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SERC Reliability Corporation

2011 Business Plan and Budget

FINAL
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Introduction

TOTAL RESOURCES (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	53.5			
Non-statutory FTEs	-			
Total FTEs	53.5			
Statutory Expenses	\$ 11,865,916			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 11,865,916			
Statutory Inc(Dec) in Fixed Assets	\$ (89,276)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (89,276)			
Statutory Working Capital Requirement [†]	\$ 144,368			
Non-Statutory Working Capital Requirement ^{**}	\$ -			
Total Working Capital Requirement	\$ 144,368			
Total Statutory Funding Requirement	\$ 11,921,008			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 11,921,008			
Statutory Funding Assessments	\$ 10,671,508	\$ 10,671,508	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL	990,093,522	990,093,522	0	0
NEL%	100%	100%	0%	0%

*Refer to Table B-1 on page 56 in Section B.

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

Organizational Overview

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the region serve approximately 26% of the net energy for load (NEL) in North America and 31% 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 2011 targeted staffing level of 53.5 power industry professionals and support personnel.

Membership and Governance

SERC monitors 240 entities in the region for compliance with mandatory reliability standards. Membership in SERC, which is voluntary and free, affords participants the opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of SERC is approximately 60.

SERC is governed by a Board of Directors, comprised of a representative from each member company. The Board of Directors delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The board has also formed a Board Compliance Committee to oversee the program that monitors and enforces compliance of registered entities in the region to FERC-approved reliability standards. 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. The functions are:

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

Amendments to the delegation agreement between NERC and SERC have been approved by the SERC board of directors and NERC board of trustees and have been filed with FERC for review and approval.

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

SERC has organized 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.

2011 Key Assumptions

In developing the 2011 business plan, SERC along with the other Regional Entities collaborated with NERC to develop a common set of business plan and budget assumptions. The key assumptions include the following:

1. The international, industry-based Self Regulatory Organization (SRO) model continues to be used and no material changes to the SRO model impacting 2011 emerge from FERC's review of the Three-Year ERO Performance Assessment or its review of the proposed amendments to the Regional Entity delegation agreements.
2. The framework for delegation to Regional Entities is improved, as outlined in the proposed modifications to the Regional Entity delegation agreements, improving the efficiency, transparency, consistency, effectiveness, and quality of NERC and the Regional working relationship, including the incorporation of metrics.
3. Cost pressures strain stakeholder participation in NERC and Regional Entity activities.
4. In order to enhance reliability and the overall effectiveness of the ERO, improvements are needed in standards development, implementation, education, and training.
5. Standards development activities will face increased demands, including but not limited to those supporting the Reliability Standards Development Plan, FERC Order 693 directives and the National Emergency Standards Development Process.
6. NERC and Regional Entities will continue to gather data and perform analysis regarding the bulk electric system, including but not limited to support key federal and industry initiatives.
7. NERC will need to make significant investments in 2011 to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities and stakeholder needs, as well as to meet both near and long-term ERO technology requirements.
8. The number of events requiring review, analysis, and reporting will increase.
9. CIP activities will increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the TFE program is implemented and the increase in scope as a result of Order No. 706B.
10. NERC and the Regional Entities are expected to see increased compliance related resource demands.

Core Values

1. Improving Reliability and Stakeholder Service

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

2. Providing Internal Process Controls and Accountability

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

3. Learning and Continuous Improvement

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

4. Financial Responsibility

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

2011 Goals and Key Deliverables

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

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

2. Clear mandatory standards focused on reliability performance.

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

3. Systematic approach to improve Reliability Standards

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

- a. Incorporate feedback from events and incidents.
- b. Incorporate feedback from Compliance actions.
- c. Incorporate tools to effectively monitor and track implementation of improvement (issues management approach).
- d. Incorporate systematic process to capture and identify/quantify risks.
- e. Incorporate processes to develop timely and effective solutions.
- f. Incorporate issues tracking and management.

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

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

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

- a. Maintain a situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, SERC and SERC registered entities.
- b. Develop SERC's capability to conduct rigorous event and trend analyses and develop relevant lessons learned including rigorous event and trend analysis.
- c. Provide reliability issues tracking and management to systematically provide notice and document actions to improve reliability within the region.
- d. Assist ES-ISAC by providing interface to SERC entities with NERC and government agencies during high impact events.

6. Cyber and physical security of critical infrastructure.

- a. Facilitate and support registered entities in complying with CIP reliability standards, and responding to cyber security alerts.
- b. Facilitate the development of proactive measures to mitigate the impact of design-basis cyber threats and to improve the ability of SERC entities to recover.

7. Knowledgeable and skilled reliability personnel.

- a. Actively support the training and education of reliability personnel within the region, focusing on knowledge of reliability standards and recognizing and responding to system emergencies. Provide information and support to registered entities to assist in the deployment of a systematic approach to training.

8. Information sharing and collaboration through technology.

- a. Be a leader in the deployment of technology to make SERC and its stakeholder participants more efficient and productive in its program activities.
- b. Facilitate the integration and seamlessness of ERO and regional entity information systems used for compliance and other applicable statutory functions such as alerts and recommendations tracking.
- c. Work with other regions to share experience and learning points to promote greater benefits beyond the region, including collaboration on information management.

9. Effective and efficient use of resources.

- a. Continue to leverage industry expertise and leadership, to support SERC's statutory functions, and to be more efficient.
- b. Maintain a talented staff at SERC and provide for continuous staff development through internal training, rotation of personnel, succession planning, and other personnel methods to continue to meet the needs of the organization.

10. Continuous improvement.

- a. 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.
- b. Implement and refine performance indicators and feedback mechanisms to enable SERC to continue being a learning organization.
- c. Evaluate, develop, and implement meaningful performance indicators to assess performance of SERC Corporation and the region, including a composite regional performance index.

11. Effective financial controls.

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

2011 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$10,701,683 to \$11,921,008 in 2011, an increase of \$1,219,325 or 11.4%. The proposed 2011 assessment of \$10,671,508 is an increase of 8.5% higher than the 2010 assessment of \$9,831,277. SERC believes that in 2011 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 2011 budget compared to the 2010 budget).

Starting in 2010, SERC expects to perform Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. \$40,000 is included in the 2011 Business Plan and Budget under Other Funding and various expense accounts.

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

- **Staff added in 2010** – An additional 2 FTEs were added in 2010 compared to the budget. The Compliance program added a registration and certification engineer to ensure that all applicable users, owners and operators of the bulk-power system within the SERC region are properly registered and certified for compliance with NERC and Regional Reliability Standards. In September 2009, the SERC Board Executive Committee approved the addition of this position. Additionally, the Compliance program added a critical infrastructure protection (CIP) auditor to address technical feasibility exceptions. In July 2009, the SERC Board Executive Committee approved the use of reserve funds to cover all TFE costs. These additions have been made in 2010 to meet critical needs to enable the organization to function effectively. During 2010, the costs of these additional employees will be funded through the reserve, if necessary.
- **Staff additions proposed in 2011** – The targeted staffing level for 2011 is 53.5 FTEs, an increase of an additional 6 FTEs compared to 2010 actual and 8 compared to 2010 budget. The additional employees added in compliance include two (2) auditors, and two (2) enforcement engineers; and an executive position and a compliance attorney, were added in general and administrative.
 - For 2011, the budget impact of the above two items is \$1,018,369, including salary and benefits.
- **Cost increase for maintaining staff budgeted in 2011** – The remaining increase in personnel costs of \$294,516, or 4.0% compared to 2010 reflects a budgeted average increase in salary for existing staff of 2%, an increase in payroll tax rates and an increase in health insurance rates.

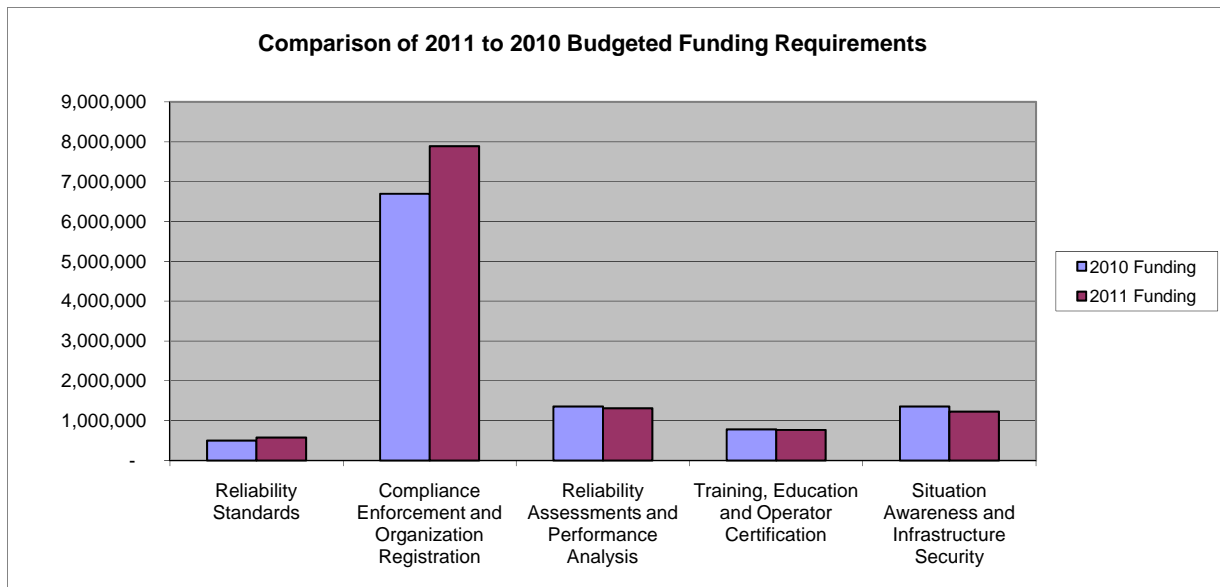
Other notable changes in the proposed budget from year to year include the following:

- **Travel** – A decrease of \$69,903 or 9.7% in travel costs due to a greater emphasis on the use of technology, hosting more meetings in the additional office space obtained in 2010 and emphasis on optimizing staff meeting attendance and continued high focus on efficient travel, thereby reducing costs.
- **Office costs** – A decrease of \$64,435 or 17.8% due to the one time purchase of office furniture and equipment for the additional office space obtained during 2010.
- **Depreciation** – An increase of \$57,696 or 105.1% due to the purchase of equipment, software and leasehold improvements during previous years as well as budgeted purchases for 2011.

