment and Performance Analysis Program budgeted 4.5 FTEs in 2011. 2011 projected staffing is 5.7 FTEs, with the addition of a Reliability Assessment Analyst to assist the Regional and inter-Regional study groups, and help with Events Analysis and the Situation Awareness program and an increase in hours of a part-time employee. These positions are included in the 2012 budget, but were advanced in 2011.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts expenses increased by \$82,800 from the 2011 budget due to the Resource Adequacy program, the Under Frequency Load Shedding study and the Dynamic Reduction Study. In 2012, SERC has budgeted \$55,000 to perform an extension of the 2011 resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, an increase of \$31,000 from 2011. SERC has budgeted \$100,000 to perform an Under Frequency Load Shedding study which will document the effectiveness of the design of the Regional UFLS program, and will include a dynamic simulation of possible disturbances that cause the Region (or portions of the Region) to experience the largest imbalances between demand and generation. This study is performed every five years, causing an increase of \$100,000 from 2011. Additionally, a contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2011 series cases. As this study was performed in 2011, there is no funding for vendor support in developing reduced dynamics models of the SERC region in the 2012 budget, a decrease of \$60,000 from 2011. SERC has budgeted \$65,000 in relation to our NEL share of the Multiregional Model Working Group (MMWG)/Eastern Interconnection Reliability Assessment Group (ERAG) expenses, no change from 2011.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Reliability Assessment and Performance Analysis						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
ERO Assessments		\$ 1,202,185	\$ 1,202,185	\$ -	\$ 1,581,890	\$ 379,705
Penalty Sanctions		109,653	109,653	-	45,906	(63,747)
Total ERO Funding		\$ 1,311,838	\$ 1,311,838	\$ -	\$ 1,627,796	\$ 315,958
Workshops		-	-	-	-	-
Interest		-	-	-	-	-
Other Funding		-	-	-	-	-
Total Funding		\$ 1,311,838	\$ 1,311,838	\$ -	\$ 1,627,796	\$ 315,958
Expenses						
Personnel Expenses						
Salaries		\$ 474,380	\$ 505,810	\$ 31,430	\$ 549,063	\$ 74,683
Payroll Taxes		52,182	44,436	(7,746)	49,416	(2,766)
Benefits		52,060	75,127	23,067	81,865	29,805
Retirement Costs		40,927	42,441	1,514	76,546	35,619
Total Personnel Expenses		\$ 619,549	\$ 667,814	\$ 48,265	\$ 756,890	\$ 137,341
Meeting Expenses						
Meetings		\$ 42,050	\$ 42,296	\$ 246	\$ 32,275	\$ (9,775)
Travel		29,277	20,494	(8,783)	32,311	3,034
Conference Calls		-	-	-	-	-
Total Meeting Expenses		\$ 71,327	\$ 62,790	\$ (8,537)	\$ 64,586	\$ (6,741)
Operating Expenses						
Consultants & Contracts		\$ 149,000	\$ 120,200	\$ (28,800)	\$ 231,800	\$ 82,800
Office Rent		-	-	-	-	-
Office Costs		19,800	4,800	(15,000)	57,980	38,180
Professional Services		-	-	-	-	-
Miscellaneous		-	-	-	-	-
Depreciation		-	-	-	-	-
Total Operating Expenses		\$ 168,800	\$ 125,000	\$ (43,800)	\$ 289,780	\$ 120,980
Total Direct Expenses		\$ 859,676	\$ 855,604	\$ (4,072)	\$ 1,111,256	\$ 251,580
Indirect Expenses		\$ 462,269	\$ 438,852	\$ (23,417)	\$ 510,830	\$ 48,561
Other Non-Operating Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses		\$ 1,321,945	\$ 1,294,456	\$ (27,489)	\$ 1,622,086	\$ 300,141
Change in Assets		\$ (10,107)	\$ 17,382	\$ 27,489	\$ 5,710	\$ 15,817
Fixed Assets						
Depreciation		-	-	-	-	-
Computer & Software CapEx		-	-	-	-	-
Furniture & Fixtures CapEx		-	-	-	-	-
Equipment CapEx		-	-	-	-	-
Leasehold Improvements		-	-	-	-	-
(Incr)Dec in Fixed Assets		\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets		\$ 10,107	\$ 11,420	\$ 1,313	(5,710)	(15,817)
Change in Fixed Assets		10,107	11,420	1,313	(5,710)	(15,817)
TOTAL CHANGE IN NET ASSETS		\$ -	\$ 28,802	\$ 28,802	\$ -	\$ -

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Direct Expenses	\$ 587,092	\$ 690,509	\$ 103,417
Indirect Expenses	\$ 179,771	\$ 156,834	\$ (22,937)
Inc(Dec) in Fixed Assets	\$ (3,930)	\$ 1,753	\$ 5,683
Total Funding Requirement	\$ 762,933	\$ 849,096	\$ 86,163

Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk power system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports SERC staff training and development as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

2012 Key Assumptions

- No significant changes are expected in system operator certification CEH requirements through 2013
- SERC will continue to offer quality, relevant NERC Certified Continuing Education Hours to system operators in the region
- SERC will continue to coordinate and facilitate the conduct of system-wide restoration drill activity that involves system operating personnel from multiple operating entities throughout the region using realistic operating scenarios

2012 Goals and Key Deliverables

- Actively support the training and education of reliability personnel within the region, focusing on:
 - Knowledge of reliability standards and recognizing and responding to system emergencies.
 - Provide information and support to registered entities to assist with a systematic approach to training.
- Host compliance workshops as needed
- Additionally, SERC will support the NERC initiatives in the areas of:
 - Coordination and management of internal and external training
 - Implementing a compliance auditor training program
 - Developing educational materials for registered entities regarding expectations for new and existing reliability standards, and for supporting a culture or reliability excellence
 - Delivery of educational materials to registered entities through a centralized, robust learning management system (LMS). The LMS is expected to provide standards technical guidance, compliance guidance, lessons learned, examples of excellence, best practices, alerts, and other technical resource information

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- SERC has budgeted to hold one of the Joint Standing Committee meetings in the SERC office meeting space with a reduced fee charged to members, causing a decrease in Workshop revenue of \$15,830.

Personnel Expenses

- There are no significant changes requiring an explanation.

Meeting Expenses

- Meeting expenses increased by \$69,250. As noted in the Technical Committees and Member Forum explanations, the meeting expenses related to the Joint Standing Committee meetings for 2012 is recorded in the Training program, causing meeting expense to increase by \$40,500. Additionally, in 2012, all Compliance Seminars are budgeted off-site, where in 2011, two were budgeted off-site and two on-site, causing meeting expense to increase by \$30,000.
- Travel expenses decreased by \$17,309 due to a greater emphasis on the use of technology. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

Operating Expenses

- Consultants and contracts increased by \$35,400 for contract support of wide-area system restoration drill activity and delivery of training at four system operator conferences, including the use of computer-aided simulation exercises. Additionally, \$35,400 is budgeted for presenters at the system operator conference and for the development and maintenance of computer-delivered training modules.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Training and Education						
				Variance		Variance
	2011	2011	2011 Projection	v 2011 Budget	2012	2012 Budget
	Budget	Projection	v 2011 Budget	Over(Under)	Budget	v 2011 Budget
				Over(Under)		Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 440,259	\$ 440,259	\$ -		\$ 570,332	\$ 130,073
Penalty Sanctions	42,174	42,174	-		14,094	(28,080)
Total ERO Funding	\$ 482,433	\$ 482,433	\$ -		\$ 584,426	\$ 101,993
Workshops	280,500	263,850	(16,650)		264,670	(15,830)
Interest	-	-	-		-	-
Other Funding	-	-	-		-	-
Total Funding	\$ 762,933	\$ 746,283	\$ (16,650)		\$ 849,096	\$ 86,163
Expenses						
Personnel Expenses						
Salaries	\$ 237,095	\$ 239,508	\$ 2,413		\$ 246,421	\$ 9,326
Payroll Taxes	26,080	21,041	(5,039)		22,178	(3,902)
Benefits	21,033	19,812	(1,221)		21,388	355
Retirement Costs	22,863	22,669	(194)		33,160	10,297
Total Personnel Expenses	\$ 307,071	\$ 303,030	\$ (4,041)		\$ 323,147	\$ 16,076
Meeting Expenses						
Meetings	\$ 207,360	\$ 192,352	\$ (15,008)		\$ 276,610	\$ 69,250
Travel	37,661	26,363	(11,298)		20,352	(17,309)
Conference Calls	-	-	-		-	-
Total Meeting Expenses	\$ 245,021	\$ 218,715	\$ (26,306)		\$ 296,962	\$ 51,941
Operating Expenses						
Consultants & Contracts	\$ 35,000	\$ 68,000	\$ 33,000		\$ 70,400	\$ 35,400
Office Rent	-	-	-		-	-
Office Costs	-	-	-		-	-
Professional Services	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Depreciation	-	-	-		-	-
Total Operating Expenses	\$ 35,000	\$ 68,000	\$ 33,000		\$ 70,400	\$ 35,400
Total Direct Expenses	\$ 587,092	\$ 589,745	\$ 2,653		\$ 690,509	\$ 103,417
Indirect Expenses	\$ 179,771	\$ 134,735	\$ (45,036)		\$ 156,834	\$ (22,937)
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses	\$ 766,863	\$ 724,480	\$ (42,383)		\$ 847,343	\$ 80,480
Change in Assets	\$ (3,930)	\$ 21,803	\$ 25,733		\$ 1,753	\$ 5,683
Fixed Assets						
Depreciation	-	-	-		-	-
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -
Allocation of Fixed Assets	\$ 3,930	\$ 3,506	\$ (424)		(1,753)	\$ (5,683)
Change in Fixed Assets	3,930	3,506	(424)		(1,753)	(5,683)
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 25,309	\$ 25,309		\$ -	\$ -

