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SERC Reliability Corporation

2010 Business Plan and Budget

FINAL

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Introduction

Total RE Resources (in whole dollars)				
	2010 Budget	U.S.	Canada	Mexico
Statutory FTEs	45.50			
Non-statutory FTEs	0			
Total FTEs	45.50			
Statutory Expenses	10,701,683	10,701,683	0	0
Non-statutory Expenses	0	0	0	0
Total Expenses	10,701,683	10,701,683	0	0
Statutory Funding	10,701,683	10,701,683	0	0
Non-Statutory(Member) Funding	0	0	0	0
Total Funding	10,701,683	10,701,683	0	0
NEL	1,032,621,018 MWhr	1,032,621,018 MWhr	0	0
NEL %	100%	100%	0	0

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 23% of the net energy for load (NEL) in North America and 30% 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 self-regulatory 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 2010 targeted staffing level of 45.5 power industry professionals and support personnel.

Membership and Governance

SERC monitors approximately 225 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 of the corporation. 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. In October 2007, the board formed 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. These 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 and identifying 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 its Board and applicable statutes and regulations.

In recognition of the importance of the compliance role of regional entities, SERC has dedicated approximately half of its staff resources to compliance monitoring and enforcement. The compliance staff is further divided into two groups, one conducting compliance audits and the second performing compliance investigations and enforcement. SERC has developed and deployed a robust set of online tools for the gathering, analysis, and tracking of compliance information.

SERC has organized the 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.

2010 Key Assumptions

In developing the 2010 business plan, SERC has assumed:

1. The international, industry-based Self Regulatory Organization (SRO) model continues to be used and no material changes to the SRO model impacting 2010 emerge from the ERO 3-year assessment.
2. The framework for delegation remains constant. The scope of delegated authorities and responsibilities remains relatively constant, with incremental improvements according to recommendations developed in the ERO 3-year assessment.
3. NERC and regions are not budgeted in 2010 for unknown material changes to scope and are unable to undertake unfunded mandates, such as new initiatives stemming from the U.S. federal stimulus package on energy. Any mandated material changes to scope will impact cash reserves.
4. The current economic downturn continues into 2010, resulting in cost pressures on NERC and regional entities to do more with less. The industry experiences lower electricity demand and may defer capital projects in some areas and may reduce or hold O&M budgets flat. Cost pressures result in less travel and strain stakeholder participation in NERC and regional entity activities.
5. Regional entities are audited by FERC and NERC by year-end 2010 and the audits of any region by NERC and FERC are not concurrent. NERC is required to audit each regional entity by year-end 2010.

Core Values

The SERC business planning is driven by the following core values:

1. Improving Reliability and Stakeholder Service

- a. **Reliability Improvement** – SERC ensures a reliability focus in its work and facilitates bulk power system reliability improvement.
- b. **Service Focus** – SERC develops and strengthens relations with its members, 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, leading by example, 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 with a reputation of being 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 be continuously in compliance 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.

3. Learning and Continuous Improvement

- a. **Learning Organization** – SERC is a learning organization, focused on self-assessment, feedback from stakeholders, and continuous improvement. SERC is proactive in anticipating and preparing 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 with NERC and other regions in specialized areas with scarce resources.

4. Financial Controls

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

2010 Goals and Key Deliverables

The SERC 2010 business plan and budget is driven by the following goals:

1. **Reliability improvement through rigorous monitoring and enforcement of compliance with mandatory standards and adoption of risk-based efficiencies.**
 - o Monitor registered entities in the SERC Region for compliance with mandatory reliability standards, in accordance with the delegation agreement and CMEP, while adopting risk-based methods to optimize reliability benefits and improving quality and timeliness.
 - o Enforce compliance with mandatory reliability standards by registered entities within the SERC Region, in accordance with the delegation agreement and CMEP while improving quality and timeliness.
 - o Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
 - o Promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among registered entities in the SERC Region.
2. **Clear mandatory standards focused on reliability performance.**
 - o 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.
 - o Working with stakeholders and trade associations, take a leadership role in initiating a risk-based review of the existing NERC reliability standards and proposing SARs to focus the standards on performance requirements essential to reliability and eliminating nonessential or low-risk requirements.
 - o Based on compliance program results and system events, identify key areas needing improvement and implement educational and other technical assistance programs to improve compliance in those areas.

3. Objective and trustworthy reliability assessments and reliability performance trends.

- Provide annual and seasonal assessments of the future reliability of the bulk power system in the region, in accordance with NERC definitions and requirements. Provide thorough data validation and create new efficiencies in data collection and analysis.
- Develop and demonstrate bulk power system performance metrics for the purpose of analyzing and trending reliability improvements and benefits.

4. Situation awareness capability and event analysis leading to reliability improvements.

- Develop a situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, SERC and applicable registered entities.
- Develop SERC's capability to conduct rigorous event analyses and develop relevant lessons learned.
- Provide reliability issues tracking to systematically provide notice and document actions to improve reliability within the region.

5. Cyber and physical security of critical infrastructure.

- Facilitate and support registered entities in complying with CIP reliability standards, and responding to cyber security alerts.

6. Knowledgeable and skilled reliability personnel.

- 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.

7. Information sharing and collaboration through technology.

- Be a leader in the deployment of technology to make SERC and its stakeholder participants more efficient and productive in its program activities.
- 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.

8. Effective and efficient use of resources.

- Evaluate and as appropriate, realign the SERC committee structure and activities to better leverage industry expertise and leadership, to better support SERC's statutory functions, and to be more efficient.
- Maintain a talented staff at SERC and provide for continuous staff development.

9. Continuous improvement.

- Maintain good standing as a regional entity by addressing all applicable recommendations and directives from the 3-year ERO assessment, including stakeholder inputs, and audits by NERC and/or FERC.
- Identify and use regional entity performance indicators and feedback mechanisms to enable SERC to continue being a learning organization.

10. Effective financial controls.

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

2010 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$10,095,546 to \$10,701,683 in 2010, an increase of \$606,137 or 6.0%. The proposed 2010 assessment of \$9,831,277 is only 1.9% higher than the 2009 assessment of \$9,652,546 due to the recognition of penalties collected by June 30, 2009 as funding for 2010. SERC believes that in 2010 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions. 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 2010 budget compared to the 2009 budget). The most significant impacts on budget are in the area of payroll due to increased staffing, which is described as three components:

- **Staff added in 2009** – A total of 1.5 FTEs were added in 2009 compared to the budget. The Reliability Services program added a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. Additionally, a halftime auditor became fulltime in early 2009. These additions have been made in 2009 to meet critical needs to enable the organization to function effectively. The costs of these additional employees will be offset in 2009 by vacancies in other positions.
- **Staff additions proposed in 2010** – The targeted staffing level for 2010 is 45.5 FTEs, an increase of an additional 1 FTE compared to 2009 actual and 2.5 compared to 2009 budget. This additional employee is in compliance, a critical infrastructure protection (CIP) auditor.
 - For 2010, the budget impact of the above two items is \$320,931, including salary and benefits.
- **Cost increase for maintaining staff budgeted in 2010** – The remaining increase in personnel costs of \$280,955, or 4.1% compared to 2009 reflects a budgeted increase in salary for existing staff of 2% and a difference between 2009 actual and budgeted base salaries resulting from the hiring of new staff since the 2009 budget was developed in early 2008.

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

- **Consultants and contracts** – An increase of \$216,750 or 23.44% in consultants and contracts. \$160,500 of this increase results from the proposed conduct of a power system simulation in concert with the 2010 SERC system restoration training and drill.
- **Office rent** – An increase of \$72,314 or 39.4% in office rent due to additional office space obtained which will enable SERC to hold various meetings in house.
- **Office costs** – An increase of \$96,267 or 36.2% in office costs in order to furnish and equip the new office space.
- **Professional services** – A decrease of \$223,700 or 69.5% in professional services due to hiring of an in-house counsel which will lower legal costs.

Changes in Accounting Methodology

In 2010, NERC and all the Regional Entities agreed to formatting changes to the *Statement of Activities* within each functional Program Area as follows:

- The ERO Assessment and penalty sanctions are only allocated across the delegated functions, except that ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.
- The increase or decrease in assessments to achieve the desired working capital reserve balance is reflected as the Total Change in Assets. In 2009, this amount was reflected as Other Non-Operating Expense on the Statement of Activities.
- All personnel and meeting expenses are accounted for within their associated department's budget.
- The majority of the Operating Expenses are accounted for within their related department's budget. If an expense cannot be specifically linked to a department, it is included in the General and Administrative Program, within Administrative Services.
- All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas by their respective FTEs. This allocation provides improved financial perspective for the delegated functions.
- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.
- Expenses include depreciation, but since funding is not being requested for depreciation expense, it has been deducted from the funding requirement for capital expenditures.
- The result of these changes may be an apparent increase in total costs for each functional Program area.

Section A — 2010 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
<small>(in whole dollars)</small>			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	1.4	1.6	0.2
Total Direct Expenses	290,594	333,962	43,368
Total Indirect Expenses	119,645	161,720	42,075
Inc(Dec) in Fixed Assets	2,279	0	(2,279)
Total Expenses & Fixed Assets	412,518	495,682	83,164

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 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 by:

- Facilitating active participation of industry stakeholders in NERC standards activities;
- Providing a mechanism to seek clarity and provide feedback on compliance with reliability standards; and
- Maintaining technical reference documents as required.

2010 Key Assumptions

- SERC will develop one regional reliability standard in 2010 based on the published NERC three-year work plan for standards development and any additional regional standards authorization requests received.
- SERC will facilitate stakeholder review of the NERC standards for the purpose of identifying opportunities to streamline the standards to be more focused on reliability performance.
- SERC will collaborate with NERC to establish in 2010 improved mechanisms to capture lessons from event analysis, compliance enforcement, and other activities, in the form of recommendations to improve reliability standards to prevent future similar root causes.
- The current economic downturn will continue into 2010 and adversely affect stakeholder travel budgets and resourcing for work in standards development. SERC will need to develop methods to encourage active involvement with less travel and face-to-face meetings.
- SERC will collaborate with NERC in the conduct of special workshops, in addition to the regular schedule of workshops, to focus on most-violated standards to improve the understanding of requirements by registered entities.
- SERC will continue to support coordinated and consistent response to requests for both formal interpretations and informal clarifications of the reliability standards.

2010 Goals and Key Deliverables

- Deliver a regional reliability standard on disturbance monitoring equipment (PRC-002) to NERC for approval.
- Submit to NERC a set of SARs proposing major revisions to the NERC standards to focus on reliability-based requirements and eliminate nonessential or low-risk requirements that are not beneficial to reliability.
- Based on lessons from system events and serious or frequent non-compliances, identify key technical focus areas for training or other activities to improve reliability performance among registered entities.
- Promote active engagement of SERC stakeholders in standards development and SERC participation and leadership in the NERC standards process.
- Improve clarity of the approved standards by providing transparent, experience-based lessons learned from compliance monitoring and enforcement, and by requesting formal interpretations through the NERC process as needed.
- Complete a review and update of ten SERC guides and references.
- Complete development of regional criteria and file update with NERC.

Funding Requirements — Explanation of Increase (Decrease)

The 70.2% increase in total funding from \$292,873 budgeted in 2009 to \$498,597 budgeted in 2010 is due to the expenses related to the indirect program areas being allocated entirely to the direct programs. Additionally, SERC recognized all penalties collected by June 30, 2009 as funding for 2010.