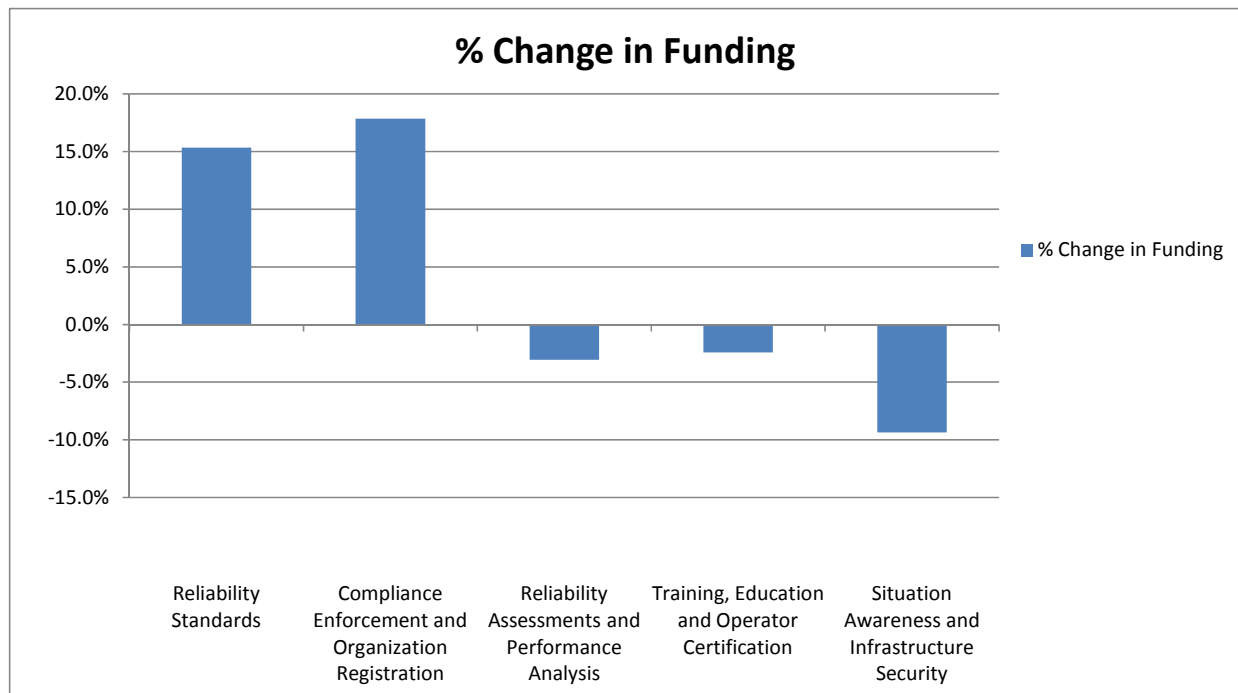
Summary by Program

Program	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Reliability Standards	498,597	480,026	575,149	76,552	15.4%
Compliance Enforcement and Organization Registration	6,695,079	6,974,218	7,890,536	1,195,457	17.9%
Reliability Assessments and Performance Analysis	1,353,404	1,230,096	1,311,838	(41,566)	-3.1%
Training, Education and Operator Certification	781,888	778,418	762,933	(18,955)	-2.4%
Situation Awareness and Infrastructure Security	1,352,715	1,215,736	1,226,184	(126,531)	-9.4%

This graphical representation does not include \$10,000 in unallocated overhead expenses, which are offset by interest income or an allocation of working capital requirements among the Program Areas.



This graphical representation does not include \$10,000 in unallocated overhead expenses, which are offset by interest income or an allocation of working capital requirements among the Program Areas.



Reliability Standards – The 15.4% increase in total funding from \$498,597 budgeted in 2010 to \$575,149 budgeted in 2011 is mainly due to the reallocation of personnel as described below in the Total FTE's by Program Area schedule, as well as a slight increase in meetings and travel costs due to the addition of special workshops to focus on the standards development process. Finally, the total indirect costs remained relatively consistent from 2010. However, a decrease in indirect expenses were allocated to the Reliability Standards program due to the addition of FTEs in other program areas.

Compliance Enforcement and Organization Registration – The 17.9% increase in total funding from \$6,695,079 budgeted in 2010 to \$7,890,536 budgeted in 2011 is primarily due to the addition of six FTE's as described below in the Total FTE's by Program Area schedule. With the additional FTEs, the indirect expenses allocated to the Compliance program have increased from 2010.

Reliability Assessments and Performance Analysis – The 3.1% decrease in total funding from \$1,353,404 budgeted in 2010 to \$1,311,838 budgeted in 2011 is due to a decrease in the need for consultants and contracts, and a decrease in indirect expenses being allocated to the Reliability Assessments program due to the addition of FTEs in other program areas.

Training, Education and Operator Certification – The 2.4% decrease in total funding from \$781,888 budgeted in 2010 to \$762,933 budgeted in 2011 is mainly due to a decrease in the need for consultants and contracts, and a decrease in indirect expenses being allocated to the Training program due to the addition of FTEs in other program areas. Due to the reallocation of personnel as described below in the Total FTE's by Program Area schedule, personnel expenses increased slightly.

Situation Awareness and Infrastructure Security – The 9.4% decrease in total funding from \$1,352,715 budgeted in 2010 to \$1,226,184 budgeted in 2011 is primarily due to the reallocation of personnel as described below in the Total FTE's by Program Area schedule in conjunction with a decrease in indirect expenses being allocated to the Situation Awareness program due to the reduction of FTEs in this program due to the reallocation and an addition of FTEs in other program areas.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2010	2010	2011	FTEs ¹ 2011	2011	from 2010
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.60	1.60	1.75	-	1.75	0.15
Compliance and Organization Registration and Certification	22.00	24.00	28.00	-	28.00	6.00
Training and Education	1.60	1.60	1.75	-	1.75	0.15
Reliability Assessment and Performance Analysis	4.50	4.50	4.50	-	4.50	-
Situation Awareness and Infrastructure Security	4.20	4.20	3.75	-	3.75	(0.45)
Total FTEs Operational Programs	33.90	35.90	39.75	-	39.75	5.85
Administrative Programs						
Technical Committees and Member Forums	2.60	2.60	2.75	-	2.75	0.15
General & Administrative	9.00	9.00	11.00	-	11.00	2.00
Information Technology	-	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
Total FTEs Administrative Programs	11.60	11.60	13.75	-	13.75	2.15
Total FTEs	45.50	47.50	53.50	-	53.50	8.00

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

This chart reflects the following changes:

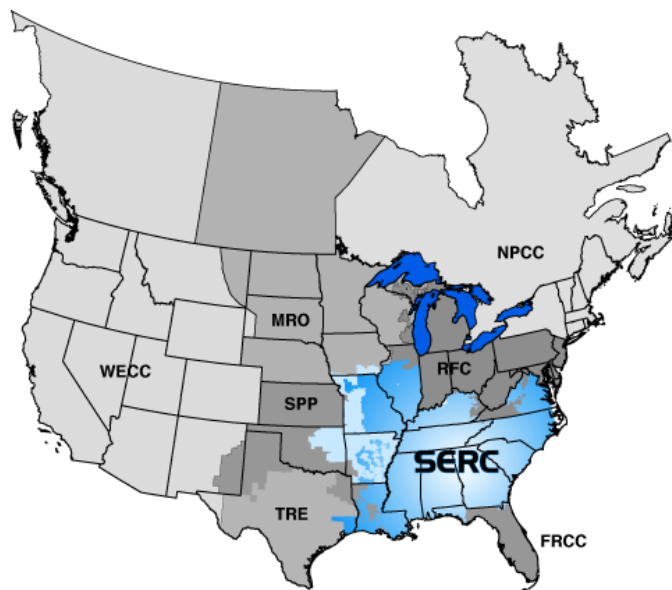
1. During 2011, there is a change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs.
2. A total increase in the Compliance program of 6 FTEs, which includes 2 auditors, 2 enforcement engineers, a registration and certification engineer and a CIP auditor.
3. An increase within the general and administrative program of 2 is due to an executive position and an attorney.

2010 Budget and Projection and 2011 Budget Comparisons

Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget						
STATUTORY						
				Variance		Variance
	2010	2010		2010 Projection		2011 Budget
	Budget	Projection		v 2010 Budget	2011	v 2010 Budget
				Over(Under)	Budget	Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 9,831,277	\$ 9,831,277		\$ -	\$ 10,671,508	\$ 840,231
Penalty Sanctions	578,000	578,000		-	919,000	341,000
Total ERO Funding	\$ 10,409,277	\$ 10,409,277		\$ -	\$ 11,590,508	\$ 1,181,231
Workshops	272,406	241,580		(30,826)	280,500	8,094
Interest	20,000	14,910		(5,090)	10,000	(10,000)
Other Funding	-	80		80	40,000	40,000
Total Funding	\$ 10,701,683	\$ 10,665,847		\$ (35,836)	\$ 11,921,008	\$ 1,219,325
Expenses						
Personnel Expenses						
Salaries	\$ 5,919,604	\$ 5,992,905		\$ 73,301	\$ 6,720,718	\$ 801,114
Payroll Taxes	443,971	644,921		200,950	739,279	295,308
Benefits	536,169	543,203		7,034	723,655	187,486
Retirement Costs	555,467	519,197		(36,270)	584,444	28,977
Total Personnel Expenses	\$ 7,455,211	\$ 7,700,226		\$ 245,015	\$ 8,768,096	\$ 1,312,885
Meeting Expenses						
Meetings	\$ 468,813	\$ 401,464		\$ (67,349)	\$ 458,258	\$ (10,555)
Travel	722,061	579,522		(142,539)	652,158	(69,903)
Conference Calls	48,000	52,712		4,712	66,000	18,000
Total Meeting Expenses	\$ 1,238,874	\$ 1,033,698		\$ (205,176)	\$ 1,176,416	\$ (62,458)
Operating Expenses						
Consultants & Contracts	\$ 1,141,450	\$ 1,111,710		\$ (29,740)	\$ 1,150,081	\$ 8,631
Office Rent	255,591	251,019		(4,572)	295,692	40,101
Office Costs	362,257	482,064		119,807	297,822	(64,435)
Professional Services	98,300	78,314		(19,986)	65,200	(33,100)
Miscellaneous	-	8,816		8,816	-	-
Depreciation	54,913	80,052		25,139	112,609	57,696
Total Operating Expenses	\$ 1,912,511	\$ 2,011,975		\$ 99,464	\$ 1,921,404	\$ 8,893
Total Direct Expenses	\$ 10,606,596	\$ 10,745,899		\$ 139,303	\$ 11,865,916	\$ 1,259,320
Indirect Expenses	\$ -	\$ -		\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -	\$ -
Total Expenses	\$ 10,606,596	\$ 10,745,899		\$ 139,303	\$ 11,865,916	\$ 1,259,320
Change in Assets	\$ 95,087	\$ (80,052)		\$ (175,139)	\$ 55,092	\$ (39,995)
Fixed Assets						
Depreciation	(54,913)	(80,052)		(25,139)	(112,609)	(57,696)
Computer & Software CapEx	-	-		-	-	-
Furniture & Fixtures CapEx	-	-		-	-	-
Equipment CapEx	150,000	-		(150,000)	23,333	(126,667)
Leasehold Improvements	-	-		-	-	-
(Incr)Dec in Fixed Assets	\$ (95,087)	\$ 80,052		\$ 175,139	\$ 89,276	\$ 184,363
Allocation of Fixed Assets	\$ -	\$ -		\$ -	\$ -	\$ -
Change in Fixed Assets	(95,087)	80,052		175,139	89,276	184,363
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -		\$ -	\$ 144,368	\$ 144,368