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.75	5.75	2.00
Direct Expenses	\$ 849,382	\$ 1,064,373	\$ 214,991
Indirect Expenses	\$ 385,224	\$ 515,311	\$ 130,087
Inc(Dec) in Fixed Assets	\$ (8,422)	\$ 5,760	\$ 14,182
Total Funding Requirement	\$ 1,226,184	\$ 1,585,444	\$ 359,260

Program Scope and Functional Description

- The SERC Situation Awareness program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure sections 1001 and 1002. The Situation Awareness Program monitors near real-time activities on the bulk electric system for the purposes of identifying any conditions that are impacting or have the potential to impact the reliability of the bulk power system in the SERC Region. SERC situation awareness activities rely on high-level communications, coordination and cooperation among SERC staff, Reliability Coordinators, adjacent NERC Regions, and NERC ES-ISAC regarding near real-time system conditions.
- The SERC Critical Infrastructure Protection program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure section 1003. The Critical Infrastructure Protection (CIP) program is responsible for the awareness of critical infrastructure security, CIP standards education and outreach, and promoting security best practices within the SERC Region in order to promote the advancement of the physical and cyber security of the bulk power system.
- The SERC Event Analysis program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure sections 807 and 808 and Appendix 8. The ERO Certification Order at Paragraph 370 stated that Regional Entities should have an important role in investigations of system disturbances and other major events that affect their regions. The SERC Event Analysis program also:
 - Analyzes off-normal events on the bulk power system
 - Identifies the root causes of events that may be precursors of potentially more serious events;
 - Assesses past reliability performance for lessons learned;
 - Disseminates findings and lessons learned to improve reliability performance.

2012 Key Assumptions

- SERC situation awareness activities will continue to leverage the use of NERC reliability tools and functions to reduce the burden on SERC operating entities in providing monitoring information
- CIP activities will continue to increase significantly across the electricity sector
- The number of events requiring review and analysis are expected to increase through ERO-enterprise joint processes and resourcing for triage, analysis, and reporting of system events. SERC will encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and will promote information sharing

2012 Goals and Key Deliverables

- SERC will maintain awareness of operational situations and reportable events within the SERC Region and maintain appropriate relationships with registered entities as necessary.
- SERC will facilitate and support registered entities in complying with CIP reliability standards by providing education and outreach opportunities.
- SERC will support ERO initiatives to:
 - Develop and provide root cause analysis training for staff and industry subject matter experts who participate in event analysis and investigation teams
- Provide timely publication of lessons learned and recommendations, and track responses to recommendations

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- The Situation Awareness and Infrastructure Security Program budgeted 3.75 FTEs in 2011. 2011 projected staffing is 4.75, with the addition of a root cause analysis specialist to improve staff technical capabilities in standards development, events analyses, and training. This position is included in the 2012 budget, but was advanced in 2011.
- SERC plans to increase staffing within the Situation Awareness and Infrastructure Security Program by 1.0 additional FTE, with the addition of a protection and controls engineer to improve staff technical capabilities in analyzing misoperations, standards development, events analyses, and training.

Meeting Expenses

- Travel expenses decreased by \$12,286 due to a greater emphasis on the use of technology. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

Operating Expenses

- Consultants and contracts expense decreased by \$25,000 from the 2011 budget due to a decrease in GIS software compatible with available geospatial data for improved visualization of the SERC region and user enhancements for the voice-over-internet hotline system used by SERC BA's, TOP's, and RC's, as 2012 is a continuation of the project.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Situation Awareness and Infrastructure Security						
				Variance 2011 Projection v 2011 Budget Over(Under)		Variance 2012 Budget v 2011 Budget Over(Under)
	2011 Budget	2011 Projection			2012 Budget	
Funding						
ERO Funding						
ERO Assessments	\$ 1,135,810	\$ 1,135,810		\$ -	\$ 1,543,162	\$ 407,352
Penalty Sanctions	90,374	90,374		-	42,282	(48,092)
Total ERO Funding	\$ 1,226,184	\$ 1,226,184		\$ -	\$ 1,585,444	\$ 359,260
Workshops	-	-		-	-	-
Interest	-	-		-	-	-
Other Funding	-	-		-	-	-
Total Funding	\$ 1,226,184	\$ 1,226,184		\$ -	\$ 1,585,444	\$ 359,260
Expenses						
Personnel Expenses						
Salaries	\$ 528,538	\$ 568,920		\$ 40,382	\$ 719,673	\$ 191,135
Payroll Taxes	58,139	49,980		(8,159)	64,771	6,632
Benefits	56,874	72,027		15,153	82,896	26,022
Retirement Costs	46,886	37,824		(9,062)	77,737	30,851
Total Personnel Expenses	\$ 690,437	\$ 728,751		\$ 38,314	\$ 945,077	\$ 254,640
Meeting Expenses						
Meetings	\$ 21,375	\$ 22,151		\$ 776	\$ 19,125	\$ (2,250)
Travel	57,570	40,299		(17,271)	45,171	(12,399)
Conference Calls	-	-		-	-	-
Total Meeting Expenses	\$ 78,945	\$ 62,450		\$ (16,495)	\$ 64,296	\$ (14,649)
Operating Expenses						
Consultants & Contracts	\$ 80,000	\$ 132,224		\$ 52,224	\$ 55,000	\$ (25,000)
Office Rent	-	-		-	-	-
Office Costs	-	-		-	-	-
Professional Services	-	-		-	-	-
Miscellaneous	-	-		-	-	-
Depreciation	-	-		-	-	-
Total Operating Expenses	\$ 80,000	\$ 132,224		\$ 52,224	\$ 55,000	\$ (25,000)
Total Direct Expenses	\$ 849,382	\$ 923,425		\$ 74,043	\$ 1,064,373	\$ 214,991
Indirect Expenses	\$ 385,224	\$ 365,710		\$ (19,514)	\$ 515,311	\$ 130,087
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -	\$ -
Total Expenses	\$ 1,234,606	\$ 1,289,135		\$ 54,529	\$ 1,579,684	\$ 345,078
Change in Assets	\$ (8,422)	\$ (62,951)		\$ (54,529)	\$ 5,760	\$ 14,182
Fixed Assets						
Depreciation	-	-		-	-	-
Computer & Software CapEx	-	-		-	-	-
Furniture & Fixtures CapEx	-	-		-	-	-
Equipment CapEx	-	-		-	-	-
Leasehold Improvements	-	-		-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -		\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ 8,422	\$ 9,517		\$ 1,095	(5,760)	\$ (14,182)
Change in Fixed Assets	8,422	9,517		1,095	(5,760)	(14,182)
TOTAL CHANGE IN NET ASSETS	\$ -	\$ (53,434)		\$ (53,434)	\$ -	\$ -

Administrative Services

Administrative Services (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	13.75	16.75	3.00
Total Direct Expenses	\$ 4,093,373	\$ 5,113,822	\$ 1,020,449
Inc(Dec) in Fixed Assets	\$ (89,276)	\$ 57,048	\$ 146,324
Less: Other Funding Sources	\$ (10,000)	\$ (10,000)	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ (4,083,373)	\$ (5,103,822)	\$ (1,020,449)
Funding Requirement for Working Capital	\$ 144,368	\$ -	\$ (144,368)

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.75	2.75	-
Total Direct Expenses	\$ 708,707	\$ 638,787	\$ (69,920)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ (708,707)	\$ (638,787)	\$ 69,920
Funding Requirement for Working Capital	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Technical Committees and Members' Forums serve to strengthen capabilities within the region to plan and operate bulk electric systems reliably and in compliance with reliability standards. The success of SERC's reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence. The goal of these meetings is to:

- Participate in the establishment of Reliability Standards;
- Participate in the measurement of performance relative to these Reliability Standards;
- Promote conformance to and compliance with these Reliability Standards;
- Develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the bulk-power system;
- Review as necessary activities within the region on reliability and adequacy in order to meet Reliability Standards;
- Perform technical functions through assignment of specific tasks to subcommittees and working groups.