Reliability Standards Program direct expenses requirements are steady from 2009 to 2010, with an increase of 14.9% due to the addition of a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated over all Reliability Service departments. There are no additional staffing changes anticipated.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Reliability Standards					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 292,873	\$ 292,873	\$ -	\$ 471,317	\$ 178,444
Penalty Sanctions	-	-	-	27,280	27,280
Total ERO Funding	\$ 292,873	\$ 292,873	\$ -	\$ 498,597	\$ 205,724
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 292,873	\$ 292,873	\$ -	\$ 498,597	\$ 205,724
Expenses					
Personnel Expenses					
Salaries	\$ 204,634	\$ 213,441	\$ 8,807	\$ 225,442	\$ 20,808
Payroll Taxes	15,348	16,008	660	16,908	1,560
Benefits	18,746	26,576	7,830	30,566	11,820
Retirement Costs	19,427	20,711	1,284	21,413	1,986
Total Personnel Expenses	\$ 258,155	\$ 276,736	\$ 18,581	\$ 294,329	\$ 36,174
Meeting Expenses					
Meetings	\$ 8,650	\$ 10,048	\$ 1,398	\$ 23,886	\$ 15,236
Travel	8,130	19,500	11,370	15,747	7,617
Conference Calls	977	1,752	775	-	(977)
Total Meeting Expenses	\$ 17,757	\$ 31,300	\$ 13,543	\$ 39,633	\$ 21,876
Operating Expenses					
Consultants & Contracts	\$ -	\$ 821	\$ 821	\$ -	\$ -
Office Rent	5,967	5,995	28	-	(5,967)
Office Costs	7,738	7,533	(205)	-	(7,738)
Professional Services	977	530	(447)	-	(977)
Miscellaneous	-	-	-	-	-
Depreciation	-	160	160	-	-
Total Operating Expenses	\$ 14,682	\$ 15,039	\$ 357	\$ -	\$ (14,682)
Total Direct Expenses	\$ 290,594	\$ 323,075	\$ 32,481	\$ 333,962	\$ 43,368
Indirect Expenses				\$ 161,720	\$ 161,720
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 290,594	\$ 323,075	\$ 32,481	\$ 495,682	\$ 205,088
Change in Assets	\$ 2,279	\$ (30,202)	\$ (32,481)	\$ 2,915	\$ 636
Fixed Assets					
Depreciation	-	(160)	(160)	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	2,279	-	(2,279)	-	(2,279)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (2,279)	\$ 160	\$ 2,439	\$ -	\$ 2,279
Allocation of Fixed Assets	\$ -	\$ -	-	\$ (2,915)	(2,915)
Change in Fixed Assets	(2,279)	160	2,439	(2,915)	(636)
TOTAL CHANGE IN ASSETS	\$ -	\$ (30,042)	\$ (30,042)	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- The expenses related to the indirect program areas are being allocated entirely to the direct programs, causing the ERO Assessments in the direct programs to increase.
- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to Assessments are disclosed in Table B-1, Section B, page 58.

Personnel Expenses

- As mentioned in the Introduction, a technical analyst position was added to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated over all Reliability Service departments. No additional planned changes in FTEs for this program.

Meeting Expenses

- Increase in meetings expense of \$15,236 is due to the addition of special workshops to focus on the most violated standards to improve the understanding of requirements by registered entities.

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 2010 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 Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	21.5	22.0	0.5
Total Direct Expenses	4,770,617	4,431,345	(339,272)
Total Indirect Expenses	1,837,408	2,223,658	386,250
Inc(Dec) in Fixed Assets	35,000	0	(35,000)
Total Expenses & Fixed Assets	6,643,025	6,655,003	11,978

Program Scope and Functional Description

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 provides final review of all alleged violations and proposed sanctions or settlements determined by the SERC compliance staff prior to submittal to NERC and FERC for final approval. 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.

The SERC Compliance Monitoring and Enforcement Program is implemented by the SERC compliance staff, which is independent of stakeholders, registered entities, and the SERC reliability services 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 Penalties and Sanctions Guidelines. To accomplish this objective, SERC's compliance staff is further divided into an enforcement branch and an audit branch.

Compliance Audits

SERC audit staff is charged with conducting compliance audits and spot-checks of all registered entities and identifying potential alleged violations. This group manages proactive compliance "discovery" processes.

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 reports with their findings and recommendations, including the identification of any possible alleged violations. Specific lessons learned are factored into the audit program to promote continuous improvement.

Compliance Enforcement

SERC's compliance enforcement group evaluates all possible alleged violations of reliability standards, whether identified in an audit, a self-report, complaint, or other source, and determines whether the facts and circumstances warrant further action as an alleged violation.

If so, the staff creates a unique tracking number and associated docket to record the activities and documents and completes a thorough assessment of the alleged violation. The staff informs the affected entity of the assessment of an alleged violation. Once the assessment is completed, the staff will formally notify the entity of its findings regarding the violation and any applicable penalties or sanctions. The enforcement staff may also engage in settlement negotiations with the entity.

Once a final determination of a confirmed violation is made by the enforcement staff, it is submitted to the Board Compliance Committee, along with any proposed penalty or sanctions. If the entity challenges the findings, the enforcement staff would prosecute its case before the Board Compliance Committee, who would then become the hearing body. Hearings are conducted at SERC under the supervision of a qualified, independent hearing officer hired by SERC.

The enforcement staff is also responsible for evaluating and accepting mitigation plans. Once all proceedings have been completed, the compliance enforcement staff would file the case with NERC for review and approval, subject to final approval by FERC.

Finally, compliance enforcement staff is responsible for maintaining the current list of registered entities within SERC and for administering other monitoring processes including self-reporting, complaints, and self-certifications.

Technical Feasibility Exceptions

Due to the uncertainties of estimating the number of requests and the hours required to process the exceptions, SERC has not included these additional costs in the 2010 business plan and budget and will use working capital reserves to cover the expenses. If the working capital reserves are deemed insufficient, SERC will file a 2010 supplemental budget request for additional assessments.

2010 Key Assumptions

- Number of registered entities remains relatively constant (increases < 15% from 2009 total). No major expansion of registration to include “registration by requirement”.
- Required scope and periodicity for non-CIP audits remains constant. Actively monitored standards do not increase audit scope by more than 10% (as measured by aggregate number of requirements audited).
- The increase in required spot-checks (mitigation plan closure verification, incident / trend analysis follow-up) is held to less than 20%.
- CMEP / ROP revisions are made such that 25-50% of alleged violations can be addressed through a streamlined process.
- Less than 250 possible alleged violations (CIP and non-CIP) are identified from all monitoring sources.
- Less than 5 Compliance Violation Investigations (CVIs) are conducted.
- Compliance Issues Tracking System (CITS) and document management systems are fully implemented.
- 2 or less hearings are conducted.
- Added scope is delegated from BCC to Compliance staff.

2010 Goals and Key Deliverables

- Reliability improvement through rigorous monitoring and enforcement of compliance with mandatory standards and adoption of risk-based efficiencies.
 - Focus compliance actions to promote reliability and minimize risk.

- Conduct required number of compliance audits to conform with 3 and 6 year audit intervals and number of spot-checks to validate self-certifications and address trends.
- Perform effective and timely follow-up to self-certifications and self-reports.
- Timely and thorough mitigation of all violations of reliability standards.
- Maintain enforcement backlog and throughput at target levels.
- Collaborate with NERC and other regions to streamline Rules of Procedure to all for efficient processing of lower risk / significance violations.
- Clear mandatory standards focused on reliability performance.
 - Provide effective feedback from various compliance processes to improve 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 Requirements — Explanation of Increase (Decrease)

The 39.3% increase in total funding from \$4,805,617 budgeted in 2009 to \$6,695,079 budgeted in 2010 is due to the expenses related to the indirect program areas being allocated entirely to the direct programs. Additionally, SERC recognized all penalties collected by June 30, 2009 as funding for 2010.

The cost of the Compliance Program in 2010 is proposed to have a moderate decrease of 7.1% due to reduced contractors and professional services.

Total expenses associated with Critical Infrastructure Protection (CIP) within the Compliance Program are \$1,495,701. Of this amount, \$870,218 relates to personnel expenses, \$88,036 relates to meetings and travel; \$16,909 relates to consultants and contractors; and \$520,538 represents allocated indirect costs.

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 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Compliance and Organization Registration and Certification					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 4,805,617	\$ 4,805,617	\$ -	\$ 6,319,976	\$ 1,514,359
Penalty Sanctions	-	-	-	375,103	375,103
Total ERO Funding	\$ 4,805,617	\$ 4,805,617	\$ -	\$ 6,695,079	\$ 1,889,462
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 4,805,617	\$ 4,805,617	\$ -	\$ 6,695,079	\$ 1,889,462
Expenses					
Personnel Expenses					
Salaries	\$ 2,773,005	\$ 2,831,316	\$ 58,311	\$ 2,908,227	\$ 135,222
Payroll Taxes	207,975	212,349	4,374	218,117	10,142
Benefits	301,762	292,914	(8,848)	253,359	(48,403)
Retirement Costs	261,570	251,193	(10,377)	276,897	15,327
Total Personnel Expenses	\$ 3,544,312	\$ 3,642,255	\$ 43,460	\$ 3,656,600	\$ 112,288
Meeting Expenses					
Meetings	\$ 153,250	\$ 173,616	\$ 20,366	\$ 92,895	\$ (60,355)
Travel	348,070	271,866	(76,204)	472,090	124,020
Conference Calls	15,000	26,907	11,907	-	(15,000)
Total Meeting Expenses	\$ 516,320	\$ 417,685	\$ (43,931)	\$ 564,985	\$ 48,665
Operating Expenses					
Consultants & Contracts	\$ 263,300	\$ 126,413	\$ (136,887)	\$ 184,400	\$ (78,900)
Office Rent	91,639	92,064	425	-	(91,639)
Office Costs	140,046	115,687	(24,359)	7,860	(132,186)
Professional Services	215,000	58,734	(156,266)	17,500	(197,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	2,456	2,456	-	-
Total Operating Expenses	\$ 709,985	\$ 384,423	\$ (314,631)	\$ 209,760	\$ (500,225)
Total Direct Expenses	\$ 4,770,617	\$ 4,444,363	\$ (315,102)	\$ 4,431,345	\$ (339,272)
Indirect Expenses				\$ 2,223,658	\$ 2,223,658
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 4,770,617	\$ 4,444,363	\$ (315,102)	\$ 6,655,003	\$ 1,884,386
Change in Assets	\$ 35,000	\$ 361,254	\$ 315,102	\$ 40,076	\$ 5,076
Fixed Assets					
Depreciation	\$ -	\$ (2,456)	\$ (2,456)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	35,000	35,000	-	-	(35,000)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (35,000)	\$ (32,544)	\$ 2,456	\$ -	\$ 35,000
Allocation of Fixed Assets	\$ -	\$ -	-	\$ (40,076)	(40,076)
Change in Fixed Assets	(35,000)	(32,544)	2,456	(40,076)	(5,076)
TOTAL CHANGE IN ASSETS	\$ -	\$ 328,710	\$ 317,558	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- The expenses related to the indirect program areas are being allocated entirely to the direct programs, causing the ERO Assessments in the direct programs to increase.
- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to Assessments are disclosed in Table B-1, Section B, page 58.

Personnel Expenses

- One additional CIP Auditor. During 2010 the number of required CIP audits and spot-checks will increase. Each of these activities must be conducted on-site given the nature of the entity information being reviewed. It is also likely that the required depth of the reviews will increase. Additionally, as mentioned in the Introduction, one existing halftime auditor position became fulltime in 2009 and the in-house legal counsel moved from compliance into the general and administrative program, for a total increase in compliance FTEs of 0.5.
- ADD REASON FOR DECREASE IN BENEFITS

Meeting Expenses

- Meeting expenses decreased by \$60,355 due to the additional office space which will enable SERC to hold two of the compliance seminars in house.
- Travel expenses increased by \$124,020 due to an emphasis on CIP audits and additional working groups related to consistent compliance implementation. A number of regional working groups were established and formalized during 2008, including: Enforcement Managers, Audit Managers, CIP, Information Management, and Registration. These working groups were not budgeted in 2009, but are working effectively and will continue in 2010.
- Conference calls decreased by \$15,000 due to recording of indirect general office costs in General and Administrative, rather than allocating to each department.

Operating Expenses

- Consultants and contracts decreased by \$78,900 mainly due to a decrease in consortium costs. The 2009 budget included \$80,000 for consultants related to Compliance Violation Investigations. In 2010, the budget includes \$76,500 for two consultants to execute projected non-CIP audits and Compliance Violation Investigations (CVI). Experience to date shows CVIs are extremely complex and time consuming. Non-CIP audit scheduling is still heavily skewed towards spring and fall. This necessitates added staff to execute during high demand periods.
- Decrease in office rent of \$91,639 and office costs of \$132,186 is due to recording of indirect general office costs in General and Administrative and computer purchases in IT, rather than allocating to each department.
- Professional fees decreased by \$197,500 due to the hiring of an in-house counsel which will lower legal costs.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- In order to establish the Charlotte office in 2009, SERC budgeted for furniture and equipment purchases. As SERC is fully operational, significant furniture and equipment is not necessary.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources			
<small>(in whole dollars)</small>			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	1.4	0.0	(1.4)
Total Direct Expenses	274,526	0	(274,526)
Total Indirect Expenses	119,645	0	(119,645)
Inc(Dec) in Fixed Assets	2,279	0	(2,279)
Total Expenses & Fixed Assets	396,450	0	(396,450)

Funding Requirements — Explanation of Increase (Decrease)

NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. 2009 is a transition year, during which open Readiness recommendations in the region will be monitored to their completion and the tools used to track readiness recommendations will be re-deployed to track recommendations from events analysis, NERC Alerts and other program initiatives. Consequently, SERC has eliminated the Reliability Readiness Evaluation and Improvement Program funding requirements, FTE count, and activities from the 2010 Business Plan and Budget. SERC has moved all activity, including staff, into Situational Awareness and Critical Infrastructure Security Program.