Section A – Statutory Programs

2011 Business Plan and Budget



Section A — 2011 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.60	1.75	0.15
Direct Expenses	\$ 333,962	\$ 399,308	\$ 65,346
Indirect Expenses	\$ 161,720	\$ 179,771	\$ 18,051
Inc(Dec) in Fixed Assets	\$ 2,915	\$ (3,930)	\$ (6,845)
Total Funding Requirement	\$ 498,597	\$ 575,149	\$ 76,552

Program Scope and Functional Description

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

2011 Key Assumptions

- SERC regional standards development activity will be limited. This is based on an expected increase in continent-wide standards activity to eliminate the fill-in-the-blank standards.
- SERC resources will support North American initiatives in the areas of:
 - Consistency and effectiveness of standards drafting teams
 - Outreach and workshops on standards requirements
 - National Emergency Standards Development process (if required)
 - Work to reformat existing standards to “Results-based” format
- The SERC regional standards development process is expected to be revised into alignment with the changes to the continent-wide process and to integrate the results-based development methodology. Improvements to the regional processes will be reflected in updated Regional Delegation Agreements.

2011 Goals and Key Deliverables

- Promote active engagement of SERC stakeholders in standards development and SERC participation and leadership in the NERC standards process as that process is revised.
- Provide meaningful and useful (reliable) guidance/training to registered entities on reliability standards development and implementation status.
- Based on lessons from system events and serious or frequent non-compliances, identify key technical focus areas for training or other activities to reduce the possibility of wide-spread power outages.
- Revise Attachment C to the regional delegation agreement.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.15 increase in FTEs.

Meeting Expenses

- Increase in meetings expense of \$22,834 and travel expense of \$11,017 is due to the addition of special workshops to focus on the standards development process.

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.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Reliability Standards					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 471,317	\$ 471,317	\$ -	\$ 532,975	\$ 61,658
Penalty Sanctions	27,280	27,280	-	42,174	14,894
Total ERO Funding	\$ 498,597	\$ 498,597	\$ -	\$ 575,149	\$ 76,552
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	\$ 498,597	\$ 498,597	\$ -	\$ 575,149	\$ 76,552
Expenses					
Personnel Expenses					
Salaries	\$ 225,442	\$ 228,063	\$ 2,621	\$ 248,272	\$ 22,830
Payroll Taxes	16,908	25,087	8,179	27,310	10,402
Benefits	30,566	24,042	(6,524)	26,281	(4,285)
Retirement Costs	21,413	21,450	37	23,961	2,548
Total Personnel Expenses	\$ 294,329	\$ 298,642	\$ 4,313	\$ 325,824	\$ 31,495
Meeting Expenses					
Meetings	\$ 23,886	\$ 23,886	\$ -	\$ 46,720	\$ 22,834
Travel	15,747	15,428	(319)	26,764	11,017
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 39,633	\$ 39,314	\$ (319)	\$ 73,484	\$ 33,851
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 333,962	\$ 337,956	\$ 3,994	\$ 399,308	\$ 65,346
Indirect Expenses	\$ 161,720	\$ 144,406	\$ (17,314)	\$ 179,771	\$ 18,051
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 495,682	\$ 482,362	\$ (13,320)	\$ 579,079	\$ 83,397
Change in Assets	\$ 2,915	\$ 16,235	\$ 13,320	\$ (3,930)	\$ (6,845)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (2,915)	\$ 2,336	\$ 5,251	3,930	\$ 6,845
Change in Fixed Assets	(2,915)	2,336	5,251	3,930	6,845
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 18,571	\$ 18,571	\$ -	\$ -

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	22.00	28.00	6.00
Direct Expenses	\$ 4,431,345	\$ 5,077,085	\$ 645,740
Indirect Expenses	\$ 2,223,658	\$ 2,876,338	\$ 652,680
Inc(Dec) in Fixed Assets	\$ 40,076	\$ (62,887)	\$ (102,963)
Total Funding Requirement	\$ 6,695,079	\$ 7,890,536	\$ 1,195,457

Program Scope and Functional Description

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

The SERC Board Compliance Committee, a balanced committee of the SERC Board of Directors, is responsible for oversight of the SERC Compliance Monitoring and Enforcement Program. The Board Compliance Committee provides final review of all violations and proposed sanctions or settlements prepared 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.

Compliance Audits

SERC audit staff is charged with conducting compliance audits and spot-checks of all registered entities and identifying possible violations of non-CIP standards. The group maintains a long-range compliance audit plan that ensures compliance audits are conducted for each applicable registered entity within the SERC Region in accordance with a predefined frequency. Qualified senior SERC staff leads each compliance audit. The teams prepare public and non-public audit 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 staff is responsible for administering a number of monitoring processes including self-reporting, complaints, and self-certifications. Compliance enforcement staff also evaluates all possible 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. If so, the staff completes a thorough assessment to determine whether there is a sufficient basis to allege a 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 and evaluate and accept the related mitigation plan. The enforcement staff may also engage in settlement negotiations with the entity, if requested.

Once a final determination of a confirmed violation is made by the enforcement staff, 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. 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.

Compliance Programs

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

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

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

2011 Key Assumptions

- The number of registered entities increases (primarily GO/GOPs) by up to 10% due to continued efforts within the registration program
- Implementation of results-based standards and risk-based audit scope definition will begin in 2011 but without a significant reduction in required audit resources.
- Required non-CIP audits resources are projected to increase 10% due to MOD standards and NUC standard becoming part of NERC annual compliance implementation plan
- Increases in number of required non-CIP audits (between 10 and 20%) and addition of up to four unscheduled audits to reflect new registrants and risk-based monitoring
- Increase in scope and number (10 to 20% resource impact) of required CIP audits, due to CIP 002-009 standards reaching "Auditably Compliant" stage for Table 1, 2 and 3 entities, as well as time necessary to complete review of all CIP standards.
- Reduction in the number of required onsite follow-up visits for CIP activities, due to the installation of required equipment and associated procedures to provide for secure handling and retention of sensitive CIP compliance evidence within SERC's offices.
- CIP audits for nuclear facilities will not be conducted until late 2011 or early 2012
- TFE on-site reviews commenced in 2010 continue at a reduced pace (50%) in 2011.
- Less than five Compliance Violation Investigations (CVIs) are conducted
- Additional resources (5%) are required to support cross-regional coordination and implementation of the Multi-regional Registered Entity (MRRE) program
- Between 250 and 300 possible violations (CIP and non-CIP) are identified from all monitoring sources (estimated increase of 25% over 2009 levels)
- Two or less hearings are conducted

2011 Goals and Key Deliverables

- Reliability improvement through rigorous monitoring and enforcement of compliance with mandatory standards and adoption of risk-based efficiencies. Staff actions ensure that:
 - Compliance actions are focused to best promote reliability and minimize risk
 - Compliance audits are conducted to conform with 3 and 6 year audit intervals
 - Spot-checks are conducted to address adverse trends and to validate a random subset of self-certifications.
 - Effective and timely follow-up is conducted for self-reports and adverse self-certifications.
 - Timely and thorough mitigation is implemented for all violations of reliability standards.
 - Enforcement backlog and throughput are maintained at target levels.
 - NERC and other regions collaborate to streamline Rules of Procedure to allow for efficient processing of lower risk / significance violations.
- Clear mandatory standards focused on reliability performance.
 - Provide effective feedback from various compliance processes to improve reliability standards through requests for interpretation or revisions.
- Cyber and physical security of critical infrastructure.
 - Conduct a sufficient number of high quality CIP audits and spot-checks to promote improvements in cyber and physical security within the SERC Region
- Knowledgeable and skilled reliability personnel, effective and efficient use of resources, and continuous improvement.
 - Attract and retain a highly competent and skilled workforce.
 - Evolve processes, tools, and work assignments to optimize resources.
 - Continue to promote continuous improvement through active use of feedback, metrics, training, self-assessments, and other related tools.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- An increase of \$40,000 in Other Funding is due to SERC expects to perform Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity.

Personnel Expenses

- The Compliance Program was budgeted in 2010 for 22 FTEs. 2010 projected staffing is 24, with the addition of a registration and certification engineer to ensure that all applicable users, owners and operators of the bulk-power system within the SERC region are properly registered; and a CIP Auditor to address technical feasibility exceptions. The registration and certification engineer and the CIP auditor are included in the 2011 budget, but were advanced in 2010.
- SERC plans to increase staffing within the compliance program by 4.0 additional FTEs.
 - Two additional Auditors. Due to the increased workload created by newly approved MOD and NUC standards, the additional auditors will perform audit functions, matrixed support to investigations, and other duties as assigned.
 - Two additional Compliance Enforcement Engineers. Compliance Enforcement Staff processes all possible violations identified through the following: 1) by the audit teams, through audits and spot checks; 2) through self-reports; and 3) through all other discovery methods. For each possible violation, a mitigation plan must be reviewed and approved by Enforcement Staff. The number of possible violations identified from all monitoring sources has continued to increase each year with the projected 2011 possible violations totaling 250-300. A large fraction of these possible violations involve CIP standards that pose added challenges in technical rigor and evidence handling.

Meeting Expenses

- In 2011, the meeting expense related to the compliance seminar is recorded in the Training program, causing meeting expense to decrease by \$77,520.
- Travel expenses decreased by \$94,280 due to a greater emphasis on the use of technology, hosting more meetings in the additional office space obtained in 2010 and SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

Operating Expenses

- Consultants and contracts increased by \$68,886 mainly due to an increase in consortium costs needed for Information Technology maintenance and enhancements. Additionally, the 2011 budget includes \$95,000 for consultants to execute projected non-CIP audits and Compliance Violation Investigations (CVI). Experience to date shows CVIs are extremely complex and require significant resources to execute. Non-CIP audit scheduling is still heavily skewed towards spring and fall timeframes. This necessitates added staff to execute during high demand periods.