2012 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2012.
- The current economic downturn will continue to adversely affect stakeholder travel budgets and resourcing for work in regional programs. SERC will need to develop methods to encourage active involvement with less travel and face-to-face meetings.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

2012 Goals and Key Deliverables

- 100 percent of SERC standing committees and their subgroups are operating under a documented committee management plan in support of a 3-year work-plan.
- Committees operate within web-based communities of practice on technical issues to support standards development and other appropriate committee activities requiring collaboration
- Regional representatives to ERO technical committees are supported to effect a coordinated region view

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- There are no significant changes requiring an explanation.

Meeting Expenses

- As noted in the Training, Education and Operator Certification explanations, the meeting expenses related to the Joint Standing Committee meetings for 2012 is recorded in the Training program, causing meeting expense to decrease by \$74,970.
- Travel expenses decreased by \$22,646 due to a greater emphasis on the use of technology. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Technical Committees and Member Forums						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
	Penalty Sanctions				-	
	Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Other Funding	-	-	-	-	-
	Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Personnel Expenses						
	Salaries	\$ 410,899	\$ 413,803	\$ 2,904	\$ 426,271	\$ 15,372
	Payroll Taxes	45,199	36,353	(8,846)	38,364	(6,835)
	Benefits	29,270	27,632	(1,638)	29,413	143
	Retirement Costs	40,037	39,883	(154)	58,513	18,476
	Total Personnel Expenses	\$ 525,405	\$ 517,671	\$ (7,734)	\$ 552,561	\$ 27,156
Meeting Expenses						
	Meetings	\$ 108,978	\$ 80,733	\$ (28,245)	\$ 34,008	\$ (74,970)
	Travel	63,929	44,750	(19,179)	41,283	(22,646)
	Conference Calls	-	-	-	-	-
	Total Meeting Expenses	\$ 172,907	\$ 125,483	\$ (47,424)	\$ 75,291	\$ (97,616)
Operating Expenses						
	Consultants & Contracts	\$ 9,375	\$ 9,786	\$ 411	\$ 9,375	\$ -
	Office Rent	-	-	-	-	-
	Office Costs	1,020	1,020	-	1,560	540
	Professional Services	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
	Depreciation	-	-	-	-	-
	Total Operating Expenses	\$ 10,395	\$ 10,806	\$ 411	\$ 10,935	\$ 540
	Total Direct Expenses	\$ 708,707	\$ 653,960	\$ (54,747)	\$ 638,787	\$ (69,920)
	Indirect Expenses	\$ (708,707)	\$ (653,960)	\$ 54,747	\$ (638,787)	\$ 69,920
	Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
	Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets						
	Depreciation	-	-	-	-	-
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-	-
	Equipment CapEx	-	-	-	-	-
	Leasehold Improvements	-	-	-	-	-
	(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
	Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
	Change in Fixed Assets	-	-	-	-	-
	TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

General and Administrative

General and Administrative Services (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	11.00	14.00	3.00
Total Direct Expenses	\$ 2,660,321	\$ 3,486,910	\$ 826,589
Inc(Dec) in Fixed Assets	\$ (89,276)	\$ 57,048	\$ 146,324
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ (2,660,321)	\$ (3,486,910)	\$ (826,589)
Funding Requirement for Working Capital	\$ 144,368	\$ -	\$ (144,368)

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.

2012 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Increased focus will be placed on facilitating reliability enhancing activities by registered entities such as entity distribution of lessons learned for predefined event types and reinforcement of effective compliance cultures.

2012 Goals and Key Deliverables

- Refine program support to promote high quality and consistent implementation of delegated functions
- Implementation of continuous improvement activities to enable high quality performance of delegated functions while levelizing resources requirements
- SERC-wide procedures are fully implemented
- Improvements in member services including ease of activities requiring Portal interface

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- The General and Administrative Program budgeted 11 FTEs in 2011. 2011 projected staffing is 12, with the addition of an attorney. This position is included in the 2012 budget, but was advanced in 2011.
- SERC plans to increase staffing within the General and Administrative Program by 2.0 additional FTEs, with the addition of a senior information technology technician, and a human resource specialist. All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative to protect the confidentiality of individual compensation information of employees in these programs.

Meeting Expenses

- Increase in conference calls expense by \$30,000 is due to the increase in FTEs and a continued emphasis on the use of technology for meetings

Operating Expenses

- Consultants and contractors decreased by \$40,000. The 2011 budget included a contractor for continuous improvement activities such as self evaluation, corrective action, and bench marking.
- Office rent increased by \$149,030 due to the additional office space.
- Office costs increased by \$148,373 mainly due to the purchasing of furniture and equipment to outfit the additional office space leased.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- Increase in Computer and Software capital expenditures is due to additional software development for the reliability portal.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
General and Administrative						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
ERO Assessments		\$ 144,368	\$ 144,368	\$ -	\$ -	\$ (144,368)
Penalty Sanctions		-	-	-	-	-
Total ERO Funding		\$ 144,368	\$ 144,368	\$ -	\$ -	\$ (144,368)
Workshops		-	-	-	-	-
Interest		-	-	-	-	-
Miscellaneous		-	17,956	17,956	-	-
Total Funding		\$ 144,368	\$ 162,324	\$ 17,956	\$ -	\$ (144,368)
Expenses						
Personnel Expenses						
Salaries		\$ 1,474,609	\$ 1,564,116	\$ 89,507	\$ 1,778,297	\$ 303,688
Payroll Taxes		162,207	137,409	(24,798)	160,047	(2,160)
Benefits		141,828	139,014	(2,814)	133,983	(7,845)
Retirement Costs		117,992	127,850	9,858	250,086	132,094
Total Personnel Expenses		\$ 1,896,636	\$ 1,968,389	\$ 71,753	\$ 2,322,413	\$ 425,777
Meeting Expenses						
Meetings		\$ 16,400	\$ 19,864	\$ 3,464	\$ 17,150	\$ 750
Travel		59,147	41,403	(17,744)	51,463	(7,684)
Conference Calls		66,000	58,284	(7,716)	96,000	30,000
Total Meeting Expenses		\$ 141,547	\$ 119,551	\$ (21,996)	\$ 164,613	\$ 23,066
Operating Expenses						
Consultants & Contracts		\$ 40,000	\$ 13,026	\$ (26,974)	\$ -	\$ (40,000)
Office Rent		295,692	369,988	74,296	444,722	149,030
Office Costs		158,837	166,967	8,130	307,210	148,373
Professional Services		15,000	15,000	-	15,000	-
Miscellaneous		-	12,665	12,665	-	-
Depreciation		112,609	124,083	11,474	232,952	120,343
Total Operating Expenses		\$ 622,138	\$ 701,729	\$ 79,591	\$ 999,884	\$ 377,746
Total Direct Expenses		\$ 2,660,321	\$ 2,789,669	\$ 129,348	\$ 3,486,910	\$ 826,589
Indirect Expenses		\$ (2,660,321)	\$ (2,789,669)	\$ (129,348)	\$ (3,486,910)	\$ (826,589)
Other Non-Operating Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets		\$ 144,368	\$ 162,324	\$ 17,956	\$ -	\$ (144,368)
Fixed Assets						
Depreciation		(112,609)	(124,083)	(11,474)	(232,952)	(120,343)
Computer & Software CapEx		-	20,000	20,000	290,000	290,000
Furniture & Fixtures CapEx		-	-	-	-	-
Equipment CapEx		23,333	-	(23,333)	-	(23,333)
Leasehold Improvements		-	-	-	-	-
(Incr)Dec in Fixed Assets		\$ 89,276	\$ 104,083	\$ 14,807	\$ (57,048)	\$ (146,324)
Allocation of Fixed Assets		\$ (89,276)	\$ (104,083)	\$ (14,807)	57,048	\$ 146,324
Change in Fixed Assets		-	-	-	-	-
TOTAL CHANGE IN NET ASSETS		\$ 144,368	\$ 162,324	\$ 17,956	\$ -	\$ (144,368)

Legal and Regulatory

Legal (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 5,000	\$ 25,000	\$ 20,000
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ (5,000)	\$ (25,000)	\$ (20,000)
Funding Requirement for Working Capital	\$ -	\$ -	\$ -

Program Scope and Functional Description

SERC maintains legal counsel in house and has outside legal consultants to provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters affecting SERC; review items filed with governmental agencies for legal sufficiency; and review all contracts.