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Reliability Readiness Evaluation and Improvement					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 276,805	\$ 276,805	\$ -	\$ -	\$ (276,805)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ 276,805	\$ 276,805	\$ -	\$ -	\$ (276,805)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 276,805	\$ 276,805	\$ -	\$ -	\$ (276,805)
Expenses					
Personnel Expenses					
Salaries	\$ 178,063	\$ 135,347	\$ (42,716)	\$ -	\$ (178,063)
Payroll Taxes	13,355	10,151	(3,204)	-	(13,355)
Benefits	16,561	9,846	(6,715)	-	(16,561)
Retirement Costs	17,159	12,928	(4,231)	-	(17,159)
Total Personnel Expenses	\$ 225,138	\$ 166,882	\$ (56,866)	\$ -	\$ (225,138)
Meeting Expenses					
Meetings	\$ 1,800	\$ -	\$ (1,800)	\$ -	\$ (1,800)
Travel	31,928	3,582	(28,346)	-	(31,928)
Conference Calls	977	1,752	775	-	(977)
Total Meeting Expenses	\$ 34,705	\$ 5,334	\$ (29,371)	\$ -	\$ (34,705)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 7	\$ 7	\$ -	\$ -
Office Rent	5,967	5,995	28	-	(5,967)
Office Costs	7,739	7,533	(206)	-	(7,739)
Professional Services	977	652	(325)	-	(977)
Miscellaneous	-	-	-	-	-
Depreciation	-	160	160	-	-
Total Operating Expenses	\$ 14,683	\$ 16,808	\$ (336)	\$ -	\$ (14,683)
Total Direct Expenses	\$ 274,526	\$ 189,024	\$ (86,573)	\$ -	\$ (274,526)
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 274,526	\$ 189,024	\$ (86,573)	\$ -	\$ (274,526)
Change in Assets	\$ 2,279	\$ 87,781	\$ 86,573	\$ -	\$ (2,279)
Fixed Assets					
Depreciation	\$ -	\$ (160)	\$ (160)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	2,279	-	(2,279)	-	(2,279)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (2,279)	\$ 160	\$ 2,439	\$ -	\$ 2,279
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	-
Change in Fixed Assets	(2,279)	160	2,439	-	2,279
TOTAL CHANGE IN ASSETS	\$ -	\$ 87,941	\$ 89,012	\$ -	\$ -

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
<i>(in whole dollars)</i>			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	1.4	1.6	0.2
Total Direct Expenses	478,997	617,252	138,255
Total Indirect Expenses	119,645	161,721	42,076
Inc(Dec) in Fixed Assets	2,279	0	(2,279)
Total Expenses & Fixed Assets	600,921	778,973	178,052

Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program supports 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.

2010 Key Assumptions

- The Training, Education, and Operator Certification program will remain a statutory function with workshop revenues partially offsetting program expenses.
- SERC will continue to invest in technology and innovation to allow efficient and effective training to reach operating personnel especially in times of downward pressure on training budgets.
- No significant changes expected in operator certification CEU requirements for 2010.

2010 Goals and Key Deliverables

- Develop wide-area restoration proficiency through restoration webinars and participant drills in a distributed environment.
- Provide five system operator training conferences to include lessons from event analysis, situation awareness, best practices recommendations, readiness evaluations, etc.
- Provide two train-the-trainer conferences focusing on systematic approach to training.
- Provide training to SERC staff to ensure competencies to carry out statutory functions and development of staff.
- Provide compliance auditor training for all audit team leads and members, including volunteers.
- Develop a 2010 Compliance Monitoring & Enforcement Program Seminar and deliver the seminar three times during 2010.
- Maintain a current database tracking seminar/conference participants, continuing education hours awarded, and participant feedback.

Funding Requirements — Explanation of Increase (Decrease)

The 62.5% increase in total funding from \$481,276 budgeted in 2009 to \$781,888 budgeted in 2010 is due to the expenses related to the indirect program areas being allocated entirely to the direct programs. Additionally, SERC recognized all penalties collected by June 30, 2009 as funding for 2010. Finally, the workshop funding is decreasing due to fee reductions, fewer conferences being planned in 2010, and an increase in the number of workshops being held in the Charlotte office.

The Training and Education Program is planned to be nearly 44% self-funded in 2010. Overall direct expenses will increase 28.9% from \$478,997 budgeted in 2009 to \$617,252 in 2010. This is due to several reasons. SERC intends to develop the capability to conduct wide-area operational scenario drills, in a virtual, distributed environment. This capability will more closely mimic actual wide-area restoration scenarios where distributed command and control and diverse communication channels make situation awareness and coordination problematic. This capability will provide a more realistic environment and will allow the validation of procedures and training on realistic scenarios with coordination across company, Reliability Coordinator, and in some cases, regional footprints. SERC also intends to augment its System Operator Conferences with this capability in order to maximize the reach into system operator training. Additionally, SERC intends to augment its system operator training with professional, vendor-assisted training delivery. There are no staffing changes anticipated for 2010.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Training and Education					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 78,276	\$ 78,276	\$ -	\$ 482,202	\$ 403,926
Penalty Sanctions	-	-	-	27,280	27,280
Total ERO Funding	\$ 78,276	\$ 78,276	\$ -	\$ 509,482	\$ 431,206
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	403,000	269,240	(133,760)	272,406	(130,594)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 481,276	\$ 347,516	\$ (133,760)	\$ 781,888	\$ 300,612
Expenses					
Personnel Expenses					
Salaries	\$ 193,855	\$ 202,028	\$ 8,173	\$ 213,800	\$ 19,945
Payroll Taxes	14,539	15,152	613	16,035	1,496
Benefits	17,765	17,506	(259)	17,919	154
Retirement Costs	18,403	19,574	1,171	20,307	1,904
Total Personnel Expenses	\$ 244,562	\$ 258,689	\$ 9,698	\$ 268,061	\$ 23,499
Meeting Expenses					
Meetings	\$ 178,820	\$ 88,780	\$ (90,040)	\$ 135,250	\$ (43,570)
Travel	24,955	6,522	(18,433)	34,691	9,736
Conference Calls	977	1,752	775	-	(977)
Total Meeting Expenses	\$ 204,752	\$ 97,054	\$ (107,698)	\$ 169,941	\$ (34,811)
Operating Expenses					
Consultants & Contracts	\$ 15,000	\$ -	\$ (15,000)	\$ 179,250	\$ 164,250
Office Rent	5,967	5,995	28	-	(5,967)
Office Costs	7,739	7,533	(206)	-	(7,739)
Professional Services	977	530	(447)	-	(977)
Miscellaneous	-	-	-	-	-
Depreciation	-	160	160	-	-
Total Operating Expenses	\$ 29,683	\$ 14,218	\$ (15,465)	\$ 179,250	\$ 149,567
Total Direct Expenses	\$ 478,997	\$ 369,961	\$ (113,465)	\$ 617,252	\$ 138,255
Indirect Expenses				\$ 161,721	\$ 161,721
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 478,997	\$ 369,961	\$ (113,465)	\$ 778,973	\$ 299,976
Change in Assets	\$ 2,279	\$ (22,445)	\$ (20,295)	\$ 2,915	\$ 636
Fixed Assets					
Depreciation	\$ -	\$ (160)	\$ (160)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	2,279	-	(2,279)	-	(2,279)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (2,279)	\$ 160	\$ 2,439	\$ -	\$ 2,279
Allocation of Fixed Assets	\$ -	\$ -	-	\$ (2,915)	(2,915)
Change in Fixed Assets	(2,279)	160	2,439	(2,915)	(636)
TOTAL CHANGE IN ASSETS	\$ -	\$ (22,285)	\$ (17,856)	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- The expenses related to the indirect program areas are being allocated entirely to the direct programs, causing the ERO Assessments in the direct programs to increase.
- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to Assessments are disclosed in Table B-1, Section B, page 58.
- Decrease in Workshop funding of \$130,594 is due to a fee reduction from the 2009 budgeted amount for the System Operator conferences, the Train the Trainer workshops, Compliance seminars and the Joint Conferences. Additionally, SERC budgeted fewer System Operator Conferences in 2010 than 2009 and due to the additional office space SERC will hold two of the System Operator Conferences in house.

Personnel Expenses

- As mentioned in the Introduction, a technical analyst position was added to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated over all Reliability Service departments. No additional planned changes in FTEs for this program.

Meeting Expenses

- Decrease in meetings expense of \$43,570 due to fewer scheduled System Operator Conferences.

Operating Expenses

- Increase in consultants and contracts of \$164,250 are related to a restoration training simulator. The simulator project will take advantage of the advances made in simulation technology for more realistic operator training in restoration scenarios using familiar system elements and characteristics as well as in the development of more comprehensive regional restoration plans based on the exercise of those plans in realistic wide-area scenarios.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 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

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	4.5	4.5	0.0
Total Direct Expenses	968,783	890,368	(78,415)
Total Indirect Expenses	384,575	454,839	70,264
Inc(Dec) in Fixed Assets	7,326	0	(7,326)
Total Expenses & Fixed Assets	1,360,684	1,345,207	(15,477)

Program Scope and Functional Description

The Reliability Assessment program is required under the Delegation Agreement and NERC Rules of Procedure in Section 800. SERC conducts and reports the results of an independent assessment of the overall reliability and adequacy of the SERC Region in support of the NERC obligation to perform similar analysis of the interconnected North American bulk power systems. The analysis is performed both on the “as existing” and “as planned” system. The Reliability Assessment function of SERC will develop reliability performance benchmarks for both resource and delivery activities within the region.

2010 Key Assumptions

A key assumption for 2010 is that there are no additional Reliability Assessment mandates from NERC beyond the Summer and Winter Assessments, the Long Term Reliability Assessment and the normal data collection requirements as experienced for 2009. Portal changes to accommodate additional data requirements have a significant impact on cost for contract support of portal modifications.

2010 Goals and Key Deliverables

SERC’s Reliability Assessment department team goals are to perform reliability assessment functions on behalf of the region¹. SERC will maintain an effective data collection system and help ensure that all SERC registered entities with data collection obligations are aware of requirements to support the SERC internal and NERC external processes as needed. SERC will establish an effective data collection system by working closely with registered entities in the region, the management of the respective committees involved in the process² and through improvements to the SERC Portal.

The purpose of reliability assessment work products is to ensure effective communication of information among entities within the region and to ensure SERC is able to provide accurate and timely information to NERC, applicable government authorities, and others as appropriate.

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.

The key major deliverables for 2010 include:

- NERC Seasonal Assessments (summer and winter)
- NERC Long Term Reliability Assessment
- SERC Annual Report of the Reliability Review Subcommittee to the Engineering Committee

The specific goals for the Reliability Assessment department are as follows:

- Annual portal upgrade for Reliability Assessment purposes
- Engagement with NERC Reliability Assessment Subcommittee (RAS) in 2010
- Continue implementation of SERC's first region wide resource adequacy assessment using probabilistic methods on a regional basis.
- Complete the SERC Reliability Review Subcommittee (RRS) Annual Report to the Engineering Committee
- Complete NERC Seasonal and Long Term Assessment reports for 2010
- Implement scenario analysis for inclusion in the NERC Long-term Reliability Assessment.
- Complete quality and on-time SERC submittals for the EIA-411 and publish final data by July 31.
- With SERC stakeholder input, develop a proposal for transmission reliability analysis based upon NERC Transmission Availability Data System (TADS) information collected in the SERC Region for implementation beginning in 2010.
- Assist SERC transmission owners in implementing NERC's TADS Phase 2 program.

Funding Requirements — Explanation of Increase (Decrease)

The 38.7% increase in total funding from \$976,109 budgeted in 2009 to \$1,353,404 budgeted in 2010 is due to the expenses related to the indirect program areas being allocated entirely to the direct programs. Additionally, SERC recognized all penalties collected by June 30, 2009 as funding for 2010.