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 Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Compliance and Organization Registration and Certification					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 6,319,976	\$ 6,319,976	\$ -	\$ 7,215,911	\$ 895,935
Penalty Sanctions	375,103	375,103	-	634,625	259,522
Total ERO Funding	\$ 6,695,079	\$ 6,695,079	\$ -	\$ 7,850,536	\$ 1,155,457
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	40,000	40,000
Total Funding	\$ 6,695,079	\$ 6,695,079	\$ -	\$ 7,890,536	\$ 1,195,457
Expenses					
Personnel Expenses					
Salaries	\$ 2,908,227	\$ 3,134,342	\$ 226,115	\$ 3,346,925	\$ 438,698
Payroll Taxes	218,117	344,778	126,661	368,162	150,045
Benefits	253,359	303,953	50,594	396,309	142,950
Retirement Costs	276,897	274,528	(2,369)	291,778	14,881
Total Personnel Expenses	\$ 3,656,600	\$ 4,057,601	\$ 401,001	\$ 4,403,174	\$ 746,574
Meeting Expenses					
Meetings	\$ 92,895	\$ 79,581	\$ (13,314)	\$ 15,375	\$ (77,520)
Travel	472,090	450,146	(21,944)	377,810	(94,280)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 564,985	\$ 529,727	\$ (35,258)	\$ 393,185	\$ (171,800)
Operating Expenses					
Consultants & Contracts	\$ 184,400	\$ 218,000	\$ 33,600	\$ 253,286	\$ 68,886
Office Rent	-	-	-	-	-
Office Costs	7,860	7,860	-	7,440	(420)
Professional Services	17,500	29,989	12,489	20,000	2,500
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 209,760	\$ 255,849	\$ 46,089	\$ 280,726	\$ 70,966
Total Direct Expenses	\$ 4,431,345	\$ 4,843,177	\$ 411,832	\$ 5,077,085	\$ 645,740
Indirect Expenses	\$ 2,223,658	\$ 2,166,082	\$ (57,576)	\$ 2,876,338	\$ 652,680
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 6,655,003	\$ 7,009,259	\$ 354,256	\$ 7,953,423	\$ 1,298,420
Change in Assets	\$ 40,076	\$ (314,180)	\$ (354,256)	\$ (62,887)	\$ (102,963)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (40,076)	\$ 35,041	\$ 75,117	62,887	\$ 102,963
Change in Fixed Assets	(40,076)	35,041	75,117	62,887	102,963
TOTAL CHANGE IN NET ASSETS	\$ -	\$ (279,139)	\$ (279,139)	\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.50	4.50	-
Direct Expenses	\$ 890,368	\$ 859,676	\$ (30,692)
Indirect Expenses	\$ 454,839	\$ 462,269	\$ 7,430
Inc(Dec) in Fixed Assets	\$ 8,197	\$ (10,107)	\$ (18,304)
Total Funding Requirement	\$ 1,353,404	\$ 1,311,838	\$ (41,566)

Program Scope and Functional Description

SERC's Reliability Assessment Department Team assessment function performs an independent reliability assessment of the entities within the region¹, as required under the Delegation Agreement in accordance with the applicable NERC Rules of Procedure. SERC's Reliability Assessment also performs independent performance assessment utilizing data from its data collection sources along with other programs, such as NERC TADS and the new DADS programs.

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

SERC maintains an effective data collection system utilizing the SERC Portal which ensures that all SERC registered entities with data collection obligations are aware of and meet data delivery requirements to support the SERC's internal and NERC's external assessment and performance analysis 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 neighboring regions. The process ensures SERC is able to provide accurate and timely information to NERC, applicable government authorities, and others as appropriate.

2011 Key Assumptions

Additional workload resulting from the addition by NERC of the post seasonal assessment and special assessments. Additionally, SERC study groups have requested SERC Staff support for their annual database deliverables.

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.

2011 Goals and Key Deliverables

- Annual data collection portal upgrades for Reliability Assessment purposes.
- Engagement with NERC Reliability Assessment Process, through the NERC Reliability Assessment subcommittee of the Planning committee in 2011 including performance in accordance with the agreed upon performance metrics between NERC and the regions.
- Assess and implement the indicated follow on studies from SERC's first region wide resource adequacy assessment using probabilistic methods. Obtain computer and software for the effort.
- Complete the SERC RRS Annual Report to the Engineering Committee.
- Complete NERC Seasonal and Long Term Assessment reports for 2011 in accordance with the agreed upon performance metrics between NERC and the regions.
- Implement Scenario Analysis and special assessments for in accordance with the agreed upon performance metrics between NERC and the regions.
- Complete SERC submittals for the EIA-411 and publish final data by July 31.
- With SERC stakeholder input to extend the Transmission Performance Report and risk analysis studies for the SERC region for implementation beginning in 2011.
- Assist SERC transmission owners in implementing NERC's TADS program.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- Personnel costs decreased by \$32,230 due to a change in the level of the management position, causing total compensation and benefits to decrease.
- Payroll taxes expense increased even though salary expense decreased due to an increase in payroll tax rates.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts expenses decreased by \$11,000 from the 2010 budget due to the Resource Adequacy program and the Dynamic Reduction Study. In 2011, SERC has budgeted \$24,000 to perform an extension of the 2010 resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, a reduction of \$76,000 from 2010. Additionally, a contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2009 series cases. Funding for vendor support in developing reduced dynamics models of the SERC region in the amount of \$60,000 is projected in 2011. SERC has budgeted \$65,000 in relation to our NEL share of the Multiregional Model Working Group (MMWG)/Eastern Interconnection Reliability Assessment Group (ERAG) expenses, an increase of \$5,000 from 2010.
- Computer supplies and maintenance increased by \$18,000 from the 2010 budget due to computer programs required for the Resource Adequacy program.

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

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Reliability Assessment and Performance Analysis					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 1,276,678	\$ 1,276,678	\$ -	\$ 1,202,185	\$ (74,493)
Penalty Sanctions	76,726	76,726	-	109,653	32,927
Total ERO Funding	\$ 1,353,404	\$ 1,353,404	\$ -	\$ 1,311,838	\$ (41,566)
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	\$ 1,353,404	\$ 1,353,404	\$ -	\$ 1,311,838	\$ (41,566)
Expenses					
Personnel Expenses					
Salaries	\$ 524,718	\$ 493,140	\$ (31,578)	\$ 474,380	\$ (50,338)
Payroll Taxes	39,354	54,245	14,891	52,182	12,828
Benefits	42,317	51,671	9,354	52,060	9,743
Retirement Costs	45,390	46,921	1,531	40,927	(4,463)
Total Personnel Expenses	\$ 651,779	\$ 645,977	\$ (5,802)	\$ 619,549	\$ (32,230)
Meeting Expenses					
Meetings	\$ 41,565	\$ 29,472	\$ (12,093)	\$ 42,050	\$ 485
Travel	35,224	23,276	(11,948)	29,277	(5,947)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 76,789	\$ 52,748	\$ (24,041)	\$ 71,327	\$ (5,462)
Operating Expenses					
Consultants & Contracts	\$ 160,000	\$ 130,000	\$ (30,000)	\$ 149,000	\$ (11,000)
Office Rent	-	-	-	-	-
Office Costs	1,800	1,800	-	19,800	18,000
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 161,800	\$ 131,800	\$ (30,000)	\$ 168,800	\$ 7,000
Total Direct Expenses	\$ 890,368	\$ 830,525	\$ (59,843)	\$ 859,676	\$ (30,692)
Indirect Expenses	\$ 454,839	\$ 406,141	\$ (48,698)	\$ 462,269	\$ 7,430
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,345,207	\$ 1,236,666	\$ (108,541)	\$ 1,321,945	\$ (23,262)
Change in Assets	\$ 8,197	\$ 116,738	\$ 108,541	\$ (10,107)	\$ (18,304)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (8,197)	\$ 6,570	\$ 14,767	10,107	\$ 18,304
Change in Fixed Assets	(8,197)	6,570	14,767	10,107	18,304
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 123,308	\$ 123,308	\$ -	\$ -

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.60	1.75	0.15
Direct Expenses	\$ 617,252	\$ 587,092	\$ (30,160)
Indirect Expenses	\$ 161,721	\$ 179,771	\$ 18,050
Inc(Dec) in Fixed Assets	\$ 2,915	\$ (3,930)	\$ (6,845)
Total Funding Requirement	\$ 781,888	\$ 762,933	\$ (18,955)

Program Scope and Functional Description

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

2011 Key Assumptions

- SERC will continue to offer quality, relevant NERC Certified Continuing Education Hours to system operators in the region
- SERC will support the North American initiatives in the areas of:
 - Developing a training academy to enhance consistency and effectiveness of ERO processes
 - Training and education products for registered entities

2011 Goals and Key Deliverables

- Actively support the training and education of reliability personnel within the region, focusing on:
 - Knowledge of reliability standards and recognizing and responding to system emergencies.
 - Provide information and support to registered entities to assist with a systematic approach to training.
 - Provide system operator training events including wide-area restoration competency, bulk power system principles, or operating lessons learned.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.15 increase in FTEs.

Meeting Expenses

- As noted in the Compliance explanations, the meeting expenses related to the compliance seminar for 2011 is recorded in the Training program, causing meeting expense to increase by \$72,110.

Operating Expenses

- In 2010, SERC budgeted \$160,500 for a restoration training simulator, which was a one time expense causing a decrease in consultants and contracts of \$144,250. In 2011, \$35,000 is budgeted for presenters at the system operator conference and for the development and maintenance of computer-delivered training modules.