- Ensure continuing recognition of SERC as a regional entity.
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis.
- Review legal documents, including notices of penalty, required to be filed with FERC
- Provide hearing services for all contested compliance actions, and other services as needed, such as transcription.
- Provide legal counsel as needed for SERC during compliance proceedings.
- Process all appeals of compliance actions in an effective and efficient manner.
- Liaison with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.

2012 Key Assumptions

- The level of detail required in notice of penalties to meet NERC and FERC expectations continues to increase
- The likelihood of a contested compliance action increases, with one to two hearings (ERO-wide) being projected

2012 Goals and Key Deliverables

- Two or less SERC notices of penalty are remanded by NERC
- Five or less SERC notices of penalty filed with the commission are tolled for more information

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

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

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Professional services increased \$20,000 due to the increased need for additional outside legal support.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Legal and Regulatory						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
ERO Assessments		\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions					-	
Total ERO Funding		\$ -	\$ -	\$ -	\$ -	\$ -
Workshops		-	-	-	-	-
Interest		-	-	-	-	-
Other Funding		-	-	-	-	-
Total Funding		\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Personnel Expenses						
Salaries		\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes		-	-	-	-	-
Benefits		-	-	-	-	-
Retirement Costs		-	-	-	-	-
Total Personnel Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses						
Meetings		\$ -	\$ -	\$ -	\$ -	\$ -
Travel		-	-	-	-	-
Conference Calls		-	-	-	-	-
Total Meeting Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses						
Consultants & Contracts		\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent		-	-	-	-	-
Office Costs		-	-	-	-	-
Professional Services		5,000	10,000	5,000	25,000	20,000
Miscellaneous		-	-	-	-	-
Depreciation		-	-	-	-	-
Total Operating Expenses		\$ 5,000	\$ 10,000	\$ 5,000	\$ 25,000	\$ 20,000
Total Direct Expenses		\$ 5,000	\$ 10,000	\$ 5,000	\$ 25,000	\$ 20,000
Indirect Expenses		\$ (5,000)	\$ (10,000)	\$ (5,000)	\$ (25,000)	\$ (20,000)
Other Non-Operating Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets		\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets						
Depreciation		-	-	-	-	-
Computer & Software CapEx		-	-	-	-	-
Furniture & Fixtures CapEx		-	-	-	-	-
Equipment CapEx		-	-	-	-	-
Leasehold Improvements		-	-	-	-	-
(Incr)Dec in Fixed Assets		\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets		\$ -	\$ -	\$ -	-	
Change in Fixed Assets		-	-	-	-	-
TOTAL CHANGE IN NET ASSETS		\$ -	\$ -	\$ -	\$ -	\$ -

Information Technology

Information Technology (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 689,145	\$ 925,725	\$ 236,580
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ (689,145)	\$ (925,725)	\$ (236,580)
Funding Requirement for Working Capital	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Information Technology area of SERC offers project and vendor management for all current technology related contracts. The technology group at SERC supports other staff and SERC members with the portal system and core technology infrastructure. Current SERC projects include:

- Guidance (hosting and development for SERC Portal, SERC web site and the consortium)
- Inter7 (Operating Committee hot line equipment vendor)
- Telecommunication circuits (conference bridge, Operating Committee hotline service)
- OATI checkout tool (Operating Committee project for region wide scheduling checkout tool)
- WebEx (web meeting and collaboration solution)
- Document management system
- Storage Area Network (SAN) (data storage and back-up system)

2012 Key Assumptions

- The Consortium will continue to work together, enabling SERC and other regions to share the total costs of development.
- SERC will continue to support the OATI Check out tool.

2012 Goals and Key Deliverables

- Development and use of performance metrics used to gauge the availability and usability of key IT services

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

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

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts are increasing by \$46,780 to support software development and hosting of the portal and hotline.
- Office costs are increasing by \$189,800. Of this, approximately \$30,000 relates to an increase in the number of computers purchased for the new FTEs as well as replacements for current staff; \$100,000 is for a Microsoft Office Sharepoint server; and approximately \$37,000 for new equipment and printers for the additional office space and FTEs.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Information Technology

Funding sources and related expenses for the information technology section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Information Technology						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
ERO Assessments		\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions					-	
Total ERO Funding		\$ -	\$ -	\$ -	\$ -	\$ -
Workshops		-	-	-	-	-
Interest		-	-	-	-	-
Other Funding		-	-	-	-	-
Total Funding		\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Personnel Expenses						
Salaries		\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes		-	-	-	-	-
Benefits		-	-	-	-	-
Retirement Costs		-	-	-	-	-
Total Personnel Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses						
Meetings		\$ -	\$ -	\$ -	\$ -	\$ -
Travel		-	-	-	-	-
Conference Calls		-	-	-	-	-
Total Meeting Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses						
Consultants & Contracts		\$ 583,420	\$ 456,638	\$ (126,782)	\$ 630,200	\$ 46,780
Office Rent		-	-	-	-	-
Office Costs		105,725	69,212	(36,513)	295,525	189,800
Professional Services		-	-	-	-	-
Miscellaneous		-	-	-	-	-
Depreciation		-	-	-	-	-
Total Operating Expenses		\$ 689,145	\$ 525,850	\$ (163,295)	\$ 925,725	\$ 236,580
Total Direct Expenses		\$ 689,145	\$ 525,850	\$ (163,295)	\$ 925,725	\$ 236,580
Indirect Expenses		\$ (689,145)	\$ (525,850)	\$ 163,295	\$ (925,725)	\$ (236,580)
Other Non-Operating Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets		\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets						
Depreciation		-	-	-	-	-
Computer & Software CapEx		-	-	-	-	-
Furniture & Fixtures CapEx		-	-	-	-	-
Equipment CapEx		-	-	-	-	-
Leasehold Improvements		-	-	-	-	-
(Incr)Dec in Fixed Assets		\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets		\$ -	\$ -	\$ -	-	\$ -
Change in Fixed Assets		-	-	-	-	-
TOTAL CHANGE IN NET ASSETS		\$ -	\$ -	\$ -	\$ -	\$ -

Human Resources

Human Resources (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ -	\$ -	\$ -
Funding Requirement for Working Capital	\$ -	\$ -	\$ -

Program Scope and Functional Description

The SERC human resources function is responsible for recruiting stellar employees, maintaining appropriate salaries and benefits based on industry data, providing for employee training programs and updating the employee handbook.

2012 Key Assumptions

- Average salary increase of 2.5%. This assumption is reflected in the salary expense budget for all program areas.

2012 Goals and Key Deliverables

- Attract, develop and retain highly competent and motivated staff.
- Continuous review of compensation and benefits.

Funding Sources and Requirements — Explanation of Increase (Decrease)

In the 2012 and 2011 Business Plan and Budgets, there are no expenses related to Human Resources, as all personnel expenses for Human Resources are included under the General and Administrative program and there are no additional costs. Due to this, there are no significant changes requiring an explanation.