The Reliability Assessment Program direct expense budget will see a modest decrease of 8.1% that reflects the decrease in the need for consultants and contracts. There are no staffing changes anticipated.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Reliability Assessment and Performance Analysis					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 976,109	\$ 976,109	\$ -	\$ 1,276,678	\$ 300,569
Penalty Sanctions	-	-	-	76,726	76,726
Total ERO Funding	\$ 976,109	\$ 976,109	\$ -	\$ 1,353,404	\$ 377,295
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 976,109	\$ 976,109	\$ -	\$ 1,353,404	\$ 377,295
Expenses					
Personnel Expenses					
Salaries	\$ 475,213	\$ 514,430	\$ 39,217	\$ 524,718	\$ 49,505
Payroll Taxes	35,641	38,582	2,941	39,354	3,713
Benefits	41,879	42,721	842	42,317	438
Retirement Costs	43,144	50,225	7,081	45,390	2,246
Total Personnel Expenses	\$ 595,877	\$ 637,489	\$ 50,081	\$ 651,779	\$ 55,902
Meeting Expenses					
Meetings	\$ 53,238	\$ 20,800	\$ (32,438)	\$ 41,565	\$ (11,673)
Travel	39,333	24,972	(14,361)	35,224	(4,109)
Conference Calls	3,140	5,632	2,492	-	(3,140)
Total Meeting Expenses	\$ 95,711	\$ 40,654	\$ (44,307)	\$ 76,789	\$ (18,922)
Operating Expenses					
Consultants & Contracts	\$ 230,000	\$ 123,042	\$ (106,958)	\$ 160,000	\$ (70,000)
Office Rent	19,180	19,269	89	-	(19,180)
Office Costs	24,875	24,214	(661)	1,800	(23,075)
Professional Services	3,140	1,703	(1,437)	-	(3,140)
Miscellaneous	-	-	-	-	-
Depreciation	-	514	514	-	-
Total Operating Expenses	\$ 277,195	\$ 168,742	\$ (108,453)	\$ 161,800	\$ (115,395)
Total Direct Expenses	\$ 968,783	\$ 846,885	\$ (102,679)	\$ 890,368	\$ (78,415)
Indirect Expenses				\$ 454,839	\$ 454,839
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 968,783	\$ 846,885	\$ (102,679)	\$ 1,345,207	\$ 376,424
Change in Assets	\$ 7,326	\$ 129,224	\$ 102,679	\$ 8,197	\$ 871
Fixed Assets					
Depreciation	\$ -	\$ (514)	\$ (514)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	7,326	-	(7,326)	-	(7,326)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (7,326)	\$ 514	\$ 7,840	\$ -	\$ 7,326
Allocation of Fixed Assets	\$ -	\$ -	-	\$ (8,197)	(8,197)
Change in Fixed Assets	(7,326)	514	7,840	(8,197)	(871)
TOTAL CHANGE IN ASSETS	\$ -	\$ 129,738	\$ 110,519	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- The expenses related to the indirect program areas are being allocated entirely to the direct programs, causing the ERO Assessments in the direct programs to increase.
- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to Assessments are disclosed in Table B-1, Section B, page 58.

Personnel Expenses

- No planned changes in FTEs for this program.

Meeting Expenses

- Meeting expenses decreased by \$11,673 due to efforts related to travel costs and the reduction in the number of meetings by shifting to WebEx conferences.

Operating Expenses

- Consultants and contracts expenses decreased by \$70,000 from the 2009 budget due to a shift in timing for the Resource Adequacy program, which will now stretch over a two year period, including 2009 and 2010.
- Office rent decreased by \$19,180 and office costs decreased by \$23,075 due to recording of indirect general office costs, including rent, supplies, telephone, postage, etc. in General and Administrative, rather than each department.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 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.

Situational Awareness and Critical Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	2.40	4.20	1.80
Total Direct Expenses	472,934	887,215	414,281
Total Indirect Expenses	217,925	424,516	206,591
Inc(Dec) in Fixed Assets	3,907	40,984	37,077
Total Expenses & Fixed Assets	694,766	1,352,715	657,949

Situational Awareness Program Resources			
(Included in Total Situational Awareness and Infrastructure Security)			
(in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	1.20	2.6	1.40
Total Direct Expenses	236,712	586,488	349,776
Total Indirect Expenses	102,553	262,796	160,243
Inc(Dec) in Fixed Assets	1,709	40,984	39,275
Total Expenses & Fixed Assets	340,974	890,268	549,294

Program Scope and Functional Description

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 situational 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. Activities include:

- Deliver near real-time system status displays to FERC from all SERC Reliability Coordinators.
- Establish the SERC situation room with the same information from Reliability Coordinators as delivered to FERC
- Maintain awareness of operational situations and reportable events within the SERC Region.
- Communicate situation awareness information to NERC, applicable government authorities, and others as appropriate, particularly during system emergencies and natural disasters.
- Develop competencies in the conduct of event analysis and investigations, including root cause analysis, investigating techniques, and data requests.
- Within the SERC Portal, develop and implement a tool for tracking closure on reliability improvement recommendations.
- Publish recommended reliability improvements from events analysis or other lessons learned for tracking by registered entities in the SERC Portal.

2010 Key Assumptions

In 2010, Situational Awareness will be separated from CIP in the business plan and budget. Situational Awareness is more related to event analysis than CIP. The costs associated with CIP, given its unique technical requirements and importance, will be budgeted separately.

- SERC will evaluate its needs for a situation tool to supplement or mirror the FERC visualization (SAFNR) tool. The FERC situation awareness tool will continue to be developed in 2010 to meet regulator, NERC, regional entity and stakeholder needs. Reliability coordinators will bear the cost of providing systems and information to meet FERC requirements.
- The North American Synchro-Phasor Initiative (NASPI) project will not impact SERC's budget in 2010.
- The number of events requiring review and analysis will continue at a level of 12 to 15 per year within SERC. The inter-relationships between events analysis and CVI's will continue to evolve in 2010.

2010 Goals and Key Deliverables

- Deliver near real-time system status displays to FERC from all SERC Reliability Coordinators.
- Establish the SERC situation room with same information from Reliability Coordinators as delivered to FERC.
- Maintain awareness of operational situations and reportable events within the SERC Region.
- Communicate situation awareness information to NERC, applicable government authorities, and others as appropriate, particularly during system emergencies and natural disasters.
- Develop competencies in the conduct of event analysis and investigations, including root cause analysis, investigating techniques, and data requests.
- Within the SERC Portal, develop and implement a tool for tracking closure on reliability improvement recommendations.
- Publish recommended reliability improvements from events analysis or other lessons learned for tracking by registered entities in the SERC Portal.

Funding Requirements — Explanation of Increase (Decrease)

The 273.4% increase in total funding from \$238,421 budgeted in 2009 to \$890,268 budgeted in 2010 is due to the expenses related to the indirect program areas being allocated entirely to the direct programs. Additionally, SERC recognized all penalties collected by June 30, 2009 as funding for 2010.

The direct expenses in this area will increase from \$236,712 to \$586,488, an increase of 147.8%. SERC has moved all activity related to Reliability Readiness Evaluation and Improvement, including staff, into Situational Awareness and Infrastructure Security Program, increasing the staffing by 1.4. Additionally, a technical analyst position was added to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated over all Reliability Service departments. Travel costs increased associated with increased emphasis on events analysis and critical infrastructure protection implementation. Finally, contract support is required to complete the build-out of the situation room and enhanced automation of situational awareness information.

Critical Infrastructure Protection Resources (Included in Total Situational Awareness and Infrastructure Security) (in whole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	1.20	1.6	0.40
Total Direct Expenses	236,222	300,727	64,505
Total Indirect Expenses	115,372	161,720	46,348
Inc(Dec) in Fixed Assets	2,198	0	(2,198)
Total Expenses & Fixed Assets	353,792	462,447	108,655

Program Scope and Functional Description

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 CIP program supports the SERC Critical Infrastructure Protection Committee (CIPC) which serves as an expert advisory panel in the areas of physical and cyber security, as well as, establishing and maintaining an information reporting procedure, providing a liaison with state government agencies, and conducting forums and workshops related to Critical Infrastructure Protection. Activities include:

- Provide two workshops on CIP standards and security best practices.
- Develop and implement eight readiness reviews to determine the performance (volunteer) of CIP-002 risk-based assessment methodologies in the region.
- Assist NERC in its alerts process, providing an efficient and effective method for noticing entities of security alerts and tracking actions requiring response confirmation.
- Facilitate and support registered entities in complying with CIP reliability standards.
- Communicate security related information to NERC, applicable government authorities, and others as appropriate, particularly during emergency and security events.
- Provide support, resources, and guidance to the SERC Critical Infrastructure Protection Committee (CIPC).

2010 Key Assumptions

- CIP activities will continue to increase significantly on all fronts, including compliance and non-compliance activities.
- There will be increased need and demand for CIP-related training and workshops. SERC will respond to this demand.
- CIP compliance activities are budgeted within compliance.
- NERC will deploy and maintain a secure portal for the administration of the NERC Alerts process. SERC will have access to this tool for tracking the status of NERC Alerts within the region

2010 Goals and Key Deliverables

- Provide two workshops on CIP standards and best practices.
- In cooperation with the NERC alerts process, provide an efficient and effective method for noticing entities of security alerts and tracking actions requiring response confirmation.

Funding Requirements — Explanation of Increase (Decrease)

The 94.0% increase in total funding from \$238,420 budgeted in 2009 to \$462,447 budgeted in 2010 is due to the expenses related to the indirect program areas being allocated entirely to the direct programs. Additionally, SERC recognized all penalties collected by June 30, 2009 as funding for 2010.

The overall direct expense budget in this area will increase from \$236,222 to \$300,727, an increase of 27.3%. This increase, primarily due to increased travel costs associated with increased emphasis on critical infrastructure protection implementation.

Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situational awareness and infrastructure security section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Situational Awareness and Infrastructure Security					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 476,841	\$ 476,841	\$ -	\$ 1,281,104	\$ 804,263
Penalty Sanctions	-	-	-	71,611	71,611
Total ERO Funding	\$ 476,841	\$ 476,841	\$ -	\$ 1,352,715	\$ 875,874
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 476,841	\$ 476,841	\$ -	\$ 1,352,715	\$ 875,874
Expenses					
Personnel Expenses					
Salaries	\$ 310,591	\$ 343,419	\$ 32,828	\$ 577,571	\$ 266,980
Payroll Taxes	23,294	25,756	2,462	43,318	20,024
Benefits	41,812	28,098	(13,714)	58,483	16,671
Retirement Costs	28,747	28,768	21	54,150	25,403
Total Personnel Expenses	\$ 404,444	\$ 519,880	\$ 21,597	\$ 733,522	\$ 329,078
Meeting Expenses					
Meetings	\$ 20,625	\$ 1,088	\$ (19,537)	\$ 26,820	\$ 6,195
Travel	21,020	14,190	(6,830)	60,206	39,186
Conference Calls	1,674	3,004	1,330	-	(1,674)
Total Meeting Expenses	\$ 43,319	\$ 12,549	\$ (25,037)	\$ 87,026	\$ 43,707
Operating Expenses					
Consultants & Contracts	\$ -	\$ 1,025	\$ 1,025	\$ 50,000	\$ 50,000
Office Rent	10,229	10,277	48	-	(10,229)
Office Costs	13,268	12,914	(354)	-	(13,268)
Professional Services	1,674	786	(888)	-	(1,674)
Miscellaneous	-	-	-	-	-
Depreciation	-	274	274	16,667	16,667
Total Operating Expenses	\$ 25,171	\$ 25,276	\$ 105	\$ 66,667	\$ 41,496
Total Direct Expenses	\$ 472,934	\$ 557,705	\$ (3,335)	\$ 887,215	\$ 414,281
Indirect Expenses	\$ -	\$ -	\$ -	\$ 424,516	\$ 424,516
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 472,934	\$ 557,705	\$ (3,335)	\$ 1,311,731	\$ 838,797
Change in Assets	\$ 3,907	\$ (80,864)	\$ 3,335	\$ 40,984	\$ 37,077
Fixed Assets					
Depreciation	\$ -	\$ (274)	\$ (274)	\$ (16,667)	\$ (16,667)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	3,907	-	(3,907)	-	(3,907)
Equipment CapEx	-	-	-	50,000	50,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (3,907)	\$ 274	\$ 4,181	\$ (33,333)	\$ (29,426)
Allocation of Fixed Assets	\$ -	\$ -	-	\$ (7,651)	\$ (7,651)
Change in Fixed Assets	(3,907)	274	4,181	(40,984)	(37,077)
TOTAL CHANGE IN ASSETS	\$ -	\$ (80,590)	\$ 7,516	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- The expenses related to the indirect program areas are being allocated entirely to the direct programs, causing the ERO Assessments in the direct programs to increase.
- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to Assessments are disclosed in Table B-1, Section B, page 58.

Personnel Expenses

- As mentioned in the Introduction, a technical analyst position was added to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated over all Reliability Service departments. Additionally, SERC has moved the Reliability Readiness Evaluation and Improvement activity, including staff, into Situational Awareness and Infrastructure Security Program.

Meeting Expenses

- Travel expenses increased by \$39,186 due to increased travel associated with the emphasis on event analysis and critical infrastructure protection implementation.