Indirect Expenses

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

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Training and Education					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 482,202	\$ 482,202	\$ -	\$ 440,259	\$ (41,943)
Penalty Sanctions	27,280	27,280	-	42,174	14,894
Total ERO Funding	\$ 509,482	\$ 509,482	\$ -	\$ 482,433	\$ (27,049)
Workshops	272,406	241,580	(30,826)	280,500	8,094
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	\$ 781,888	\$ 751,062	\$ (30,826)	\$ 762,933	\$ (18,955)
Expenses					
Personnel Expenses					
Salaries	\$ 213,800	\$ 217,032	\$ 3,232	\$ 237,095	\$ 23,295
Payroll Taxes	16,035	23,874	7,839	26,080	10,045
Benefits	17,919	19,441	1,522	21,033	3,114
Retirement Costs	20,307	20,374	67	22,863	2,556
Total Personnel Expenses	\$ 268,061	\$ 280,721	\$ 12,660	\$ 307,071	\$ 39,010
Meeting Expenses					
Meetings	\$ 135,250	\$ 165,571	\$ 30,321	\$ 207,360	\$ 72,110
Travel	34,691	4,556	(30,135)	37,661	2,970
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 169,941	\$ 170,127	\$ 186	\$ 245,021	\$ 75,080
Operating Expenses					
Consultants & Contracts	\$ 179,250	\$ 185,500	\$ 6,250	\$ 35,000	\$ (144,250)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 179,250	\$ 185,500	\$ 6,250	\$ 35,000	\$ (144,250)
Total Direct Expenses	\$ 617,252	\$ 636,348	\$ 19,096	\$ 587,092	\$ (30,160)
Indirect Expenses	\$ 161,721	\$ 144,406	\$ (17,315)	\$ 179,771	\$ 18,050
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 778,973	\$ 780,754	\$ 1,781	\$ 766,863	\$ (12,110)
Change in Assets	\$ 2,915	\$ (29,692)	\$ (32,607)	\$ (3,930)	\$ (6,845)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (2,915)	\$ 2,336	\$ 5,251	3,930	\$ 6,845
Change in Fixed Assets	(2,915)	2,336	5,251	3,930	6,845
TOTAL CHANGE IN NET ASSETS	\$ -	\$ (27,356)	\$ (27,356)	\$ -	\$ -

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.2	3.8	(0.5)
Direct Expenses	\$ 887,215	\$ 849,382	\$ (37,833)
Indirect Expenses	\$ 424,516	\$ 385,224	\$ (39,292)
Inc(Dec) in Fixed Assets	\$ 40,984	\$ (8,422)	\$ (49,406)
Total Funding Requirement	\$ 1,352,715	\$ 1,226,184	\$ (126,531)

Program Scope and Functional Description

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

2011 Key Assumptions

- The number of events requiring review and analysis are expected to increase through ERO-enterprise joint processes and resourcing for triage, analysis, and reporting of system events. SERC will encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and will promote information sharing.
- SERC situation awareness activities will continue to leverage the use of technology to reduce the burden on SERC operating entities to provide monitoring information.
- Infrastructure protection activities will focus on response and recovery capabilities to minimize the impact of credible threats to the bulk power system.

2011 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.45 decrease in FTEs.
- Payroll taxes expense increased even though salary expense decreased due to an increase in payroll tax rates.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts expense increased by \$30,000 from the 2010 budget substantially for GIS software compatible with available geospatial data for improved visualization of the SERC region and user enhancements for the voice-over-internet hotline system used by SERC BA's, TOP's, and RC's.

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 2010, SERC budgeted \$50,000 for enhancements to the tracking database, including \$16,667 in depreciation expense. In 2011, all depreciation expense is being recorded in general and administrative, causing a decrease of \$33,333.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Situation Awareness and Infrastructure Security					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 1,281,104	\$ 1,281,104	\$ -	\$ 1,135,810	\$ (145,294)
Penalty Sanctions	71,611	71,611	-	90,374	18,763
Total ERO Funding	\$ 1,352,715	\$ 1,352,715	\$ -	\$ 1,226,184	\$ (126,531)
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	\$ 1,352,715	\$ 1,352,715	\$ -	\$ 1,226,184	\$ (126,531)
Expenses					
Personnel Expenses					
Salaries	\$ 577,571	\$ 573,718	\$ (3,853)	\$ 528,538	\$ (49,033)
Payroll Taxes	43,318	63,109	19,791	58,139	14,821
Benefits	58,483	44,554	(13,929)	56,874	(1,609)
Retirement Costs	54,150	53,354	(796)	46,886	(7,264)
Total Personnel Expenses	\$ 733,522	\$ 734,735	\$ 1,213	\$ 690,437	\$ (43,085)
Meeting Expenses					
Meetings	\$ 26,820	\$ 26,820	\$ -	\$ 21,375	\$ (5,445)
Travel	60,206	36,248	(23,958)	57,570	(2,636)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 87,026	\$ 63,068	\$ (23,958)	\$ 78,945	\$ (8,081)
Operating Expenses					
Consultants & Contracts	\$ 50,000	\$ 45,000	\$ (5,000)	\$ 80,000	\$ 30,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	16,667	-	(16,667)	-	(16,667)
Total Operating Expenses	\$ 66,667	\$ 45,000	\$ (21,667)	\$ 80,000	\$ 13,333
Total Direct Expenses	\$ 887,215	\$ 842,803	\$ (44,412)	\$ 849,382	\$ (37,833)
Indirect Expenses	\$ 424,516	\$ 379,065	\$ (45,451)	\$ 385,224	\$ (39,292)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,311,731	\$ 1,221,868	\$ (89,863)	\$ 1,234,606	\$ (77,125)
Change in Assets	\$ 40,984	\$ 130,847	\$ 89,863	\$ (8,422)	\$ (49,406)
Fixed Assets					
Depreciation	(16,667)	-	16,667	-	16,667
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	50,000	-	(50,000)	-	(50,000)
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (33,333)	\$ -	\$ 33,333	\$ -	\$ 33,333
Allocation of Fixed Assets	\$ (7,651)	\$ 6,132	\$ 13,783	8,422	\$ 16,073
Change in Fixed Assets	(40,984)	6,132	47,116	8,422	49,406
TOTAL CHANGE IN NET ASSETS	\$ -	\$ 136,979	\$ 136,979	\$ -	\$ -

Administrative Services

Administrative Services (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	11.60	13.75	2.15
Total Direct Expenses	\$ 3,446,454	\$ 4,093,373	\$ 646,919
Inc(Dec) in Fixed Assets	\$ (38,246)	\$ (89,276)	\$ (51,030)
Less: Other Funding Sources	\$ (20,000)	\$ (10,000)	\$ 10,000
Total Allocation to Statutory Programs as Indirect Expenses	\$ (3,426,454)	\$ (4,083,373)	\$ (656,919)
Funding Requirement for Working Capital	\$ -	\$ 144,368	\$ 144,368

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2011 based on the number of FTEs in those programs.

Technical Committees and Member 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.

2011 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2011.
- The current economic downturn will continue to adversely affect stakeholder travel budgets and resourcing for work in regional programs. SERC will need to develop methods to encourage active involvement with less travel and face-to-face meetings.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

2011 Goals and Key Deliverables

- 100 percent of SERC standing committees and their subgroups are operating under a documented committee management plan in support of a 3-year work-plan.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.15 increase in FTEs.

Meeting Expenses

- Decrease in meeting expenses of \$27,394 is due to the emphasis on the use of WebEx for meetings.

Operating Expenses

- In 2010, SERC used a consultant to enhance the portal for online collaboration. In 2011, costs include the continued maintenance and updates on the portal causing consultants and contracts to decrease by \$40,025.

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.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Technical Committees and Member Forums						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Other Funding	-	-	-	-	-	
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Expenses						
Personnel Expenses						
Salaries	\$ 385,904	\$ 388,569	\$ 2,665	\$ 410,899	\$ 24,995	
Payroll Taxes	28,943	42,743	13,800	45,199	16,256	
Benefits	24,694	27,165	2,471	29,270	4,576	
Retirement Costs	36,771	37,109	338	40,037	3,266	
Total Personnel Expenses	\$ 476,312	\$ 495,586	\$ 19,274	\$ 525,405	\$ 49,093	
Meeting Expenses						
Meetings	\$ 136,372	\$ 37,131	\$ (99,241)	\$ 108,978	\$ (27,394)	
Travel	67,325	16,572	(50,753)	63,929	(3,396)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 203,697	\$ 53,703	\$ (149,994)	\$ 172,907	\$ (30,790)	
Operating Expenses						
Consultants & Contracts	\$ 49,400	\$ 6,000	\$ (43,400)	\$ 9,375	\$ (40,025)	
Office Rent	-	-	-	-	-	
Office Costs	1,020	1,020	-	1,020	-	
Professional Services	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 50,420	\$ 7,020	\$ (43,400)	\$ 10,395	\$ (40,025)	
Total Direct Expenses	\$ 730,429	\$ 556,309	\$ (174,120)	\$ 708,707	\$ (21,722)	
Indirect Expenses	\$ (730,429)	\$ (556,309)	\$ 174,120	\$ (708,707)	\$ 21,722	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Fixed Assets						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-	
Change in Fixed Assets	-	-	-	-	-	
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	

General and Administrative

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.

2011 Key Assumptions

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

2011 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- Increase in personnel expenses for General and Administrative is due to the addition of two FTEs, an executive position and an attorney. All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative.

Meeting Expenses

- Increase in travel expense by \$30,731 due to all support travel has been reclassified into General and Administrative from IT, Legal and Finance.
- Increase in conference calls expense by \$18,000 is due to an emphasis on the use of technology for meetings

Operating Expenses

- Consultants and contractors increased by \$40,000 for continuous improvement activities such as self evaluation, corrective action, and bench marking.
- Office rent increased by \$40,101 due to a full year's expense on the additional office space leased, beginning in 2010.
- Office costs decreased by \$97,150 mainly due to the one time purchase of furniture and equipment for the additional office space during 2010.

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 depreciation of \$74,363 is due to a full year of depreciation expense on assets and leasehold improvements. Additionally, the increase in equipment of \$23,333 is for the purchase of a storage area network, which will provide an updated data storage and back-up system.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
General and Administrative					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ 144,368	\$ 144,368
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ -	\$ -	\$ -	\$ 144,368	\$ 144,368
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	80	80	-	-
Total Funding	\$ -	\$ 80	\$ 80	\$ 144,368	\$ 144,368
Expenses					
Personnel Expenses					
Salaries	\$ 1,083,942	\$ 958,041	\$ (125,901)	\$ 1,474,609	\$ 390,667
Payroll Taxes	81,296	91,085	9,789	162,207	80,911
Benefits	108,831	72,377	(36,454)	141,828	32,997
Retirement Costs	100,539	65,461	(35,078)	117,992	17,453
Total Personnel Expenses	\$ 1,374,608	\$ 1,186,964	\$ (187,644)	\$ 1,896,636	\$ 522,028
Meeting Expenses					
Meetings	\$ 11,750	\$ 39,003	\$ 27,253	\$ 16,400	\$ 4,650
Travel	28,416	33,296	4,880	59,147	30,731
Conference Calls	48,000	52,712	4,712	66,000	18,000
Total Meeting Expenses	\$ 88,166	\$ 125,011	\$ 36,845	\$ 141,547	\$ 53,381
Operating Expenses					
Consultants & Contracts	\$ -	\$ 4,500	\$ 4,500	\$ 40,000	\$ 40,000
Office Rent	255,591	251,019	(4,572)	295,692	40,101
Office Costs	255,987	317,892	61,905	158,837	(97,150)
Professional Services	20,000	18,464	(1,536)	15,000	(5,000)
Miscellaneous	-	8,816	8,816	-	-
Depreciation	38,246	80,052	41,806	112,609	74,363
Total Operating Expenses	\$ 569,824	\$ 680,743	\$ 110,919	\$ 622,138	\$ 52,314
Total Direct Expenses	\$ 2,032,598	\$ 1,992,718	\$ (39,880)	\$ 2,660,321	\$ 627,723
Indirect Expenses	\$ (2,032,598)	\$ (1,992,638)	\$ 39,960	\$ (2,660,321)	\$ (627,723)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ 80	\$ 80	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ 144,368	\$ 144,368
Fixed Assets					
Depreciation	(38,246)	(80,052)	(41,806)	(112,609)	(74,363)
Computer & Software CapEx	-	27,637	27,637	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	23,333	23,333
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ 38,246	\$ 52,415	\$ 14,169	\$ 89,276	\$ 51,030
Allocation of Fixed Assets	\$ (38,246)	\$ (52,415)	\$ (14,169)	(89,276)	\$ (51,030)
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ 144,368	\$ 144,368

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.
- Review legal documents, including notices of penalty, required to be filed with FERC
- Provide hearing services for all contested compliance actions, and other services as needed, such as transcription.
- Provide legal counsel as needed for SERC during compliance proceedings.
- Process all appeals of compliance actions in an effective and efficient manner.
- Liaison with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.