Human Resources

Funding sources and related expenses for the human resources section of the 2012 business plan are shown in the table below

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Human Resources						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
ERO Assessments		\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions					-	
Total ERO Funding		\$ -	\$ -	\$ -	\$ -	\$ -
Workshops		-	-	-	-	-
Interest		-	-	-	-	-
Other Funding		-	-	-	-	-
Total Funding		\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Personnel Expenses						
Salaries		\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes		-	-	-	-	-
Benefits		-	-	-	-	-
Retirement Costs		-	-	-	-	-
Total Personnel Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses						
Meetings		\$ -	\$ -	\$ -	\$ -	\$ -
Travel		-	-	-	-	-
Conference Calls		-	-	-	-	-
Total Meeting Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses						
Consultants & Contracts		\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent		-	-	-	-	-
Office Costs		-	-	-	-	-
Professional Services		-	-	-	-	-
Miscellaneous		-	-	-	-	-
Depreciation		-	-	-	-	-
Total Operating Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses		\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets		\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets						
Depreciation		-	-	-	-	-
Computer & Software CapEx		-	-	-	-	-
Furniture & Fixtures CapEx		-	-	-	-	-
Equipment CapEx		-	-	-	-	-
Leasehold Improvements		-	-	-	-	-
(Incr)Dec in Fixed Assets		\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets		\$ -	\$ -	\$ -	-	
Change in Fixed Assets		-	-	-	-	-
TOTAL CHANGE IN NET ASSETS		\$ -	\$ -	\$ -	\$ -	\$ -

Finance and Accounting

Finance (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 30,200	\$ 37,400	\$ 7,200
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ (10,000)	\$ (10,000)	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ (20,200)	\$ (27,400)	\$ (7,200)
Funding Requirement for Working Capital	\$ -	\$ -	\$ -

Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC, and coordinate with NERC requirements through:

- Providing payroll and expense administration.
- Preparing quarterly financial statements.
- Filing federal and state tax and other forms required of non-profit corporations.
- Reviewing and improving fiscal controls and complete a year-end external audit.

2012 Key Assumptions

- Maintain or reduce meeting costs.
- Accomplish SERC goals and stay within budget.

2012 Goals and Key Deliverables

- Prepare and review monthly, quarterly and annual financial statements.
- Maintain budgetary controls.
- Process payroll and expense reports.
- Maintain necessary internal controls.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

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

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- There are no significant changes requiring an explanation.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

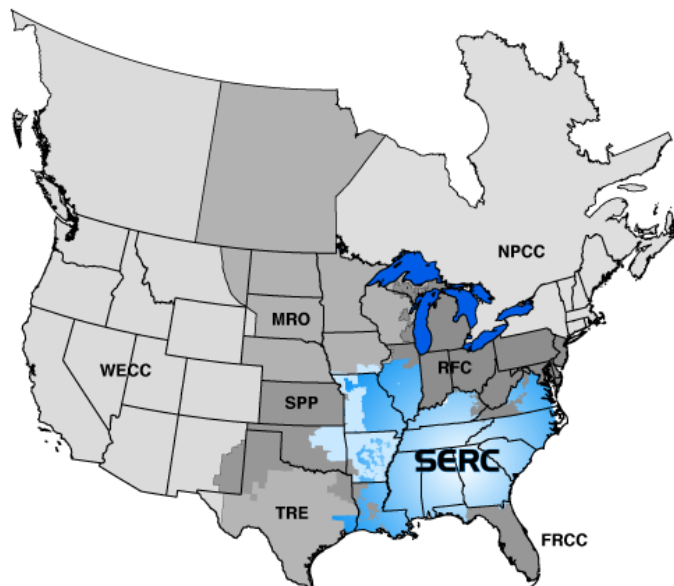
Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2011 Budget & Projection, and 2012 Budget						
Finance and Accounting						
				Variance		Variance
	2011	2011	2011 Projection	v 2011 Budget	2012	2012 Budget
	Budget	Projection	v 2011 Budget	Over(Under)	Budget	v 2011 Budget
				Over(Under)		Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions					-	
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops	-	-	-	-	-	-
Interest	10,000	9,000	(1,000)	10,000	-	-
Other Funding	-	-	-	-	-	-
Total Funding	\$ 10,000	\$ 9,000	\$ (1,000)	\$ 10,000	\$ -	\$ -
Expenses						
Personnel Expenses						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Retirement Costs	-	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses						
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-	-
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-	-
Office Costs	5,000	5,865	865	8,000	3,000	
Professional Services	25,200	23,365	(1,835)	29,400	4,200	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 30,200	\$ 29,230	\$ (970)	\$ 37,400	\$ 7,200	
Total Direct Expenses	\$ 30,200	\$ 29,230	\$ (970)	\$ 37,400	\$ 7,200	
Indirect Expenses	\$ (20,200)	\$ (20,230)	\$ (30)	\$ (27,400)	\$ (7,200)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 10,000	\$ 9,000	\$ (1,000)	\$ 10,000	\$ -	
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Fixed Assets						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Allocation of Fixed Assets		\$ -			-	
Change in Fixed Assets	-	-	-	-	-	
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	

Section B – Supplemental Financial Information

2012 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2010-2011	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2010	\$ 2,393,139
Less: Penalty sanctions to be used as offset to 2012 assessments, received prior to 12/31/10	(252,500)
Plus: Penalty sanctions to be used as offset to 2012 assessments ¹	434,500
Plus: 2011 ERO Funding (from LSEs or designees)	10,671,508
Plus: 2011 Other funding sources	310,806
Less: 2011 Projected expenses & capital expenditures	(11,927,434)
Projected Working Capital Reserve (Deficit), December 31, 2011	\$ 1,630,019
Desired Working Capital Reserve, December 31, 2012	² 1,195,519
Less: Projected Working Capital Reserve, December 31, 2011	(1,630,019)
Plus: Penalty sanctions to be used as offset to 2012 assessments	434,500
Increase (decrease) in assessments to achieve desired Working Capital Reserve	\$ -
2012 Expenses and Capital Expenditures	\$ 15,594,445
Less: Penalty Sanctions ¹	(434,500)
Less: Other Funding Sources	(314,670)
Adjustment to achieve desired Working Capital Reserve	-
2012 ERO Assessment	\$ 14,845,275
¹ Represents collections on or prior to June 30, 2011. See page 56 or full disclosure.	
² 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.	

Explanation of Changes in Reserve Policy from Prior Years

There has been no change in SERC's reserve policy.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures, page 13, of the 2012 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 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, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to July 1, 2011 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 & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

	Date Received	Amount Received
Penalty payment 1	26-Aug-2010	\$ 115,000
Penalty payment 2	2-Sep-2010	10,000
Penalty payment 3	2-Sep-2010	5,000
Penalty payment 4	13-Sep-2010	20,000
Penalty payment 5	14-Sep-2010	12,500
Penalty payment 6	17-Sep-2010	30,000
Penalty payment 7	17-Sep-2010	30,000
Penalty payment 8	17-Sep-2010	10,000
Penalty payment 9	9-Nov-2010	2,000
Penalty payment 10	17-Nov-2010	5,000
Penalty payment 11	30-Nov-2010	3,000
Penalty payment 12	1-Dec-2010	10,000
Penalty payment 13	6-Jan-2011	5,000
Penalty payment 14	7-Jan-2011	5,000
Penalty payment 15	7-Jan-2011	6,000
Penalty payment 16	7-Jan-2011	16,000
Penalty payment 17	12-Jan-2011	30,000
Penalty payment 18	3-Feb-2011	2,000
Penalty payment 19	2-Mar-2011	3,000
Penalty payment 20	2-Mar-2011	10,000
Penalty payment 21	2-Mar-2011	5,000
Penalty payment 22	2-Mar-2011	30,000
Penalty payment 23	2-Mar-2011	4,000
Penalty payment 24	2-Mar-2011	10,000
Penalty payment 25	2-Mar-2011	12,000
Penalty payment 26	5-May-2011	7,000
Penalty payment 27	5-May-2011	12,500
Penalty payment 28	5-May-2011	5,000
Penalty payment 29	13-Jun-2011	12,500
Penalty payment 30	27-Jun-2011	5,000
Penalty payment 31	27-Jun-2011	2,000
Total Penalties Received		\$ 434,500

Table B-3 - Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Other Funding	\$ 40,000	\$ 20,000	\$ 40,000	\$ -
Total	\$ 40,000	\$ 20,000	\$ 40,000	\$ -
Reliability Assessment and Performance Analysis				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 280,500	\$ 263,850	\$ 264,670	\$ (15,830)
Total	\$ 280,500	\$ 263,850	\$ 264,670	\$ (15,830)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Miscellaneous	\$ -	\$ 11,156	\$ -	\$ -
Total	\$ -	\$ 11,156	\$ -	\$ -
Finance				
Interest	\$ 10,000	\$ 9,000	\$ 10,000	\$ -
Total	\$ 10,000	\$ 9,000	\$ 10,000	\$ -
Total Outside Funding	\$ 330,500	\$ 304,006	\$ 314,670	\$ (15,830)

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

No significant variances. Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entities.