Operating Expenses

- Consultants and contracts expenses increased by \$50,000 from the 2009 budget related to event analysis expertise and data collection activities to support situational awareness reporting to FERC and NERC staff.
- Office rent decreased by \$10,229 and office costs decreased by \$13,268 due to recording of indirect general office costs, including rent, supplies, telephone, postage, etc. in General and Administrative, rather than allocated to each department.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 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 fixed assets of \$50,000 for enhancements to the tracking database, including \$16,667 in depreciation expense.

Administrative Services

Administrative Services (in w hole dollars)			
	2009 Budget	2010 Budget	Increase(Decrease)
Total FTEs	10.4	11.6	1.2
Total Direct Expenses	2,558,642	3,446,454	887,812

Technical Committees and Members' Forums

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.

2010 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2010.
- The current economic downturn will continue into 2010 and 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.

2010 Goals and Key Deliverables

- Establish a self-directed forum of registered entities to facilitate sharing of compliance program best practices and other activities to efficiently achieve compliance and reliability excellence, transforming the current Compliance Advisory Groups to a steering function for the forum.
- Conduct an analysis of committee involvement in delegated functions and realign committee and subgroup charters to ensure meaningful engagement in the development of reliability issues and statutory functions.

Funding Requirements — Explanation of Increase (Decrease)

In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Expenses in the area of technical committees and member forums are proposed to have a modest decrease of 5.1% that is attributable mainly to an emphasis on the use of technology for meetings.

SERC reports this activity as an indirect cost in accordance with NERC requirements. However, within the region the activities and results attributed to committee activities are direct contributors to reliability. SERC has a tradition of an exceptionally strong base of volunteerism by the members. These experts deliver results that are at the front line of improving reliability. Because the committee activities are more robust than is typical of other regional entities, the cost appears as a larger than expected indirect cost.

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Technical Committees and Member Forums					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 773,251	\$ 773,251	\$ -	\$ -	\$ (773,251)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ 773,251	\$ 773,251	\$ -	\$ -	\$ (773,251)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 773,251	\$ 773,251	\$ -	\$ -	\$ (773,251)
Expenses					
Personnel Expenses					
Salaries	\$ 366,536	\$ 370,757	\$ 4,221	\$ 385,904	\$ 19,368
Payroll Taxes	27,490	27,807	317	28,943	1,453
Benefits	33,684	24,424	(9,260)	24,694	(8,990)
Retirement Costs	34,928	36,371	1,443	36,771	1,843
Total Personnel Expenses	\$ 462,638	\$ 462,794	\$ (3,279)	\$ 476,312	\$ 13,674
Meeting Expenses					
Meetings	\$ 202,475	\$ 208,093	\$ 5,618	\$ 136,372	\$ (66,103)
Travel	77,387	136,569	59,182	67,325	(10,062)
Conference Calls	1,674	3,004	1,330	-	(1,674)
Total Meeting Expenses	\$ 281,536	\$ 329,882	\$ 66,130	\$ 203,697	\$ (77,839)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 750	\$ 750	\$ 49,400	\$ 49,400
Office Rent	10,229	10,277	48	-	(10,229)
Office Costs	13,267	12,914	(353)	1,020	(12,247)
Professional Services	1,674	908	(766)	-	(1,674)
Miscellaneous	-	-	-	-	-
Depreciation	-	274	274	-	-
Total Operating Expenses	\$ 25,170	\$ 25,123	\$ (47)	\$ 50,420	\$ 25,250
Total Direct Expenses	\$ 769,344	\$ 817,799	\$ 62,804	\$ 730,429	\$ (38,915)
Indirect Expenses	\$ -	\$ -	\$ -	\$ (730,429)	\$ (730,429)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 769,344	\$ 817,799	\$ 62,804	\$ -	\$ (769,344)
Change in Assets	\$ 3,907	\$ (44,548)	\$ (62,804)	\$ -	\$ (3,907)
Fixed Assets					
Depreciation	\$ -	\$ (274)	\$ (274)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	3,907	-	(3,907)	-	(3,907)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (3,907)	\$ 274	\$ 4,181	\$ -	\$ 3,907
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	-
Change in Fixed Assets	(3,907)	274	4,181	-	3,907
TOTAL CHANGE IN ASSETS	\$ -	\$ (44,274)	\$ (58,623)	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Personnel Expenses

- As mentioned in the Introduction, a technical analyst position was added to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated over all Reliability Service departments. No additional planned changes in FTEs for this program.

Meeting Expenses

- Decrease in meeting expense of \$66,103 and travel expense of \$10,062 due to the emphasis on the use of WebEx for meetings.

Operating Expenses

- Increase in consultants and contracts of \$49,400 in order to enhance the portal for online collaboration.
- Office rent decreased by \$10,229 and office costs decreased by \$12,247 due to recording of indirect general office costs, including rent, supplies, telephone, postage, etc. in General and Administrative, rather than allocated to each department.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 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.

General and Administrative

Program Scope and Functional Description

The SERC general and administrative function provides executive management of the corporation, management of the SERC office, and other administrative support programs.

Funding Requirements — Explanation of Increase (Decrease)

In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

SERC moved in-house legal counsel from compliance into the general and administrative program, causing number of FTEs in General and Administrative to increase. Additionally, all indirect general costs, including rent, office supplies, telephone, postage, etc. are being recorded in General and Administrative in total rather than being allocated out to each department.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
General and Administrative					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 1,427,658	\$ 1,427,658	\$ -	\$ -	\$ (1,427,658)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ 1,427,658	\$ 1,427,658	\$ -	\$ -	\$ (1,427,658)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,427,658	\$ 1,427,658	\$ -	\$ -	\$ (1,427,658)
Expenses					
Personnel Expenses					
Salaries	\$ 890,649	\$ 878,648	\$ (12,001)	\$ 1,083,942	\$ 193,293
Payroll Taxes	66,799	65,899	(900)	81,296	14,497
Benefits	79,132	77,585	(1,547)	108,831	29,699
Retirement Costs	81,619	81,633	14	100,539	18,920
Total Personnel Expenses	\$ 1,118,199	\$ 1,095,820	\$ (14,434)	\$ 1,374,608	\$ 256,409
Meeting Expenses					
Meetings	\$ 15,500	\$ 6,268	\$ (9,232)	\$ 11,750	\$ (3,750)
Travel	43,870	46,416	2,546	28,416	(15,454)
Conference Calls	2,093	3,754	1,661	48,000	45,907
Total Meeting Expenses	\$ 61,463	\$ 49,272	\$ (5,025)	\$ 88,166	\$ 26,703
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	12,787	12,845	58	255,591	242,804
Office Costs	17,779	16,142	(1,637)	255,987	238,208
Professional Services	2,093	1,134	(959)	20,000	17,907
Miscellaneous	-	5,000	5,000	-	-
Depreciation	-	344	344	38,246	38,246
Total Operating Expenses	\$ 32,659	\$ 35,465	\$ 2,806	\$ 569,824	\$ 537,165
Total Direct Expenses	\$ 1,212,321	\$ 1,180,557	\$ (16,653)	\$ 2,032,598	\$ 820,277
Indirect Expenses				\$ (2,032,598)	\$ (2,032,598)
Other Non-Operating Expenses	\$ 210,453	\$ -	\$ (210,453)	\$ -	\$ (210,453)
Total Expenses	\$ 1,422,774	\$ 1,180,557	\$ (227,106)	\$ -	\$ (1,422,774)
Change in Assets	\$ 4,884	\$ 247,101	\$ 227,106	\$ -	\$ (4,884)
Fixed Assets					
Depreciation	\$ -	\$ (344)	\$ (344)	\$ (38,246)	\$ (38,246)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	4,884	-	(4,884)	-	(4,884)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	20,576	20,576	-	-
(Incr)Dec in Fixed Assets	\$ (4,884)	\$ (20,232)	\$ (15,348)	\$ 38,246	\$ 43,130
Allocation of Fixed Assets	\$ -	\$ -	\$ -	(38,246)	(38,246)
Change in Fixed Assets	(4,884)	(20,232)	(15,348)	-	4,884
TOTAL CHANGE IN ASSETS	\$ -	\$ 226,869	\$ 211,758	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Personnel Expenses

- Increase in personnel expenses is due to SERC moving in-house legal counsel from compliance into the general and administrative program.

Meeting Expenses

- Travel expense decreased by \$15,454 due to the additional office space which will enable SERC to hold one of the board meetings in house.
- Conference calls increased by \$45,907 due to recording of indirect general office costs to General and Administrative, rather than allocating to each department.

Operating Expenses

- Office rent increased in total by \$242,804. Of this, \$178,388 relates to the recording of indirect general office costs in General and Administrative, rather than allocating to each department. The remaining increase of \$64,416 is due to the additional office space leased, beginning in 2010.
- Office costs increased in total by \$238,208. Of this, \$133,208 relates to the recording of indirect general office costs in General and Administrative, rather than allocating to each department. The remaining increase of \$105,000 is for the purchasing of furniture and equipment to outfit the additional office space leased.
- Professional services increased by \$17,907 due to recording of indirect general office costs in General and Administrative, rather than allocating to each department.
- Depreciation increased by \$38,246 due to the purchase of a document management system along with other software.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- In 2009, SERC budgeted \$210,453 in order to increase the cash reserve to the desired balance of 10% of operating expenses. Due to no planned significant change in operating costs, there is no increase to the reserve.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Legal and Regulatory

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.
- Provide hearing officer 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.

Funding Requirements — Explanation of Increase (Decrease)

In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Legal and Regulatory					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 82,400	\$ 82,400	\$ -	\$ -	\$ (82,400)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	<u>\$ 82,400</u>	<u>\$ 82,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,400)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ 82,400</u>	<u>\$ 82,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,400)</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,400	-	(2,400)	-	(2,400)
Professional Services	80,000	6,183	(73,817)	27,500	(52,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 82,400</u>	<u>\$ 6,183</u>	<u>\$ (76,217)</u>	<u>\$ 27,500</u>	<u>\$ (54,900)</u>
Total Direct Expenses	<u>\$ 82,400</u>	<u>\$ 6,183</u>	<u>\$ (76,217)</u>	<u>\$ 27,500</u>	<u>\$ (54,900)</u>
Indirect Expenses				<u>\$ (27,500)</u>	<u>\$ (27,500)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 82,400</u>	<u>\$ 6,183</u>	<u>\$ (76,217)</u>	<u>\$ -</u>	<u>\$ (82,400)</u>
Change in Assets	<u>\$ -</u>	<u>\$ 76,217</u>	<u>\$ 76,217</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	-
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN ASSETS	<u>\$ -</u>	<u>\$ 76,217</u>	<u>\$ 76,217</u>	<u>\$ -</u>	<u>\$ -</u>

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Personnel Expenses

- The budget for these expenses is included in general and administrative.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Professional services decreased \$52,500 due to the hiring of an in-house counsel which will lower legal costs.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 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

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 and SERC web site)
- Indosoft/Inter7 (Operating Committee hot line equipment vendor)
- Deltacom circuits (conference bridge, Operating Committee hotline service)
- OATI checkout tool (Operating Committee project for region wide scheduling checkout tool)
- Conference bridge (SERC-owned conference call bridge)
- WebEx (web meeting and collaboration solution)
- Document management system (to be developed by EMC)

2010 Key Assumptions

- Continue to develop and maintain the portal through collaboration with other regions and NERC (Consortium User Group).
- Maintain the SERC Hotline.
- Maintain and support the OATI scheduling checkout tool.

Funding Requirements — Explanation of Increase (Decrease)

- In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.
- In 2010, SERC is expanding its work on the portal substantially to include reliability assessment, recommendations tracking and other data support functions. Contractor expenses are increasing by \$102,000.