2011 Key Assumptions

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

2011 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

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

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Professional services decreased \$22,500 due to the hiring of an in-house counsel which will lower legal costs. As noted above under Personnel Expense, all in-house attorneys are recorded under the Compliance program.

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.

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Legal and Regulatory						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Other Funding	-	-	-	-	-	
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Expenses						
Personnel Expenses						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll Taxes	-	-	-	-	-	
Benefits	-	-	-	-	-	
Retirement Costs	-	-	-	-	-	
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Meeting Expenses						
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -	
Travel	-	-	-	-	-	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	27,500	8,194	(19,306)	5,000	(22,500)	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 27,500	\$ 8,194	\$ (19,306)	\$ 5,000	\$ (22,500)	
Total Direct Expenses	\$ 27,500	\$ 8,194	\$ (19,306)	\$ 5,000	\$ (22,500)	
Indirect Expenses	\$ (27,500)	\$ (8,194)	\$ 19,306	\$ (5,000)	\$ 22,500	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Fixed Assets						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-	
Change in Fixed Assets	-	-	-	-	-	
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	

Information Technology

Program Scope and Functional Description

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

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

2011 Key Assumptions

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

2011 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

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

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts are increasing by \$65,020 to support software development and hosting of the portal and hotline.
- Office costs are increasing by \$15,135 due to the server room modifications needed to meet relevant CIP requirements.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2011 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 decreased by \$100,000 due to the one time cost in 2010 for the purchase of a document management system.

Information Technology

Funding sources and related expenses for the information technology section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Information Technology						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Other Funding	-	-	-	-	-	
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Expenses						
Personnel Expenses						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll Taxes	-	-	-	-	-	
Benefits	-	-	-	-	-	
Retirement Costs	-	-	-	-	-	
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Meeting Expenses						
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -	
Travel	6,882	-	(6,882)	-	(6,882)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 6,882	\$ -	\$ (6,882)	\$ -	\$ (6,882)	
Operating Expenses						
Consultants & Contracts	\$ 518,400	\$ 522,710	\$ 4,310	\$ 583,420	\$ 65,020	
Office Rent	-	-	-	-	-	
Office Costs	90,590	148,392	57,802	105,725	15,135	
Professional Services	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 608,990	\$ 671,102	\$ 62,112	\$ 689,145	\$ 80,155	
Total Direct Expenses	\$ 615,872	\$ 671,102	\$ 55,230	\$ 689,145	\$ 73,273	
Indirect Expenses	\$ (615,872)	\$ (671,102)	\$ (55,230)	\$ (689,145)	\$ (73,273)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Fixed Assets						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	100,000	-	(100,000)	-	(100,000)	
Leasehold Improvements	-	-	-	-	-	
(Incr)Dec in Fixed Assets	\$ (100,000)	\$ -	\$ 100,000	\$ -	\$ 100,000	
Allocation of Fixed Assets	\$ 100,000	\$ -	\$ (100,000)	-	\$ (100,000)	
Change in Fixed Assets	-	-	-	-	-	
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	

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.

2011 Key Assumptions

- Average salary increase of 2%. This assumption is reflected in the salary expense budget for all program areas.
- Increase in insurance premiums of 15%. This assumption is reflected in the benefits expense budget for all program areas.

2011 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

In the 2011 and 2010 Business Plan and Budgets, there are no expenses related to Human Resources, as all personnel expenses for Human Resources are included under the General and Administrative program and there are no additional costs. Due to this, there are no significant changes requiring an explanation.

Human Resources

Funding sources and related expenses for the human resources section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Human Resources						
				Variance		Variance
	2010	2010	2010 Projection	v 2010 Budget	2011	2011 Budget
	Budget	Projection	v 2010 Budget	Over(Under)	Budget	v 2010 Budget
				Over(Under)		Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions					-	
Total ERO Funding	\$ -	\$ -	\$ -		\$ -	\$ -
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Other Funding	-	-	-		-	-
Total Funding	\$ -	\$ -	\$ -		\$ -	\$ -
Expenses						
Personnel Expenses						
Salaries	\$ -	\$ -	\$ -		\$ -	\$ -
Payroll Taxes					-	-
Benefits	-	-	-		-	-
Retirement Costs	-	-	-		-	-
Total Personnel Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Meeting Expenses						
Meetings	\$ -	\$ -	\$ -		\$ -	\$ -
Travel	-	-	-		-	-
Conference Calls	-	-	-		-	-
Total Meeting Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -		\$ -	\$ -
Office Rent	-	-	-		-	-
Office Costs	-	-	-		-	-
Professional Services	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Depreciation	-	-	-		-	-
Total Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Direct Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -		\$ -	\$ -
Fixed Assets						
Depreciation	-	-	-		-	-
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -		-	
Change in Fixed Assets	-	-	-		-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -		\$ -	\$ -

Finance and Accounting

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.

2011 Key Assumptions

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

2011 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Decrease in interest income of \$10,000 due to the decrease in market rates.

Personnel Expenses

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

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- There are no significant changes requiring an explanation.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

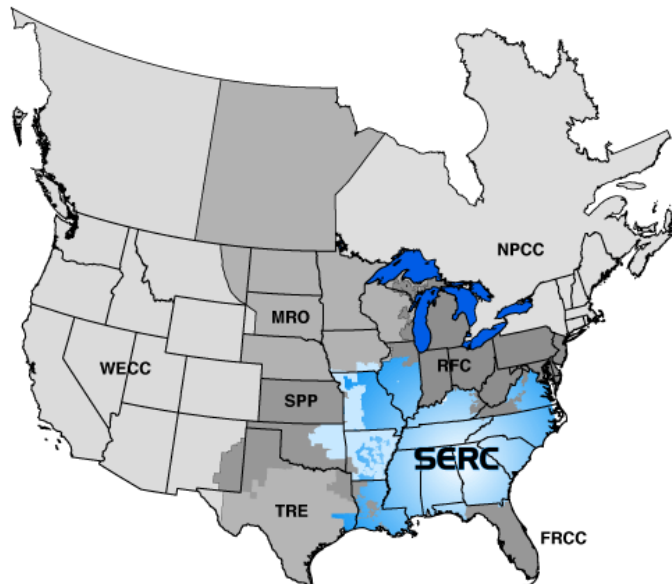
- There are no significant changes requiring an explanation.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Finance and Accounting						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Workshops	-	-	-	-	-	
Interest	20,000	14,910	(5,090)	10,000	(10,000)	
Other Funding	-	-	-	-	-	
Total Funding	\$ 20,000	\$ 14,910	\$ (5,090)	\$ 10,000	\$ (10,000)	
Expenses						
Personnel Expenses						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll Taxes	-	-	-	-	-	
Benefits	-	-	-	-	-	
Retirement Costs	-	-	-	-	-	
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Meeting Expenses						
Meetings	\$ 275	\$ -	\$ (275)	\$ -	\$ (275)	
Travel	1,480	-	(1,480)	-	(1,480)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 1,755	\$ -	\$ (1,755)	\$ -	\$ (1,755)	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	5,000	5,100	100	5,000	-	
Professional Services	33,300	21,667	(11,633)	25,200	(8,100)	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 38,300	\$ 26,767	\$ (11,533)	\$ 30,200	\$ (8,100)	
Total Direct Expenses	\$ 40,055	\$ 26,767	\$ (13,288)	\$ 30,200	\$ (9,855)	
Indirect Expenses	\$ (20,055)	\$ (11,857)	\$ 8,198	\$ (20,200)	\$ (145)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 20,000	\$ 14,910	\$ (5,090)	\$ 10,000	\$ (10,000)	
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Fixed Assets						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	
Allocation of Fixed Assets		\$ -		-		
Change in Fixed Assets	-	-	-	-	-	
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	

Section B – Supplemental Financial Information 2011 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2010-2011	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2009	\$ 2,053,151
Less: Penalty sanctions to be used as offset to 2011 assessments, received prior to 12/31/09	(424,000)
Plus: Penalty sanctions to be used as offset to 2011 assessments ¹	919,000
Plus: 2010 ERO Funding (from LSEs or designees)	9,831,277
Plus: 2010 Other funding sources	256,570
Less: 2010 Projected expenses & capital expenditures	(10,665,847)
Projected Working Capital Reserve (Deficit), December 31, 2010	\$ 1,970,151
Desired Working Capital Reserve, December 31, 2011	² 1,195,519
Less: Projected Working Capital Reserve, December 31, 2010	(1,970,151)
Plus: Penalty sanctions to be used as offset to 2011 assessments	919,000
Increase(decrease) in assessments to achieve desired Working Capital Reserve	\$ 144,368
2011 Expenses and Capital Expenditures	\$ 11,776,640
Less: Penalty Sanctions ¹	(919,000)
Less: Other Funding Sources	(330,500)
Adjustment to achieve desired Working Capital Reserve	144,368
2011 ERO Assessment	\$ 10,671,508

¹ Represents collections on or prior to June 30, 2010. See page 50 or full disclosure.

² As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to up to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors. The reserve was established for contingencies.

Explanation of Changes in Reserve Policy from Prior Years

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

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures, page 14, of the 2011 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, 2010 are to be used to offset assessments in the 2011 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, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to July 1, 2010 are detailed below, including Company, the amount, and date received.