Workshop funding decreased by \$15,830 due to one of the planned Joint Standing Committee meetings is scheduled to be held in the SERC office meeting space with a reduced fee charged to members.

Table B-4 - Personnel Expenses

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salaries	\$ 6,720,718	\$ 7,260,336	\$ 8,908,407	\$ 2,187,689	32.6%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 6,720,718	\$ 7,260,336	\$ 8,908,407	\$ 2,187,689	32.6%
Total Payroll Taxes					
	\$ 739,279	\$ 637,826	\$ 801,758	\$ 62,479	8.5%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	606,193	602,716	756,230	150,037	24.8%
Life-LTD-LTC Insurance	34,855	38,277	48,768	13,913	39.9%
Education	47,607	53,335	41,885	(5,722)	-12.0%
Relocation	35,000	109,622	49,000	14,000	40.0%
Total Benefits	\$ 723,655	\$ 803,950	\$ 895,883	\$ 172,228	23.8%
Retirement					
Discretionary 401k Contribution	\$ -	\$ -	\$ -	\$ -	
Savings Plan	584,444	565,857	1,207,456	623,012	106.6%
Total Retirement	\$ 584,444	\$ 565,857	\$ 1,207,456	\$ 623,012	106.6%
Total Personnel Costs					
	\$ 8,768,096	\$ 9,267,969	\$ 11,813,504	\$ 3,045,408	34.7%
FTEs					
	53.5	66.7	73.7	20.2	37.8%
Cost per FTE					
Salaries	\$ 125,621	\$ 108,851	\$ 120,874	(4,747)	-3.8%
Payroll Taxes	13,818	9,563	10,879	(2,940)	-21.3%
Benefits	13,526	12,053	12,156	(1,370)	-10.1%
Retirement	10,924	8,484	16,383	5,459	50.0%
Total Cost per FTE	\$ 163,890	\$ 138,950	\$ 160,292	\$ (3,598)	-2.2%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Salaries increased \$2,187,689 and payroll taxes increased \$62,479 due to the addition of 20.2 employees compared to 2011 budget. A total of 13.2 FTEs were added in 2011 compared to the budget. The Compliance program added ten FTEs to increase the ability of compliance staff to timely process the large volume of active violations. The Situation Awareness program added an FTE to improve staff technical capabilities in the analysis of misoperations, standards development, events analyses, and training. The Reliability Assessment program added 1.2 FTEs, one as a reliability assessment analyst, to assist the Regional and inter-Regional study groups as well as an increase to a part-time employee's hours by 0.2. The General and Administrative program added an attorney to address additional compliance activities. These additions have been made in 2011 to meet critical needs to enable the organization to function effectively. The costs of these additional employees will be offset in 2011 by cost controls and funded through the reserve if necessary. In 2012, the additional employees in compliance include four FTEs; in Situation Awareness a protection and controls engineer; and in general and administrative, a senior information technology technician and a human resource specialist. The budget reflects an increase in salary for existing staff of 2.5%.

Medical insurance increased \$150,036 and retirement costs increased by \$623,012 due to the overall staffing increases, budgeted salary increases as noted above, and a change in the retirement plan.

Table B-5 - Consultants and Contracts

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	95,000	100,000	-	(95,000)	-100%
Reliability Assessment and Performance Analysis	149,000	120,200	231,800	82,800	56%
Training and Education	35,000	33,000	35,400	400	1%
Situation Awareness and Infrastructure Security	25,000	97,224	25,000	-	0%
Committee and Member Forums	9,375	9,786	9,375	-	0%
General and Administrative	40,000	13,026	-	(40,000)	-100%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 353,375	\$ 373,237	\$ 301,575	\$ (51,800)	-15%
Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Contracts					
Computer & Communications Support	\$ 128,700	\$ 117,641	\$ 128,700	\$ -	
IT Web and Portal Support	414,906	297,568	469,000	54,094	
Checkout Tool	132,000	120,000	132,000	-	
Hotline Maintenance	30,000	22,412	30,000	-	
Website redesign	25,000	25,000	-	(25,000)	
Document management support	11,100	11,100	33,000	21,900	
Subtotal - Software Contracts	741,706	593,721	792,700	50,994	7%
Situation Awareness and Infrastructure Security					
Inter7 Hotline Enhancements	10,000	-	10,000	-	
Database design - custom basemaps and transmission overlay	35,000	35,000	20,000	(15,000)	
Root-Cause Analysis / Risk decision tree software tool	10,000	-	-	(10,000)	
Subtotal - Situation Awareness and Infrastructure Security	55,000	35,000	30,000	(25,000)	-45%
Training					
Restoration drill	-	35,000	35,000	35,000	
Subtotal - Training	-	35,000	35,000	35,000	100%
Contracts Total	\$ 796,706	\$ 663,721	\$ 857,700	\$ 60,994	8%
Total Consulting and Contracts	\$ 1,150,081	\$ 1,036,957	\$ 1,159,275	\$ 9,194	1%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

With the increase in compliance FTEs, consultants and contracts decreased by \$95,000 due to the removal of audit support in the Compliance Program.

A decrease of \$40,000 in consultants in General and Administrative is for the removal of continuous improvement activities such as self evaluation, corrective action, and bench marking.

A total decrease of \$25,000 in contracts in the Situation Awareness and Infrastructure Security program relates to a reduction of \$15,000 for the database design and \$10,000 for software that was purchased in 2010 related to the root-cause analysis.

An increase of \$82,800 in consultants in the Reliability Assessment program from the 2011 budget is due to the Resource Adequacy program, the Under Frequency Load Shedding study and the Dynamic Reduction Study. In 2012, SERC has budgeted \$55,000 to perform an extension of the 2011 resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, an increase of \$31,000 from 2011. SERC has budgeted \$100,000 to perform an Under Frequency Load Shedding study which will

document the effectiveness of the design of the Regional UFLS program, and will include a dynamic simulation of possible disturbances that cause the Region (or portions of the Region) to experience the largest imbalances between demand and generation. This study is performed every five years, causing an increase of \$100,000 from 2011. Additionally, a contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2011 series cases. As this study was performed in 2011, there is no funding for vendor support in developing reduced dynamics models of the SERC region in the 2012 budget, a decrease of \$60,000 from 2011.

An increase of \$50,994 in software contracts is due various projects, including additional consortium projects and support for the document management system.

An increase of \$35,000 in contracts in Education and Training is due to wide-area restoration drill activity.

Table B-6 – Office Rent

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	\$ 295,692	\$ 369,988	\$ 444,722	149,030	50.40%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	\$ 295,692	\$ 369,988	\$ 444,722	\$ 149,030	50.40%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

In 2011, SERC increased its office space by 20,788 square feet causing the increase in rent expense. The new office space will be for additional offices

Table B-7 – Office Costs

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	\$ 117,940	109,000	\$ 187,220	\$ 69,280	58.74%
Internet	-	-	7,020	7,020	
Office Supplies	37,934	50,576	133,330	95,396	251.48%
Computer Supplies and Maintenance	116,725	69,212	324,025	207,300	177.60%
Publications & Subscriptions	-	2,751	3,000	3,000	
Dues	2,000	2,500	2,500	500	25.00%
Postage	2,000	1,100	1,500	(500)	-25.00%
Express Shipping	2,000	2,900	3,000	1,000	50.00%
Copying	5,000	3,900	4,000	(1,000)	-20.00%
Reports	-	-	-	-	
Equipment Repair/Service Contracts	9,223	7,500	9,280	57	0.62%
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	5,000	5,865	8,000	3,000	60.00%
Presentation & Publicity	-	-	-	-	
Total Office Costs	\$ 297,822	\$ 255,304	\$ 682,875	\$ 385,053	129.29%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

An increase in telephone of \$69,280 is due to the additional FTEs and office space.

An increase in office supplies of \$95,396 is to furnish the new office space.