Information Technology

Funding sources and related expenses for the information technology section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Information Technology					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 447,027	\$ 447,027	\$ -	\$ -	\$ (447,027)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ 447,027	\$ 447,027	\$ -	\$ -	\$ (447,027)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 447,027	\$ 447,027	\$ -	\$ -	\$ (447,027)
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	5,000	13,332	8,332	6,882	1,882
Conference Calls	1,395	2,503	1,108	-	(1,395)
Total Meeting Expenses	\$ 6,395	\$ 11,057	\$ 4,662	\$ 6,882	\$ 487
Operating Expenses					
Consultants & Contracts	\$ 416,400	\$ 474,951	\$ 58,551	\$ 518,400	\$ 102,000
Office Rent	8,525	8,564	39	-	(8,525)
Office Costs	11,056	10,762	(294)	90,590	79,534
Professional Services	1,395	757	(638)	-	(1,395)
Miscellaneous	-	-	-	-	-
Depreciation	-	228	228	-	-
Total Operating Expenses	\$ 437,376	\$ 495,262	\$ 57,886	\$ 608,990	\$ 171,614
Total Direct Expenses	\$ 443,771	\$ 506,319	\$ 62,548	\$ 615,872	\$ 172,101
Indirect Expenses				\$ (615,872)	\$ (615,872)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 443,771	\$ 506,319	\$ 62,548	\$ -	\$ (443,771)
Change in Assets	\$ 3,256	\$ (59,292)	\$ (62,548)	\$ -	\$ (3,256)
Fixed Assets					
Depreciation	\$ -	\$ (228)	\$ (228)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	3,256	-	(3,256)	-	(3,256)
Equipment CapEx	-	6,318	6,318	100,000	100,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (3,256)	\$ (6,090)	\$ (2,834)	\$ (100,000)	\$ (96,744)
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ 100,000	100,000
Change in Fixed Assets	(3,256)	(6,090)	(2,834)	-	3,256
TOTAL CHANGE IN ASSETS	\$ -	\$ (65,382)	\$ (65,382)	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Personnel Expenses

- No planned changes to FTEs in this program.

Meeting Expenses

- The budget for these expenses is included in general and administrative.

Operating Expenses

- Consultants and contracts are increasing by \$102,000 to support software development and hosting of the portal and hotline.
- Office costs are increasing by \$79,534 due to the need to replace computer equipment.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- Fixed assets are increasing by \$100,000 for the purchase of a document management system.

Human Resources

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.

Funding Requirements — Explanation of Increase (Decrease)

In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Human Resources

Funding sources and related expenses for the human resources section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Human Resources					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 3,843	\$ 3,843	\$ -	\$ -	\$ (3,843)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	<u>\$ 3,843</u>	<u>\$ 3,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,843)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ 3,843</u>	<u>\$ 3,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,843)</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	209	375	166	-	(209)
Total Meeting Expenses	<u>\$ 209</u>	<u>\$ 375</u>	<u>\$ 166</u>	<u>\$ -</u>	<u>\$ (209)</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ 4,000	\$ 4,000	\$ -	\$ -
Office Rent	1,279	1,285	6	-	(1,279)
Office Costs	1,658	1,614	(44)	-	(1,658)
Professional Services	209	113	(96)	-	(209)
Miscellaneous	-	-	-	-	-
Depreciation	-	34	34	-	-
Total Operating Expenses	<u>\$ 3,146</u>	<u>\$ 7,046</u>	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ (3,146)</u>
Total Direct Expenses	<u>\$ 3,355</u>	<u>\$ 7,421</u>	<u>\$ 4,066</u>	<u>\$ -</u>	<u>\$ (3,355)</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 3,355</u>	<u>\$ 7,421</u>	<u>\$ 4,066</u>	<u>\$ -</u>	<u>\$ (3,355)</u>
Change in Assets	<u>\$ 488</u>	<u>\$ (3,578)</u>	<u>\$ (4,066)</u>	<u>\$ -</u>	<u>\$ (488)</u>
Fixed Assets					
Depreciation	\$ -	\$ (34)	\$ (34)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	488	-	(488)	-	(488)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ (488)</u>	<u>\$ 34</u>	<u>\$ 522</u>	<u>\$ -</u>	<u>\$ 488</u>
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	-
Change in Fixed Assets	<u>(488)</u>	<u>34</u>	<u>522</u>	<u>-</u>	<u>488</u>
TOTAL CHANGE IN ASSETS	<u>\$ -</u>	<u>\$ (3,544)</u>	<u>\$ (3,544)</u>	<u>\$ -</u>	<u>\$ -</u>

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Personnel Expenses

- There are no planned changes in FTEs in this 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

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 improve fiscal controls and complete a year-end external audit.

Funding Requirements — Explanation of Increase (Decrease)

In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2010 business plan are shown in the table below.

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
Finance and Accounting					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 11,846	\$ 11,846	\$ -	\$ -	\$ (11,846)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ 11,846	\$ 11,846	\$ -	\$ -	\$ (11,846)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	40,000	12,246	(27,754)	20,000	(20,000)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 51,846	\$ 24,092	\$ (27,754)	\$ 20,000	\$ (31,846)
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 275	\$ 2,328	\$ 2,053	\$ 275	\$ -
Travel	1,475	6,210	4,735	1,480	5
Conference Calls	1,884	3,379	1,495	-	(1,884)
Total Meeting Expenses	\$ 3,634	\$ 8,917	\$ 8,283	\$ 1,755	\$ (1,879)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	11,508	11,562	54	-	(11,508)
Office Costs	18,425	14,528	(3,897)	5,000	(13,425)
Professional Services	13,884	23,575	9,691	33,300	19,416
Miscellaneous	-	-	-	-	-
Depreciation	-	308	308	-	-
Total Operating Expenses	\$ 43,817	\$ 49,973	\$ 6,156	\$ 38,300	\$ (5,517)
Total Direct Expenses	\$ 47,451	\$ 58,890	\$ 14,439	\$ 40,055	\$ (7,396)
Indirect Expenses	\$ -	\$ -	\$ -	\$ (20,055)	\$ (20,055)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 47,451	\$ 58,890	\$ 14,439	\$ 20,000	\$ (27,451)
Change in Assets	\$ 4,395	\$ (34,798)	\$ (42,193)	\$ -	\$ (4,395)
Fixed Assets					
Depreciation	\$ -	\$ (308)	\$ (308)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	4,395	-	(4,395)	-	(4,395)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (4,395)	\$ 308	\$ 4,703	\$ -	\$ 4,395
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	-
Change in Fixed Assets	(4,395)	308	4,703	-	4,395
TOTAL CHANGE IN ASSETS	\$ -	\$ (34,490)	\$ (37,490)	\$ -	\$ -

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- In 2010, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue in 2010.
- Decrease in interest income of \$20,000 due to the decrease in market rates.

Personnel Expenses

- There are no planned changes in FTEs in this program.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Office rent decreased by \$11,508 and office costs decreased by \$13,425 due to recording of indirect general office costs, including rent, supplies, telephone, postage, etc. in General and Administrative, rather than allocated to each department.
- Increase in professional services of \$19,416 due to additional services provided by the outside accounting firm to verify SERC's internal metrics and additional fees associated with payroll, timesheet and expense report management.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 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.

Section B — 2010 Budget

2009 Budget and Projection and 2010 Budget Comparisons

Table 1

Statement of Activities					
2009 Budget & Projection, and 2010 Budget					
STATUTORY					
	2009 Budget	2009 Projection	Variance 2009 Projection v 2009 Budget Over(Under)	2010 Budget	Variance 2010 Budget v 2009 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 9,652,546	\$ 9,652,546	\$ -	\$ 9,831,277	\$ 178,731
Penalty Sanctions ⁽¹⁾	-	-	-	578,000	578,000
Total ERO Funding	\$ 9,652,546	\$ 9,652,546	\$ -	\$ 10,409,277	\$ 756,731
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	403,000	269,240	(133,760)	272,406	(130,594)
Interest	40,000	12,246	(27,754)	20,000	(20,000)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 10,095,546	\$ 9,934,032	\$ (161,514)	\$ 10,701,683	\$ 606,137
Expenses					
Personnel Expenses					
Salaries	\$ 5,392,546	\$ 5,483,574	\$ 91,028	\$ 5,919,604	\$ 527,058
Payroll Taxes	404,441	411,268	6,827	443,971	39,530
Benefits	551,341	519,670	(31,671)	536,169	(15,172)
Retirement Costs	504,997	500,833	(4,164)	555,467	50,470
Total Personnel Expenses	\$ 6,853,325	\$ 6,915,345	\$ 62,020	\$ 7,455,211	\$ 601,886
Meeting Expenses					
Meetings	\$ 634,633	\$ 511,021	\$ (123,612)	\$ 468,813	\$ (165,820)
Travel	601,168	543,159	(58,009)	722,061	120,893
Conference Calls	30,000	53,814	23,814	48,000	18,000
Total Meeting Expenses	\$ 1,265,801	\$ 1,107,994	\$ (157,807)	\$ 1,238,874	\$ (26,927)
Operating Expenses					
Consultants & Contracts	\$ 924,700	\$ 731,002	\$ (193,698)	\$ 1,141,450	\$ 216,750
Office Rent	183,277	184,128	851	255,591	72,314
Office Costs	265,990	231,374	(34,616)	362,257	96,267
Professional Services	322,000	95,605	(226,395)	98,300	(223,700)
Miscellaneous	-	5,000	5,000	-	-
Depreciation	-	4,912	4,912	54,913	54,913
Total Operating Expenses	\$ 1,695,967	\$ 1,252,021	\$ (443,946)	\$ 1,912,511	\$ 216,544
Total Direct Expenses	\$ 9,815,093	\$ 9,275,360	\$ (539,733)	\$ 10,606,596	\$ 791,503
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ 210,453	\$ -	\$ (210,453)	\$ -	\$ (210,453)
Total Expenses	\$ 10,025,546	\$ 9,275,360	\$ (750,186)	\$ 10,606,596	\$ 581,050
Change in Assets	\$ 70,000	\$ 658,672	\$ 588,672	\$ 95,087	\$ 25,087
Fixed Assets					
Depreciation	\$ -	\$ (4,912)	\$ (4,912)	\$ (54,913)	\$ (54,913)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	70,000	35,000	(35,000)	-	(70,000)
Equipment CapEx	-	6,318	6,318	150,000	150,000
Leasehold Improvements	-	20,576	20,576	-	-
Change in Fixed Assets	\$ (70,000)	\$ (56,982)	\$ 13,018	\$ (95,087)	\$ (25,087)
Allocation of Fixed Assets	-	-	-	-	-
Change in Fixed Assets	(70,000)	(56,982)	13,018	(95,087)	(25,087)
TOTAL CHANGE IN ASSETS	\$ -	\$ 601,690	\$ 601,690	\$ -	\$ -

⁽¹⁾ Reflects penalty sanctions collected prior to June 30, 2009. See page 58 for complete detail.

Personnel Analysis

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Table 2

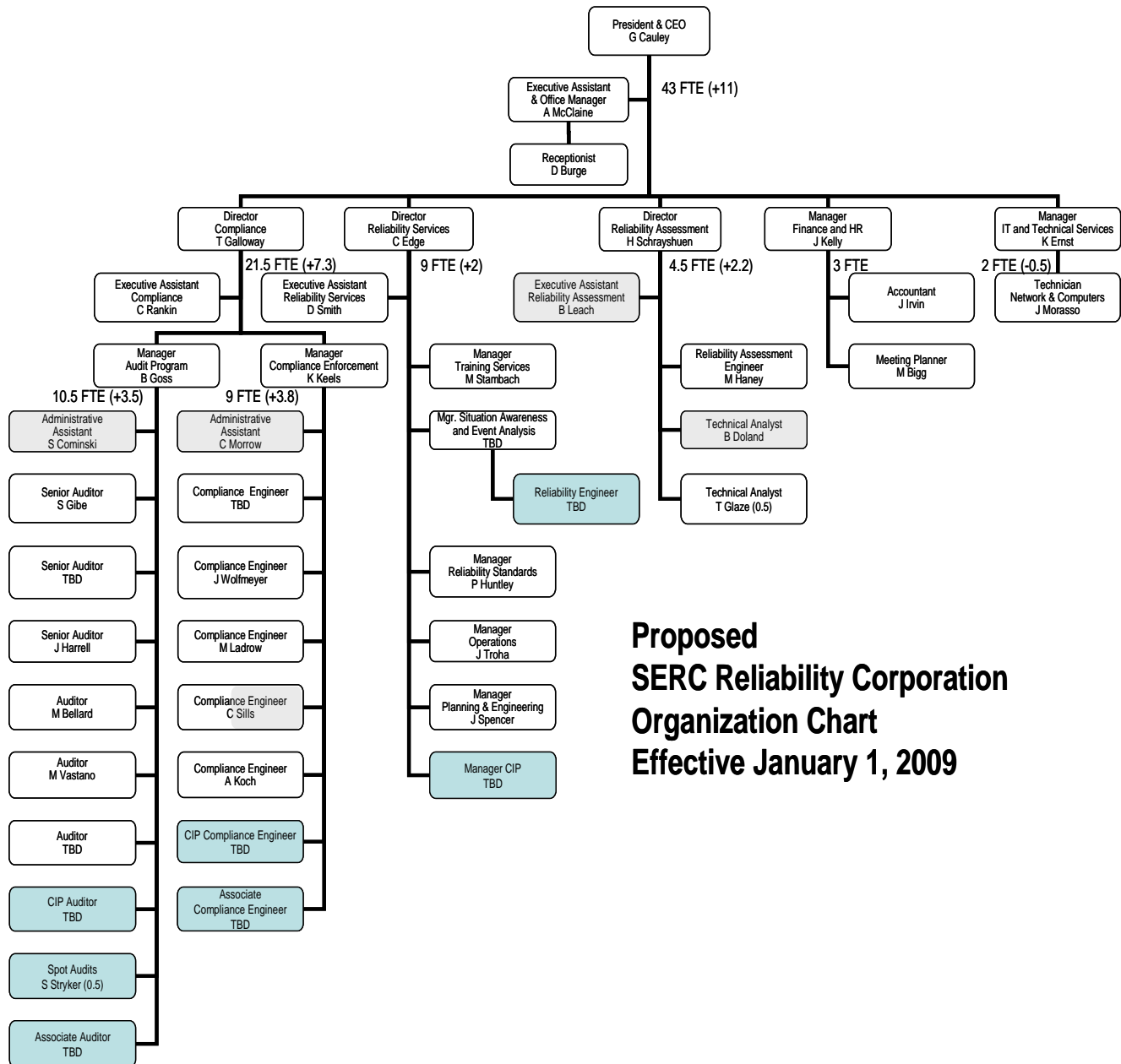
Total FTE's by Program Area	Budget 2009	Projection 2009	Direct FTEs 2010 Budget	Shared FTEs ¹ 2010 Budget	Total FTEs 2010 Budget	Change from 2009 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.4	1.6	1.6	0.0	1.6	0.2
Compliance and Organization Registration and Certification	21.5	23.0	22.0	0.0	22.0	0.5
Reliability Readiness Evaluation and Improvement	1.4	1.1	0.0	0.0	0.0	-1.4
Training and Education	1.4	1.6	1.6	0.0	1.6	0.2
Reliability Assessment and Performance Analysis	4.5	4.5	4.5	0.0	4.5	0.0
Situational Awareness and Infrastructure Security	2.4	3.1	4.2	0.0	4.2	1.8
Total FTEs Operational Programs	32.6	34.9	33.9	0.0	33.9	1.3
Administrative Programs *						
Member Forums	2.4	1.6	2.6	0.0	2.6	0.2
General & Administrative	3.0	3.0	3.0	0.0	3.0	0.0
Information Technology	2.0	2.0	2.0	0.0	2.0	0.0
Legal and Regulatory	0.0	0.0	1.0	0.0	1.0	1.0
Human Resources	0.3	0.3	0.3	0.0	0.3	0.0
Accounting	2.7	2.7	2.7	0.0	2.7	0.0
Total FTEs Administrative Programs	10.4	9.6	11.6	0.0	11.6	1.2
Total FTEs	43.0	44.5	45.5	0.0	45.5	2.5

* NOTE: The FTEs for Administration Departments are reflected as staffed in this exhibit. The salary and related expenses in the statement of activities has been consolidated to ensure salary confidentiality.

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

2009 Organizational Chart

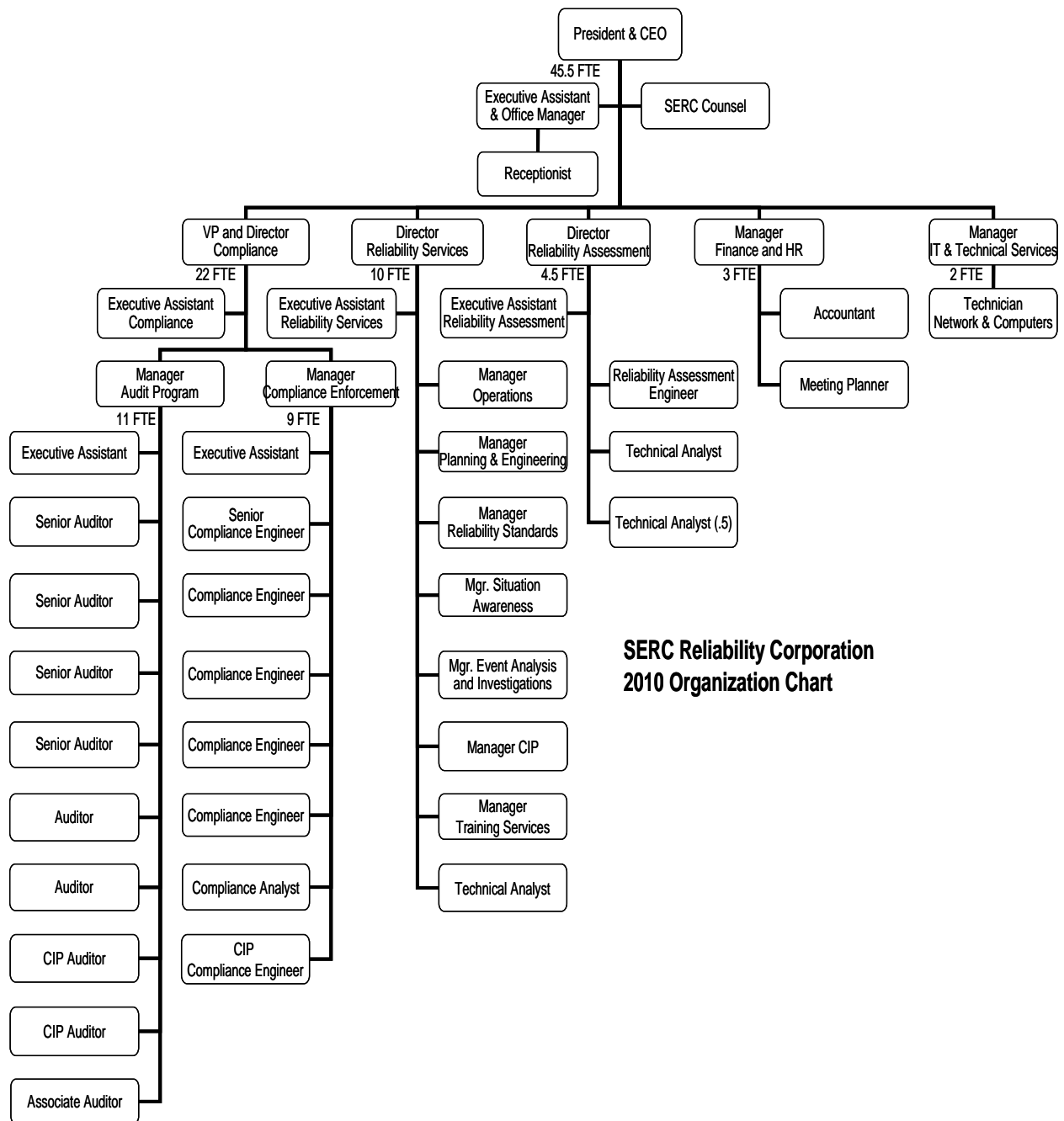
Table 3



**Proposed
SERC Reliability Corporation
Organization Chart
Effective January 1, 2009**

2010 Organizational Chart

Table 4



**SERC Reliability Corporation
2010 Organization Chart**

Reserve Balance

Table 5

Working Capital Reserve Analysis 2009-2010	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2008	407,865
Plus: Penalty sanctions being held to be used as offset to 2010 assessments ¹	578,000
Plus: 2009 ERO Funding (from LSEs or designees)	9,652,546
Plus: 2009 Other funding sources	281,486
Less: '2009 Projected expenses & capital expenditures	(9,332,342)
Projected Working Capital Reserve (Deficit), December 31, 2009	1,587,555
Desired Working Capital Reserve, December 31, 2010	² 1,009,555
Less: Projected Working Capital Reserve, December 31, 2009	(1,587,555)
Plus: Penalty sanctions to be used as offset to 2010 assessments ¹	578,000
Increase(decrease) in assessments to achieve desired Working Capital Reserve	-
2010 Expenses and Capital Expenditures	10,701,683
Less: Penalty Sanctions ¹	(578,000)
Less: Other Funding Sources	(292,406)
Adjustment to achieve desired Working Capital Reserve	-
2010 Assessment	9,831,277

¹ Represents collections prior to June 30, 2009. See page 58 for 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.

Regional Entity Assessment Analysis

Assessments by Country

Table 6

Data Year	Regional Entity	Total NEL	U.S. NEL	Canada NEL	Mexico NEL	% of RE Total	US Total	Canada Total	Mexico Total
Summary by Regional Entity									
2008	FRCC	-							
2008	MRO	-							
2008	NPCC	-							
2008	RFC	-							
2008	SERC	1,032,621,018	1,032,621,018	-	-	100.000%	100.000%	0.000%	0.000%
2008	SPP	-							
2008	TRE	-							
2008	WECC	-							
TOTAL		1,032,621,018	1,032,621,018	-	-	100%	100.000%	0.000%	0.000%

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 52, of the 2010 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, 2009 are to be used to offset assessments in the 2010 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, 2009 through June 30, 2010 will be used to offset assessments in the 2011 Budget.

Full disclosure of all penalties received prior to June 30, 2009 are detailed below, including the Company, the amount, and the 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 Situational 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-1

Penalty Sanctions Received Prior to June 30, 2009	Date Received	Amount Received
Name of Entity		
Edgecombe Operating Services, LLC	30-Jan-09	\$ 3,000
Duke Energy Carolinas, LLC	30-Jan-09	50,000
E.ON U.S. Services, Inc.	12-Feb-09	235,000
Choctaw Gas Generation, LLC	25-Feb-09	10,000
Hot Spring Power Company, LLC	25-Feb-09	10,000
Hopewell Cogeneration Limited Partnership	3-Mar-09	10,000
Choctaw Generation Limited Partnership	6-Mar-09	10,000
FPL Energy, LLC (NextEra Energy Resources, LLC)	13-May-09	250,000
Total Penalties Received		\$ 578,000

Supplemental Funding

Table B-2

Outside Funding Breakdown By Program (excluding ERO Assessments &	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Training and Education					
Workshops	\$ 403,000	\$ 269,240	\$ 272,406	\$ (130,594)	-32.41%
Total	\$ 403,000	\$ 269,240	\$ 272,406	\$ (130,594)	-32.41%
General and Administrative					
Interest Income	\$ 40,000	\$ 12,246	\$ 20,000	\$ (20,000)	-50.00%
Total	\$ 40,000	\$ 12,246	\$ 20,000	\$ (20,000)	-50.00%
Total Outside Funding	\$ 443,000	\$ 281,486	\$ 292,406	\$ (150,594)	-33.99%
				-	

Explanation of Significant Variances – 2010 Budget versus 2009 Budget

Workshop funding is decreasing by \$130,594 due to fee reductions, fewer conferences being planned in 2010, and an increase in the number of workshops being held in the Charlotte office

Interest income decreased \$20,000 due to the decrease in market rates.

Personnel Expenses

Table B-3

Personnel Expenses	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Salaries					
Salary	\$ 5,392,546	\$ 5,483,574	\$ 5,919,604	\$ 527,058	9.8%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 5,392,546	\$ 5,483,574	\$ 5,919,604	\$ 527,058	9.8%
Total Payroll Taxes	\$ 404,441	\$ 411,268	\$ 443,971	\$ 39,530	9.8%
Benefits					
Workers Compensation	\$ 9,000	\$ 8,054	\$ 13,000	\$ 4,000	44.4%
Medical Insurance	309,522	417,826	405,102	95,580	30.9%
Life-LTD-LTC Insurance	142,856	35,781	43,468	(99,388)	-69.6%
Education	26,963	16,593	39,599	12,636	46.9%
Relocation	63,000	41,416	35,000	(28,000)	-44.4%
Total Benefits	\$ 551,341	\$ 519,670	\$ 536,169	\$ (15,172)	-2.8%
Retirement					
Discretionary 401k Cont.	\$ 240,475	\$ 217,458	\$ 262,127	\$ 21,652	9.0%
Savings Plan	264,522	283,375	293,340	28,818	10.9%
Total Retirement	\$ 504,997	\$ 500,833	\$ 555,467	\$ 50,470	10.0%
Total Personnel Costs	\$ 6,853,325	\$ 6,915,345	\$ 7,455,211	\$ 601,886	8.8%
FTEs	43	44.5	45.5	2.5	5.8%
Cost per FTE					
Salaries	\$ 125,408	\$ 123,226	\$ 130,101	4,693	3.7%
Payroll Taxes	9,406	9,242	9,758	352	3.7%
Benefits	12,822	11,678	11,784	(1,038)	-8.1%
Retirement	11,744	11,255	12,208	464	4.0%
Total Cost per FTE	\$ 159,380	\$ 155,401	\$ 163,851	\$ 4,471	2.8%

Explanation of Significant Variances – 2010 Budget versus 2009 Budget

Salaries increased \$527,058 and payroll taxes increased \$39,530 due to the addition of 2.5 employees compared to 2009 budget. A total of 1.5 FTEs were added in 2009 compared to the budget. The Reliability Services program added a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. Additionally, a halftime auditor became fulltime in early 2009. These additions have been made in 2009 to meet critical needs to enable the organization to function effectively. The costs of these additional employees will be offset in 2009 by vacancies in other positions. In 2010, the additional employee is in compliance, a critical infrastructure protection (CIP) auditor. The budget reflects an increase in salary for existing staff of 2%.

Medical insurance increased \$95,580 and Life-LTD-LTC decreased \$99,388 due to a reclassification of dental expense.

Education increased by \$12,636 due to more emphasis on training employees.

Relocation decreased by \$28,000 due to a decreased number of employees being hired in 2010.

Retirement costs increased \$50,470 due to the overall staffing increases and budgeted salary increases as noted above.

Consultants and Contracts

Table B-4

Consultants	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ 821	\$ -	\$ -	0.00%
Compliance and Organization Registration and Certification-Database	80,000	126,413	76,500	(3,500)	-4.38%
Reliability Readiness Evaluation and Improvement-instead of FTE	-	-	-	-	0.00%
Reliability Assessment and Performance Analysis-Support Event Analysis and TADS	230,000	123,042	160,000	(70,000)	-30.43%
Training and Education	15,000	-	18,750	3,750	25.00%
Situational Awareness and Infrastructure Security-NASPI	-	1,025	50,000	50,000	100.00%
Committee and Member Forums	-	750	49,400	49,400	100.00%
General and Administrative	-	-	-	-	0.00%
Legal and Regulatory-Self Assessment	-	-	-	-	0.00%
Information Technology	-	-	-	-	0.00%
Human Resources-Executive Search	-	4,000	-	-	0.00%
Accounting and Finance	-	-	-	-	0.00%
Consultants Total	\$ 325,000	\$ 256,051	\$ 354,650	\$ 29,650	9.12%
Contracts	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Contracts					
Computer & Communications Support	\$ 120,000	\$ 152,088	\$ 121,200	\$ 1,200	
IT Web and Portal Support	323,700	179,899	333,300	9,600	
Checkout Tool	144,000	126,000	150,000	6,000	
Hotline Maintenance	12,000	16,964	21,800	9,800	
Subtotal - Software Contracts	\$ 599,700	\$ 474,951	\$ 626,300	\$ 26,600	4.44%
Education and Training					
Virtual Simulator	-	-	160,500	160,500	
Subtotal - Education and Training Contracts	\$ -	\$ -	\$ 160,500	\$ 160,500	100.00%
Contracts Total	\$ 599,700	\$ 474,951	\$ 786,800	\$ 187,100	31.20%
Total Consulting and Contracts	\$ 924,700	\$ 731,002	\$ 1,141,450	\$ 216,750	23.44%

Explanation of Significant Variances – 2010 Budget versus 2009 Budget

A decrease of \$70,000 in consultants in the Reliability Assessment program is due to a shift in timing for the Resource Adequacy program, which will now stretch over a two year period, including 2009 and 2010.

An increase of \$50,000 in consultants in Situational Awareness and Infrastructure Security relates to event analysis expertise and data collection activities to support situational awareness reporting to FERC and NERC staff.

An increase of \$49,400 in consultants in Committee and Member Forums is to enhance the portal for online collaboration.

An increase of \$160,500 in contracts in Education and Training is due to a restoration training simulator. The simulator project will take advantage of the advances made in simulation technology for more realistic operator training in restoration scenarios using familiar system elements and characteristics as well as in the development of more comprehensive regional restoration plans based on the exercise of those plans in realistic wide-area scenarios.

Table B-5

Office Rent	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Office Rent	\$ 183,277	\$ 184,128	\$ 255,591	\$ 72,314	39.46%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	\$ 183,277	\$ 184,128	\$ 255,591	\$ 72,314	39.46%

Explanation of Significant Variances – 2010 Budget versus 2009 Budget

SERC has increased their office space by 5,431 square feet causing the increase in rent expense. The new office space will be for additional offices along with a large conference room that will enable SERC to host large meetings in-house.

Table B-6

Office Costs	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Telephone	\$ 94,200	\$ 88,613	\$ 122,280	\$ 28,080	
Internet	11,100	11,245	-	(11,100)	
Office Supplies	35,000	51,004	131,264	96,264	
Computer Supplies and Maintenance	88,690	61,142	77,690	(11,000)	
Publications & Subscriptions	-	-	-	-	
Dues	-	408	5,000	5,000	
Postage	6,000	2,221	2,000	(4,000)	
Express Shipping	8,000	2,141	4,000	(4,000)	
Copying	6,500	2,747	8,000	1,500	
Reports - Graphics	6,000	-	-	(6,000)	
Stationary Forms	-	-	-	-	
Equipment Repair/Service Contracts	7,000	4,800	7,023	23	
Bank Charges	-	-	-	-	
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	3,500	7,053	5,000	1,500	
Presentation & Publicity	-	-	-	-	
Total Office Costs	\$ 265,990	\$ 231,374	\$ 362,257	\$ 96,267	36.19%

Explanation of Significant Variances – 2010 Budget versus 2009 Budget

Increase in telephone costs of \$28,080 is due to SERC is now providing cell phones to all professional staff and internet charges are combined to save costs causing a decrease of \$11,100 in internet expenses.

Increase in office supplies of \$96,264 is due to additional furniture and equipment needed to furnish the new office space.

Decrease in computer supplies and maintenance of \$11,000 is due to fewer planned purchases of computers and equipment.

Table B-7

Professional Services	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Independent Trustee Fees	\$ -	\$ -	\$ -	\$ -	0.00%
Outside Legal	250,000	49,532	30,000	(220,000)	-88.00%
Accounting & Auditing Fees	12,000	22,553	33,300	21,300	177.50%
Other Legal Fees	30,000	7,123	15,000	(15,000)	-50.00%
Insurance Commercial	30,000	16,397	20,000	(10,000)	-33.33%
Total Services	\$ 322,000	\$ 95,605	\$ 98,300	\$ (223,700)	-69.47%

Explanation of Significant Variances – 2010 Budget versus 2009 Budget

Outside legal expenses include charges in support of regulatory matters. Other legal fees represent charges for all other legal matters. Decrease in outside legal expense of \$220,000 and \$15,000 in other legal expense as SERC is not budgeting for legal costs associated with hearings and has hired an in-house legal counsel to help with compliance filings.

Increase in accounting fees of \$21,300 is due to additional services provided by the outside accounting firm to verify SERC's internal metrics and additional fees associated with payroll, timesheet and expense report management.

Decrease in insurance commercial of \$10,000 due to a change in vendors which lowered the cost.

Table B-8

Other Non-Operating Expenses	Budget 2009	Projection 2009	Budget 2010	Variance 2010 Budget v 2009 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2010 Budget versus 2009 Budget

No significant variances.

Section D — Additional Financial Data

Section D —
2010 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities 2010 Budget	Total	Statutory Total	Non- Statutory Total	Functions in Delegation Agreement											Non-Statutory Functions Non-Statutory Total
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situational Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	
Funding															
ERO Funding															
ERO Assessments	9,831,277	9,831,277	-	9,831,277	471,317	6,319,976	1,276,678	482,202	1,281,104	-	-	-	-	-	-
Penalty Sanctions	578,000	578,000	-	578,000	27,280	375,103	76,726	27,280	71,611	-	-	-	-	-	-
Total ERO Funding	10,409,277	10,409,277	-	10,409,277	498,597	6,695,079	1,353,404	509,482	1,352,715	-	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	272,406	272,406	-	272,406	-	-	-	272,406	-	-	-	-	-	-	-
Interest	20,000	20,000	-	20,000	-	-	-	-	-	-	-	-	-	-	20,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	10,701,683	10,701,683	-	10,701,683	498,597	6,695,079	1,353,404	781,888	1,352,715	-	-	-	-	-	20,000
Expenses															
Personnel Expenses															
Salaries	5,919,604	5,919,604	-	5,919,604	225,442	2,908,227	524,718	213,800	577,571	385,904	1,083,942	-	-	-	-
Payroll Taxes	443,971	443,971	-	443,971	16,908	218,117	39,354	16,035	43,318	28,943	81,296	-	-	-	-
Benefits	536,169	536,169	-	536,169	30,566	253,359	42,317	17,919	58,483	24,694	108,831	-	-	-	-
Retirement Costs	555,467	555,467	-	555,467	21,413	276,897	45,390	20,307	54,150	36,771	100,539	-	-	-	-
Total Personnel Expenses	7,455,211	7,455,211	-	7,455,211	294,329	3,656,600	651,779	268,061	733,522	476,312	1,374,608	-	-	-	-
Meeting Expenses															
Meetings	468,813	468,813	-	468,813	23,886	92,895	41,565	135,250	26,820	136,372	11,750	-	-	-	275
Travel	722,061	722,061	-	722,061	15,747	472,090	35,224	34,691	60,206	67,325	28,416	-	6,882	-	1,480
Conference Calls	48,000	48,000	-	48,000	-	-	-	-	-	-	48,000	-	-	-	-
Total Meeting Expenses	1,238,874	1,238,874	-	1,238,874	39,633	564,985	76,789	169,941	87,026	203,697	88,166	-	6,882	-	1,755
Operating Expenses															
Consultants & Contracts	1,141,450	1,141,450	-	1,141,450	-	184,400	160,000	179,250	50,000	49,400	-	-	518,400	-	-
Office Rent	255,591	255,591	-	255,591	-	-	-	-	-	-	255,591	-	-	-	-
Office Costs	362,257	362,257	-	362,257	-	7,860	1,800	-	-	1,020	255,987	-	90,590	-	5,000
Professional Services	98,300	98,300	-	98,300	-	17,500	-	-	-	-	20,000	27,500	-	-	33,300
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	54,913	54,913	-	54,913	-	-	-	-	16,667	-	38,246	-	-	-	-
Total Operating Expenses	1,912,511	1,912,511	-	1,912,511	-	209,760	161,800	179,250	66,667	50,420	569,824	27,500	608,990	-	38,300
Total Direct Expenses	10,606,596	10,606,596	-	10,606,596	333,962	4,431,345	890,368	617,252	887,215	730,429	2,032,598	27,500	615,872	-	40,055
Indirect Expenses	(1)	(1)	-	(1)	161,720	2,223,657	454,839	161,721	424,516	(730,429)	(2,032,598)	(27,500)	(615,872)	-	(20,055)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	10,606,596	10,606,596	-	10,606,596	495,682	6,655,002	1,345,207	778,973	1,311,731	-	-	-	-	-	20,000
Change in Assets	95,087	95,087	-	95,087	2,915	40,077	8,197	2,915	40,984	-	-	-	-	-	-
Fixed Assets															
Depreciation	(54,913)	(54,913)	-	(54,913)	-	-	-	-	(16,667)	-	(38,246)	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	150,000	150,000	-	150,000	-	-	-	-	50,000	-	-	-	100,000	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	(95,087)	(95,087)	-	(95,087)	-	-	-	-	(33,333)	-	38,246	-	(100,000)	-	-
Allocation of Fixed Assets	-	-	-	-	(2,915)	(40,076)	(8,197)	(2,915)	(7,651)	-	(38,246)	-	100,000	-	-
Change in Fixed Assets	(95,087)	(95,087)	-	(95,087)	(2,915)	(40,076)	(8,197)	(2,915)	(40,984)	-	-	-	-	-	-
TOTAL CHANGE IN ASSETS	-	1	-	1	-	1	-	-	-	-	-	-	-	-	-
FTE's	45.5	45.5	0	45.5	1.6	22.0	4.5	1.6	4.2	2.6	3.0	1.0	2.0	0.3	2.7

Statement of Financial Position

As of December 31, 2008, per audit

As of December 31, 2009, projected

As of December 31, 2010, as budgeted

Statement of Financial Position 2008 Audited, 2009 Projection, and 2010 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-08	Projected 31-Dec-09	Budget 31-Dec-10
ASSETS			
Cash	1,322,400	1,094,813	1,199,380
Trade Accounts receivable, net of allowance for uncollectible accounts of \$137,600	-	-	-
Other Receivables	879	-	-
Prepaid expenses and other current assets	53,466	50,000	50,000
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	17,068	16,896	111,983
Total Assets	1,393,813	1,161,709	1,361,363
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	979,558	979,558	979,558
Deferred income	6,390	850,000	850,000
Regional assessments collected in advance	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Total Liabilities	985,948	1,829,558	1,829,558
Net Assets - unrestricted	407,865	(667,849)	(468,195)
Total Liabilities and Net Assets	1,393,813	1,161,709	1,361,363