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

Table B-2

Name of Entity	Date Received	Amount Received
Penalty payment 1	12-Aug-2009	\$ 10,000
Penalty payment 2	30-Oct-2009	100,000
Penalty payment 3	2-Nov-2009	50,000
Penalty payment 4	4-Nov-2009	15,000
Penalty payment 5	9-Nov-2009	100,000
Penalty payment 6	8-Dec-2009	6,000
Penalty payment 7	17-Dec-2009	8,000
Penalty payment 8	28-Dec-2009	10,000
Penalty payment 9	5-Jan-2010	115,000
Penalty payment 10	5-Jan-2010	10,000
Penalty payment 11	8-Feb-2010	3,000
Penalty payment 12	12-Feb-2010	11,000
Penalty payment 13	12-Feb-2010	11,000
Penalty payment 14	24-Feb-2010	150,000
Penalty payment 15	10-Mar-2010	140,000
Penalty payment 16	10-Mar-2010	20,000
Penalty payment 17	22-Mar-2010	5,000
Penalty payment 18	26-Mar-2010	35,000
Penalty payment 19	29-Mar-2010	10,000
Penalty payment 20	29-Mar-2010	15,000
Penalty payment 21	30-Mar-2010	3,000
Penalty payment 22	30-Mar-2010	7,500
Penalty payment 23	1-Apr-2010	7,500
Penalty payment 24	1-Apr-2010	7,500
Penalty payment 25	10-May-2010	7,000
Penalty payment 26	10-May-2010	7,500
Penalty payment 27	11-May-2010	2,000
Penalty payment 28	17-May-2010	2,000
Penalty payment 29	17-May-2010	2,000
Penalty payment 30	17-May-2010	10,000
Penalty payment 31	20-May-2010	20,000
Penalty payment 32	20-May-2010	10,000
Penalty payment 33	25-May-2010	9,000
Total Penalties Received		\$ 919,000

Table B-3 - Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Other Funding	\$ -	\$ -	\$ 40,000	\$ 40,000
Total	\$ -	\$ -	\$ 40,000	\$ 40,000
Reliability Assessment and Performance Analysis				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 272,406	\$ 241,580	\$ 280,500	\$ 8,094
Total	\$ 272,406	\$ 241,580	\$ 280,500	\$ 8,094
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Miscellaneous	\$ -	\$ 80	\$ -	\$ -
Total	\$ -	\$ 80	\$ -	\$ -
Finance				
Interest	\$ 20,000	\$ 14,910	\$ 10,000	\$ (10,000)
Total	\$ 20,000	\$ 14,910	\$ 10,000	\$ (10,000)
Total Outside Funding	\$ 292,406	\$ 256,570	\$ 330,500	\$ 38,094

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

Other funding increased \$40,000 due to SERC expects to perform Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity.

Interest income decreased \$10,000 due to the decrease in market rates.

Table B-4 - Personnel Expenses

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Salaries					
Salaries	\$ 5,919,604	\$ 5,862,906	\$ 6,720,718	\$ 801,114	13.5%
Employment Agency Fees	-	130,000	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 5,919,604	\$ 5,992,906	\$ 6,720,718	\$ 801,114	13.5%
Total Payroll Taxes	\$ 443,971	\$ 644,920	\$ 739,279	\$ 295,308	66.5%
Benefits					
Workers Compensation	\$ 13,000	\$ -	\$ -	\$ (13,000)	-100.0%
Medical Insurance	405,102	470,153	606,193	201,091	49.6%
Life-LTD-LTC Insurance	43,468	21,051	34,855	(8,613)	-19.8%
Education	39,599	12,000	47,607	8,008	20.2%
Relocation	35,000	40,000	35,000	-	0.0%
Total Benefits	\$ 536,169	\$ 543,204	\$ 723,655	\$ 187,486	35.0%
Retirement					
Discretionary 401k Contribution	\$ 262,127	\$ 8,607	\$ -	\$ (262,127)	-100.0%
Savings Plan	293,340	9,540	584,444	291,104	99.2%
Total Retirement	\$ 555,467	\$ 18,146	\$ 584,444	\$ 28,977	5.2%
Total Personnel Costs	\$ 7,455,211	\$ 7,199,176	\$ 8,768,096	\$ 1,312,885	17.6%
FTEs	45.5	47.5	53.5	8	17.6%
Cost per FTE					
Salaries	\$ 130,101	\$ 126,166	\$ 125,621	(4,480)	-3.4%
Payroll Taxes	9,758	13,577	13,818	4,061	41.6%
Benefits	11,784	11,436	13,526	1,742	14.8%
Retirement	12,208	382	10,924	(1,284)	-10.5%
Total Cost per FTE	\$ 163,851	\$ 151,562	\$ 163,890	\$ 39	0.0%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

Salaries increased \$801,114 and payroll taxes increased \$295,308 due to the addition of 8 employees compared to 2010 budget. A total of 2 FTEs were added in 2010 compared to the budget. The Compliance program added a registration and certification engineer to ensure that all applicable users, owners and operators of the bulk-power system within the SERC region are properly registered and certified for compliance with NERC and Regional Reliability Standards and a CIP auditor was added to address the technical feasibility exceptions. These additions have been made in 2010 to meet critical needs to enable the organization to function effectively. The costs of these additional employees will be offset in 2010 by vacancies in other positions and funded through the reserve if necessary. In 2011, the additional employees in compliance include two auditors, and two enforcement engineers, and in general and administrative, an executive position and an attorney. The budget reflects an increase in salary for existing staff of 2%.

Medical insurance increased \$201,091 due to premium increases.

Retirement costs increased \$28,977 due to the overall staffing increases and budgeted salary increases as noted above.

Table B-5 - Consultants and Contracts

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	76,500	78,237	95,000	18,500	24%
Reliability Assessment and Performance Analysis	160,000	130,000	149,000	(11,000)	-7%
Training and Education	18,750	25,000	35,000	16,250	87%
Situation Awareness and Infrastructure Security	50,000	45,000	25,000	(25,000)	-50%
Committee and Member Forums	49,400	6,000	9,375	(40,025)	-81%
General and Administrative	-	4,500	40,000	40,000	
Legal and Regulatory	-	-	-	-	
Information Technology	-	378	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 354,650	\$ 289,115	\$ 353,375	\$ (1,275)	0%
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Contracts					
Computer & Communications Support	\$ 121,200	\$ 142,420	\$ 128,700	\$ 7,500	
IT Web and Portal Support	333,300	358,975	414,906	81,606	
Checkout Tool	150,000	120,000	132,000	(18,000)	
Hotline Maintenance	21,800	22,388	30,000	8,200	
Website redesign	-	-	25,000	25,000	
Document management support	-	18,312	11,100	11,100	
Subtotal - Software Contracts	626,300	662,095	741,706	115,406	18%
Situation Awareness and Infrastructure Security					
Inter7 Hotline Enhancements	-	-	10,000	10,000	
Database design - custom basemaps and transmission overlay	-	-	35,000	35,000	
Root-Cause Analysis / Risk decision tree software tool	-	-	10,000	10,000	
Subtotal - Situation Awareness and Infrastructure Security	-	-	55,000	55,000	100%
Education and Training					
Virtual Simulator	160,500	160,500	-	(160,500)	
Subtotal - Education and Training Contracts	160,500	160,500	-	(160,500)	-100%
Contracts Total	\$ 786,800	\$ 822,595	\$ 796,706	\$ 9,906	1%
Total Consulting and Contracts	\$ 1,141,450	\$ 1,111,710	\$ 1,150,081	\$ 8,631	1%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

A decrease of \$25,000 in consultants in the Situation Awareness and Infrastructure Security program relates to removal of data collection activities to support situation awareness reporting to FERC and NERC staff, as this was performed in 2010.

A decrease of \$40,025 in consultants in Committee and Member Forums is due to the costs for continued maintenance and updates for work performed in 2010 on the portal.

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

An increase of \$115,406 in software contracts in is due various projects, including redesigning of the SERC website; additional consortium projects and support for the document management system.

An increase of \$55,000 in contracts in the Situation Awareness and Infrastructure Security program is primarily for GIS software compatible with available geospatial data for improved visualization of the SERC region and user enhancements for the voice-over-internet hotline system used by SERC BA's, TOP's, and RC's.

A decrease of \$160,500 in contracts in Education and Training is due to a one time expense of a restoration training simulator for 2010.

Table B-6 – Office Rent

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ 255,591	\$ 251,019	\$ 295,692	40,101	15.69%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	\$ 255,591	\$ 251,019	\$ 295,692	\$ 40,101	15.69%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

In 2010, SERC 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-7 – Office Costs

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Telephone	\$ 122,280	107,045	\$ 117,940	\$ (4,340)	-3.55%
Internet	-	-	-	-	
Office Supplies	131,264	200,738	37,934	(93,330)	-71.10%
Computer Supplies and Maintenance	77,690	148,392	116,725	39,035	50.24%
Publications & Subscriptions	-	65	-	-	
Dues	5,000	3,240	2,000	(3,000)	-60.00%
Postage	2,000	1,708	2,000	-	0.00%
Express Shipping	4,000	1,976	2,000	(2,000)	-50.00%
Copying	8,000	5,500	5,000	(3,000)	-37.50%
Reports	-	-	-	-	
Equipment Repair/Service Contracts	7,023	8,300	9,223	2,200	31.33%
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	5,000	5,100	5,000	-	0.00%
Presentation & Publicity	-	-	-	-	
Total Office Costs	\$ 362,257	\$ 482,064	\$ 297,822	\$ (64,435)	-17.79%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

Decrease in office supplies of \$93,330 is due to a one time expense for the additional furniture and equipment needed to furnish the new office space in 2010.

Increase in computer supplies and maintenance of \$39,035 is due to an increase in planned purchases of computers and equipment to replace existing staff computers in accordance with a three year replacement term.

Table B-8 – Professional Services

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ -	\$ -	\$ -	\$ -	
Legal Fees	45,000	38,183	25,000	(20,000)	-44.44%
Accounting & Auditing Fees	33,300	21,667	25,200	(8,100)	-24.32%
Insurance Commercial	20,000	18,464	15,000	(5,000)	-25.00%
Total Services	\$ 98,300	\$ 78,314	\$ 65,200	\$ (33,100)	-33.67%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

Legal fees include outside legal and other legal. Outside legal expenses include charges in support of regulatory matters. Other legal fees represent charges for all other legal matters. Decrease in outside legal expense of \$15,000 and \$5,000 in other legal expense as SERC has in-house legal counsel to help with compliance filings.

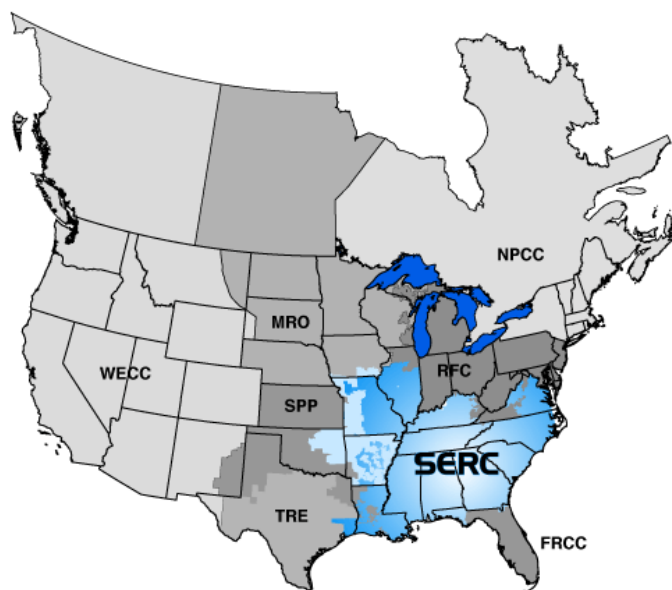
Table B-9 – Other Non-operating Expenses

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

No significant variances.