An increase in computer supplies and maintenance of \$207,300 is due mainly to the additional FTEs and the new office space. Of the increase, \$30,000 relates to an increase in the number of computers purchased for the new FTEs as well as replacements for current staff; \$100,000 is for a Microsoft Office Sharepoint server to assist in the interaction with NERC systems and the other regions; and approximately \$37,000 for new equipment and printers for the additional office space and FTEs.

Table B-8 – Professional Services

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Independent Trustee Fees	\$ -	\$ -	\$ -	\$ -	0.00%
Legal Fees	25,000	25,000	45,000	20,000	80.00%
Accounting & Auditing Fees	25,200	23,365	29,400	4,200	16.67%
Insurance Commercial	15,000	15,000	15,000	-	0.00%
Total Services	\$ 65,200	\$ 63,365	\$ 89,400	\$ 24,200	37.12%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Legal fees include outside legal and other legal. Outside legal expenses include charges in support of regulatory matters. Other legal fees represent charges for all other legal matters. Increase in outside legal expense of \$5,000 and \$15,000 in other legal expense for help with compliance filings and other legal matters.

Table B-9 – Other Non-operating Expenses

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

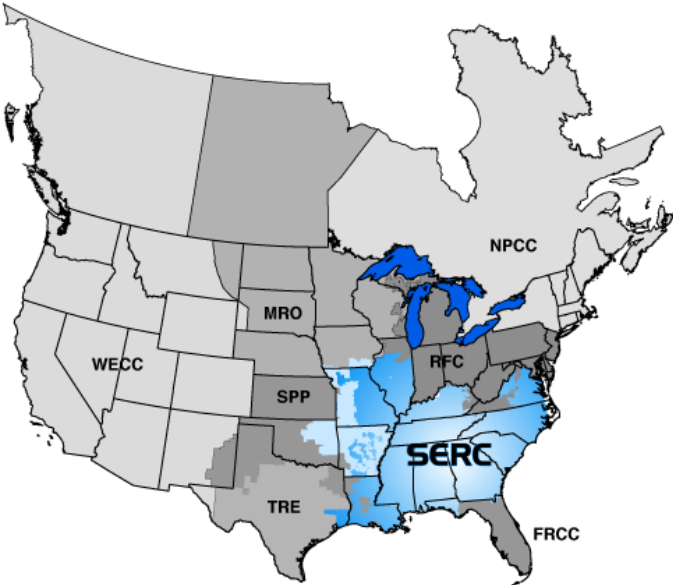
No significant variances.

Table B-10 – 2012 Budget with 2013-2014 Projection

Statement of Activities and Capital Expenditures								
	2012	2013	\$ Change	%	2014	\$ Change	% Change	
	Budget	Projection	12 v 13	Change	Projection	13 v 14	13 v 14	
Funding								
ERO Funding								
ERO Assessments	\$ 14,845,275	\$ 17,771,797	\$ 2,926,522	19.71%	\$ 20,166,509	2,394,711	11.9%	
Penalty Sanctions	434,500	-	(434,500)	-100.00%	-	-		
Total ERO Funding	\$ 15,279,775	\$ 17,771,797	\$ 2,492,022	16.3%	\$ 20,166,509	\$ 2,394,711	11.9%	
Workshops	264,670	267,450	2,780	1.05%	273,400	5,950	2.2%	
Interest	10,000	10,000	-	0.00%	10,000	-	0.0%	
Miscellaneous	40,000	40,000	-	0.00%	40,000	-	0.0%	
Total Funding	\$ 15,594,445	\$ 18,089,247	\$ 2,494,802	16.0%	\$ 20,489,909	\$ 2,400,661	13.3%	
Expenses								
Personnel Expenses								
Salaries	\$ 8,908,407	\$ 10,667,374	\$ 1,758,967	19.7%	\$ 12,400,584	1,733,210	16.2%	
Payroll Taxes	801,758	960,064	158,306	19.7%	1,116,053	155,989	16.2%	
Benefits	895,883	1,055,695	159,812	17.8%	1,238,745	183,050	17.3%	
Retirement Costs	1,207,456	1,440,426	232,970	19.3%	1,681,752	241,326	16.8%	
Total Personnel Expenses	\$ 11,813,504	\$ 14,123,559	\$ 2,310,055	19.6%	\$ 16,437,134	\$ 2,313,575	16.4%	
Meeting Expenses								
Meetings	\$ 402,078	\$ 412,130	\$ 10,052	2.5%	\$ 422,433	10,303	2.5%	
Travel	616,591	650,468	33,877	5.5%	605,745	(44,723)	-6.9%	
Conference Calls	96,000	105,600	9,600	10.0%	110,880	5,280	5.0%	
Total Meeting Expenses	\$ 1,114,669	\$ 1,168,198	\$ 53,529	4.8%	\$ 1,139,058	\$ (29,140)	-2.5%	
Operating Expenses								
Consultants & Contracts	\$ 1,159,275	\$ 1,245,610	86,335	7.4%	\$ 1,225,902	(19,708)	-1.6%	
Office Rent	444,722	458,064	13,342	3.0%	471,806	13,742	3.0%	
Office Costs	682,875	699,947	17,072	2.5%	717,446	17,499	2.5%	
Professional Services	89,400	93,870	4,470	5.0%	98,564	4,694	5.0%	
Miscellaneous	-	-	-		-	-		
Depreciation	232,952	42,159	(190,793)	-81.9%	9,152	(33,007)	-78.3%	
Total Operating Expenses	\$ 2,609,224	\$ 2,539,650	\$ (69,574)	-2.7%	\$ 2,522,869	\$ (16,781)	-0.7%	
Total Direct Expenses	\$ 15,537,397	\$ 17,831,406	\$ 2,294,009	14.8%	\$ 20,099,061	\$ 2,267,654	12.7%	
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses	\$ 15,537,397	\$ 17,831,406	\$ 2,294,009	14.8%	\$ 20,099,061	2,267,654	12.7%	
Change in Assets	\$ 57,048	\$ 257,841	\$ 200,793	352.0%	\$ 390,848	\$ 133,007	51.6%	
Fixed Assets								
Depreciation	\$ (232,952)	\$ (42,159)	\$ 190,793	-81.9%	\$ (9,152)	\$ 33,007	-78.3%	
Computer & Software CapEx	290,000	100,000	(190,000)	-65.5%	100,000	-	0.0%	
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	-	-	-		-	-		
Leasehold Improvements	-	-	-		-	-		
(Incr)Dec in Fixed Assets	\$ (57,048)	\$ (57,841)	\$ (793)	1.4%	\$ (90,848)	\$ (33,007)	57.1%	
Allocation of Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -		
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 200,000	\$ 200,000		\$ 300,000	\$ 100,000	0.0%	
FTEs	73.70	86.70	13.00		99.70	13.00		

Section C – Non-Statutory Activities

2012 Business Plan and Budget

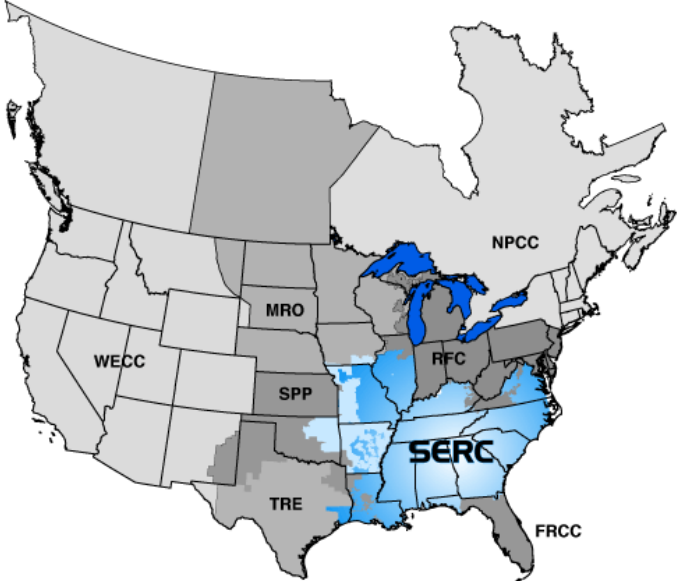


Section C — 2012 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	-	-	-
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	-	-	-

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.