Section C – Non-Statutory Activities 2011 Business Plan and Budget



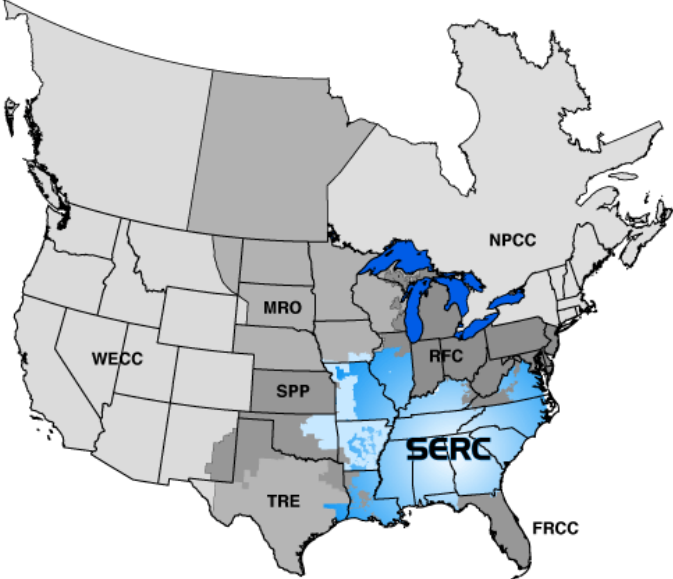
Section C — 2010 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	-	-	-
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	-	-	-

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

Section D – Additional Consolidated Financial Statements

2011 Business Plan and Budget



Section D

2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											Non-Statutory Functions			
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	Non-Statutory Total	
Funding																		
ERO Funding																		
ERO Assessments	10,671,508	10,671,508	-	10,671,508	532,975	7,215,911	1,202,185	440,259	1,135,810	-	144,368	-	-	-	-	-	-	-
Penalty Sanctions	919,000	919,000	-	919,000	42,174	634,625	109,653	42,174	90,374	-	-	-	-	-	-	-	-	-
Total ERO Funding	11,590,508	11,590,508	-	11,590,508	575,149	7,850,536	1,311,838	482,433	1,226,184	-	144,368	-	-	-	-	-	-	-
Workshops	280,500	280,500	-	280,500	-	-	-	280,500	-	-	-	-	-	-	-	-	-	-
Interest	10,000	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Other Funding	40,000	40,000	-	40,000	-	40,000	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	11,921,008	11,921,008	-	11,921,008	575,149	7,890,536	1,311,838	762,933	1,226,184	-	144,368	-	-	-	-	-	-	10,000
Expenses																		
Personnel Expenses																		
Salaries	6,720,718	6,720,718	-	6,720,718	249,272	3,346,925	474,380	237,095	528,538	410,899	1,474,609	-	-	-	-	-	-	-
Payroll Taxes	739,279	739,279	-	739,279	27,310	369,182	52,182	26,080	58,139	45,199	162,207	-	-	-	-	-	-	-
Benefits	723,655	723,655	-	723,655	26,281	396,309	52,060	21,033	56,874	29,270	141,828	-	-	-	-	-	-	-
Retirement Costs	584,444	584,444	-	584,444	23,961	291,778	40,927	22,863	46,886	40,037	117,992	-	-	-	-	-	-	-
Total Personnel Expenses	8,768,096	8,768,096	-	8,768,096	325,824	4,403,174	619,549	307,071	690,437	525,405	1,896,636	-	-	-	-	-	-	-
Meeting Expenses																		
Meetings	458,258	458,258	-	458,258	46,720	15,375	42,050	207,360	21,375	108,978	16,400	-	-	-	-	-	-	-
Travel	652,158	652,158	-	652,158	26,764	377,810	29,277	37,661	57,570	63,929	59,147	-	-	-	-	-	-	-
Conference Calls	66,000	66,000	-	66,000	-	-	-	-	-	-	66,000	-	-	-	-	-	-	-
Total Meeting Expenses	1,176,416	1,176,416	-	1,176,416	73,484	393,185	71,327	245,021	78,945	172,907	141,547	-	-	-	-	-	-	-
Operating Expenses																		
Consultants & Contracts	1,150,081	1,150,081	-	1,150,081	-	253,286	149,000	35,000	80,000	9,375	40,000	-	583,420	-	-	-	-	-
Office Rent	295,692	295,692	-	295,692	-	-	-	-	-	-	295,692	-	-	-	-	-	-	-
Office Costs	297,822	297,822	-	297,822	-	7,440	19,800	-	-	1,020	158,837	-	105,725	-	-	-	5,000	-
Professional Services	65,200	65,200	-	65,200	-	20,000	-	-	-	-	15,000	5,000	-	-	-	-	-	25,200
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	112,609	112,609	-	112,609	-	-	-	-	-	-	112,609	-	-	-	-	-	-	-
Total Operating Expenses	1,921,404	1,921,404	-	1,921,404	-	280,726	168,800	35,000	80,000	10,395	622,138	5,000	689,145	-	-	-	-	30,200
Total Direct Expenses	11,865,916	11,865,916	-	11,865,916	399,308	5,077,085	859,676	587,092	849,382	708,707	2,660,321	5,000	689,145	-	-	-	-	30,200
Indirect Expenses																		
	-	-	-	-	179,771	2,876,338	462,269	179,771	385,224	(708,707)	(2,660,321)	(5,000)	(689,145)	-	-	-	-	(20,200)
Other Non-Operating Expenses																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	11,865,916	11,865,916	-	11,865,916	579,079	7,953,423	1,321,945	766,863	1,234,606	-	-	-	-	-	-	-	-	10,000
Change in Assets	55,092	55,092	-	55,092	(3,930)	(62,887)	(10,107)	(3,930)	(8,422)	-	144,368	(10,107)	-	-	-	-	-	-
Fixed Assets																		
Depreciation	(112,609)	(112,609)	-	(112,609)	-	-	-	-	-	-	(112,609)	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	23,333	23,333	-	23,333	-	-	-	-	-	-	23,333	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	89,276	89,276	-	89,276	-	-	-	-	-	-	89,276	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	3,930	62,887	10,107	3,930	8,422	-	(89,276)	-	-	-	-	-	-	-
Change in Fixed Assets	89,276	89,276	-	89,276	3,930	62,887	10,107	3,930	8,422	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	144,368	144,368	-	144,368	-	-	-	-	-	-	144,368	-	-	-	-	-	-	-
FTEs	53.5	53.5	-	53.50	1.75	28.00	4.50	1.75	3.75	2.75	11.00	-	-	-	-	-	-	-

Statement of Financial Position

- As of December 31, 2009, per audit
- As of December 31, 2010, projected
- As of December 31, 2011, as budgeted

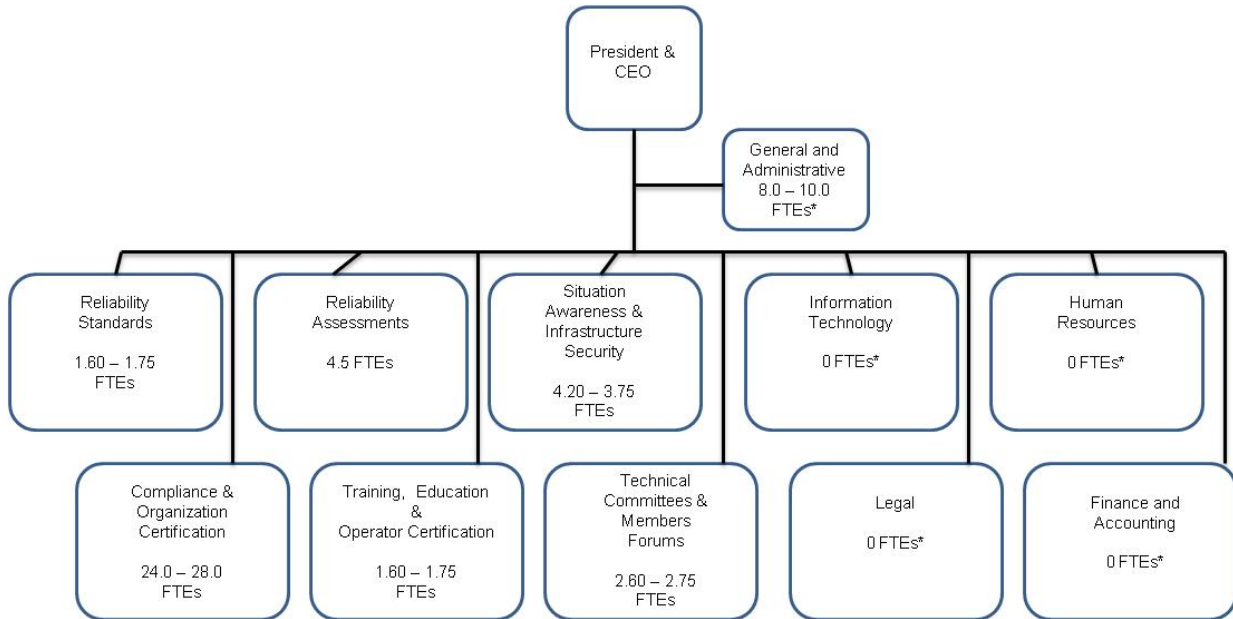
Statement of Financial Position
2009 Audited, 2010 Projection, and 2011 Budget
STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
ASSETS			
Cash	2,792,743	3,260,660	2,986,592
Accounts receivable	166,656	-	-
Other receivables	-		
Prepaid expenses and other current assets	114,758	50,000	50,000
Property and equipment, net	220,998	214,298	255,600
Total Assets	3,295,155	3,524,958	3,292,192
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,201,940	1,200,000	1,200,000
Deferred income	1,020,555	1,000,000	600,000
Total Liabilities	2,222,495	2,200,000	1,800,000
Net Assets - unrestricted	1,072,660	1,324,958	1,492,192
Total Liabilities and Net Assets	3,295,155	3,524,958	3,292,192

Organizational Chart

SERC Reliability Corporation Organization Chart

2010 Projected FTEs 47.5
2011 Budgeted FTEs 53.5



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