Section D – Additional Consolidated Financial Statements
2012 Business Plan and Budget



Section D

2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											Non-Statutory Functions		
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	
Funding																	
ERO Funding																	
ERO Assessments	14,845,275	14,845,275	-	14,845,275	510,346	10,639,545	1,581,890	570,332	1,543,162	-	-	-	-	-	-	-	-
Penalty Sanctions	434,500	434,500	-	434,500	14,094	318,124	45,906	14,094	42,282	-	-	-	-	-	-	-	-
Total ERO Funding	15,279,775	15,279,775	-	15,279,775	524,440	10,957,669	1,627,796	584,426	1,585,444	-	-	-	-	-	-	-	-
Workshops	264,670	264,670	-	264,670	-	-	-	264,670	-	-	-	-	-	-	-	-	-
Interest	10,000	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Other Funding	40,000	40,000	-	40,000	-	40,000	-	-	-	-	-	-	-	-	-	-	-
Total Funding	15,594,445	15,594,445	-	15,594,445	524,440	10,997,669	1,627,796	849,096	1,585,444	-	-	-	-	-	-	-	10,000
Expenses																	
Personnel Expenses																	
Salaries	8,908,407	8,908,407	-	8,908,407	258,039	4,930,643	549,063	246,421	719,673	426,271	1,778,297	-	-	-	-	-	-
Payroll Taxes	801,758	801,758	-	801,758	23,224	443,758	49,416	22,178	64,771	38,364	160,047	-	-	-	-	-	-
Benefits	895,883	895,883	-	895,883	26,719	519,619	81,865	21,388	82,896	29,413	133,983	-	-	-	-	-	-
Retirement Costs	1,207,456	1,207,456	-	1,207,456	34,787	676,627	76,546	33,160	77,737	58,513	250,086	-	-	-	-	-	-
Total Personnel Expenses	11,813,504	11,813,504	-	11,813,504	342,769	6,570,647	756,890	323,147	945,077	552,561	2,322,413	-	-	-	-	-	-
Meeting Expenses																	
Meetings	402,078	402,078	-	402,078	3,960	18,950	32,275	276,610	19,125	34,008	17,150	-	-	-	-	-	-
Travel	616,591	616,591	-	616,591	19,124	406,887	32,311	20,352	45,171	41,283	51,463	-	-	-	-	-	-
Conference Calls	96,000	96,000	-	96,000	-	-	-	-	-	-	96,000	-	-	-	-	-	-
Total Meeting Expenses	1,114,669	1,114,669	-	1,114,669	23,084	425,837	64,586	296,962	64,296	75,291	164,613	-	-	-	-	-	-
Operating Expenses																	
Consultants & Contracts	1,159,275	1,159,275	-	1,159,275	-	162,500	231,800	70,400	55,000	9,375	-	-	630,200	-	-	-	-
Office Rent	444,722	444,722	-	444,722	-	-	-	-	-	-	444,722	-	-	-	-	-	-
Office Costs	682,875	682,875	-	682,875	-	12,600	57,980	-	-	1,560	307,210	-	295,525	-	-	-	8,000
Professional Services	89,400	89,400	-	89,400	-	20,000	-	-	-	-	15,000	-	25,000	-	-	-	29,400
Miscellaneous	232,952	232,952	-	232,952	-	-	-	-	-	-	232,952	-	-	-	-	-	-
Depreciation	2,609,224	2,609,224	-	2,609,224	-	195,100	289,780	70,400	55,000	10,935	999,884	25,000	925,725	-	-	-	37,400
Total Operating Expenses	2,609,224	2,609,224	-	2,609,224	-	195,100	289,780	70,400	55,000	10,935	999,884	25,000	925,725	-	-	-	37,400
Total Direct Expenses	15,537,397	15,537,397	-	15,537,397	365,853	7,191,584	1,111,256	690,509	1,064,373	638,787	3,486,910	25,000	925,725	-	-	-	37,400
Indirect Expenses	-	-	-	-	156,834	3,764,013	510,830	156,834	515,311	(638,787)	(3,486,910)	(25,000)	(925,725)	-	-	-	(27,400)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	15,537,397	15,537,397	-	15,537,397	522,687	10,955,597	1,622,086	847,343	1,579,684	-	-	-	-	-	-	-	10,000
Change in Assets	57,048	57,048	-	57,048	1,753	42,072	5,710	1,753	5,760	-	-	-	-	-	-	-	-
Fixed Assets																	
Depreciation	(232,952)	(232,952)	-	(232,952)	-	-	-	-	-	-	(232,952)	-	-	-	-	-	-
Computer & Software CapEx	290,000	290,000	-	290,000	-	-	-	-	-	-	290,000	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	(57,048)	(57,048)	-	(57,048)	-	-	-	-	-	-	(57,048)	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	(1,753)	(42,072)	(5,710)	(1,753)	(5,760)	-	57,048	-	-	-	-	-	-
Change in Fixed Assets	(57,048)	(57,048)	-	(57,048)	(1,753)	(42,072)	(5,710)	(1,753)	(5,760)	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FTEs	73.7	73.7	-	73.70	1.75	42.00	5.70	1.75	5.75	2.75	14.00	-	-	-	-	-	-

Statement of Financial Position

- As of December 31, 2010, per audit
- As of December 31, 2011, projected
- As of December 31, 2012, as budgeted

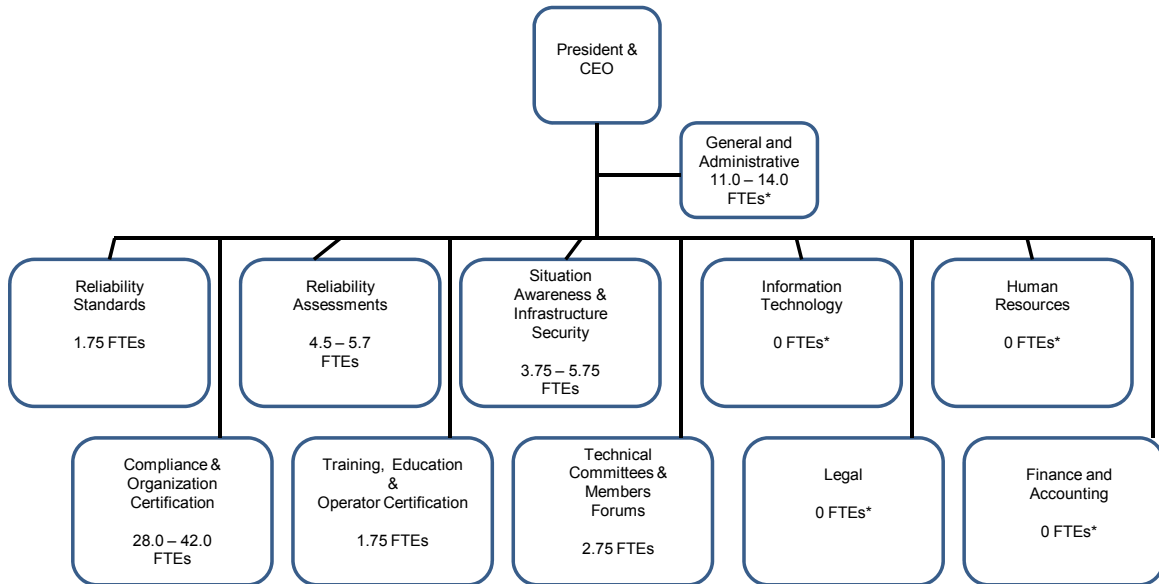
Statement of Financial Position				
2010 Audited, 2011 Projection, and 2012 Budget				
STATUTORY and NON-STATUTORY				
		(Per Audit)	Projected	Budget
		31-Dec-10	31-Dec-11	31-Dec-12
ASSETS				
Cash		3,855,131	3,017,151	3,353,740
Accounts receivable		63,085	-	-
Other receivables		-		
Prepaid expenses and other current assets		95,926	50,000	50,000
Property and equipment, net		276,944	214,298	255,600
	Total Assets	4,291,086	3,281,449	3,659,340
LIABILITIES AND NET ASSETS				
Liabilities				
	Accounts payable and accrued expenses	1,248,040	1,200,000	1,200,000
	Deferred income	1,256,722	750,000	600,000
	Total Liabilities	2,504,762	1,950,000	1,800,000
	Net Assets - unrestricted	1,786,324	1,331,449	1,859,340
	Total Liabilities and Net Assets	4,291,086	3,281,449	3,659,340

Organizational Chart

SERC Reliability Corporation Organization Chart

2011 Projected FTEs 66.7

2012 Budgeted FTEs 73.7



*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative