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SERC Reliability Corporation

2009 Business Plan and Budget

Final

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Introduction

Total RE Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	43			
Non-statutory FTEs	0			
Total FTEs	43			
Statutory Expenses	\$10,095,546	\$10,095,546	0	0
Non-statutory Expenses	0	0	0	0
Total Expenses	\$10,095,546	\$10,095,546	0	0
ERO Funding Assessment	\$9,652,546	\$9,652,546	0	0
Member Funding Assessments	\$0	\$0	0	0
Total Funding Assessments	\$9,652,546	\$9,652,546	0	0
NEL	1,048,169,675 MWhr	1,048,169,675 MWhr	0	0
NEL %	100%	100%	0	0

Background

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the Region serve approximately 23% of the net energy for load (NEL) in North America and 30% of the NEL in the Eastern Interconnection.

SERC executed an agreement with the North American Electric Reliability Corporation (NERC) on May 2, 2007, for the purpose of delegating to SERC certain responsibilities and authorities of a regional entity as defined by Section 215 of the Federal Power Act; Chapter I, Title 18, Code of Federal Regulations, Part 39; other Federal Energy Regulatory Commission (FERC) regulations and directives, and NERC rules of procedure.

SERC, initially called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the southeast. Throughout its history, SERC has been successful in promoting reliability of the bulk power system using an industry self-regulatory model, relying on reciprocity, peer influence, and the mutual reliability focus of owners, operators, and users of the bulk power system to ensure that the system remained reliable and secure.

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005 to position SERC to become a regional entity with an appropriate stakeholder governance structure. In April 2006 SERC changed its name to SERC Reliability Corporation.

SERC has a 2009 targeted staffing level of 43 power industry professionals and support personnel.

Membership and Governance

SERC monitors approximately 225 entities in the region for compliance with mandatory reliability standards. Membership in SERC, which is voluntary and free, affords participants the

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opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of SERC is approximately 60.

SERC is governed by a Board of Directors, comprised of a representative from each member of the corporation. The Board of Directors delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The board has also formed a Board Compliance Committee to oversee the compliance of registered entities in the Region to FERC-approved reliability standards. In October 2007, the board formed a Compensation and Human Resources Committee to advise the President, board officers, and the board on matters of employee compensation and human resources.

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

Statutory Functional Scope

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

- Active participation in the development of North American reliability standards for the bulk-power system, and as needed development of reliability standards applicable within the SERC Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the bulk-power system.
- Assisting NERC in the readiness evaluation of certain responsible entities within the SERC Region, as well as other regions.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.
- Promoting situation awareness and the protection of critical infrastructure.

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

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

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

2009 Goals

In addition to continuing the efforts to establish SERC as an effective regional entity, the SERC 2009 business plan and budget are driven by the following goals for 2009:

1. **Enforcement Accountability** – SERC will perform its delegated compliance enforcement responsibilities so as to achieve a reputation as a regional entity that is firm, fair, objective, independent, and consistent in carrying out its delegated enforcement authorities. SERC will protect confidential compliance information while striving to achieve a high level of transparency with respect to compliance process and expectations.
2. **Auditably Compliant** – SERC will establish the necessary processes, controls, and documentation management to be continuously prepared for external audit of its regional entity operations.
3. **Reliability Focus** – SERC will ensure a reliability focus in its work and will facilitate bulk power system reliability improvement. SERC will introduce reliability benchmarking and trend analysis within the region for the purpose of evaluating regional reliability performance.
4. **Customer Focus** – SERC will develop and strengthen relations with its members, registered entities, and other reliability stakeholders, including NERC and applicable regulatory authorities, and achieve a reputation as a regional entity dedicated to the public's interest in the reliability of the Nation's bulk power system.
5. **Learning Organization** – SERC will be a learning organization, focused on self-assessment, feedback from stakeholders, and continuous improvement. SERC will be more proactive in anticipating and preparing for externalities affecting the region and reliability stakeholders, including evolving reliability standards, rules, and directives.
6. **Information Management** – SERC will improve the transparency and user friendliness of both the public and nonpublic web sites. SERC will streamline and, to the extent practical, automate data gathering to reduce the overall burden on registered entities and members. SERC will facilitate more effective and seamless information exchange across regional entities and NERC.
7. **Competency** – SERC will initiate a sustainable model to attract, develop, and retain highly competent and motivated staff. SERC will explore and selectively develop mechanisms for resource sharing with NERC and other regions in specialized areas with scarce resources.
8. **Productive and Efficient Provider** – SERC will leverage its size and other efficiencies to remain the most productive and cost-effective regional entity, while maintaining performance excellence.

Major Cost Impacts in 2009

SERC proposes to increase its operating budget from \$7,991,021 in 2008 to \$10,095,546 in 2009, an increase of \$2,104,525 or 26.3%. Assessments are proposed to increase from \$7,775,521 to \$9,652,546, a 24.1% increase. SERC believes that in 2009 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 2009 budget compared to the 2008 budget). The most significant impacts on budget are in the area of payroll due to increased staffing, which is described as three components:

- **Staff added in 2008** – Administrative staff has been added during 2008 to address heavier than expected administrative workload and recordkeeping. A total of 4.5 FTEs have been added in 2008 compared to the budget. The Compliance Program has added two administrative assistants, one each for the audit branch and enforcement branch. Additionally, a halftime associate compliance engineer has changed to fulltime status. The Reliability Assessment Program has added one executive assistant and one technical analyst to address increased reporting and data management requirements resulting from NERC reliability assessment initiatives. These additions have been made in 2008 to meet critical needs to enable the organization to function effectively. These changes also were more cost effective than using engineers and auditors to perform administrative tasks. The costs of these additional employees will be offset in 2008 by attrition and vacancies in other positions, such as compliance auditors and manager of engineering and planning. For 2009, the proposed budget impact of the additional 4.5 FTEs is \$387,058 including salary and benefits.
- **Staff additions proposed in 2009** – The targeted staffing level for 2009 is 43 FTEs, an increase of an additional 6.5 FTEs compared to 2008 actual and 11 compared to 2008 budget. Of these, 4.5 are in compliance: one critical infrastructure protection (CIP) auditor, one CIP enforcement engineer, one associate auditor, one associate compliance engineer, and a coordinator of spot audits working halftime. The other two new positions are in the Reliability Services Program: a new manager of CIP to assist SERC registered entities in meeting the increasing demands for security of the bulk power system and a reliability engineer to assist in the area of situation awareness, disturbance analysis, and reliability improvement. For 2009, the budget impact of the additional 6.5 FTEs is \$946,899 fully loaded.
- **Cost increase for maintaining staff budgeted in 2008** – The remaining increase in personnel costs of \$192,214, or 3.6% compared to 2008 reflects increases in salary for existing staff combined with savings that have been realized in the cost of employee benefits and salary reductions in several positions due to turnover.

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

- **Reserve** – \$210,453 to maintain a cash reserve of 10% of the annual statutory operating costs.
- **Meetings and travel** – An increase of \$478,292 or 60.7% in the cost of meetings and travel to reflect a substantial increase in the number of meetings and travel costs. This level of increase is consistent with actual experience in the fourth quarter of 2007 and first quarter of 2008 (in other words the 2008 budget for meetings and travel was understated due to lack of an experience base upon which to forecast estimates for 2008).

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The remaining year-to-year decrease of \$110,391 or 1.4% reflects an effort to keep all other operating expenses flat from 2008 to 2009, which was expected because of one-time expenses budgeted in 2008 for furnishing and building infrastructure in the new office.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.33	1.4	1.4
Total Direct Expenses	317,071	313,910	292,873
Total Indirect Expenses ¹	155,316	133,390	119,645
Total Expenses	472,387	447,300	412,518

Background

SERC as a whole is a strong proponent of a stakeholder-driven, ANSI-accredited standards development process at NERC and of a consistent set of North American-wide reliability standards for the bulk power system. The members of SERC have a long tradition of active participation in the development of NERC reliability standards and their predecessor operating policies and planning standards. Typically there are 75 or more SERC member volunteer experts represented on over 25 NERC SAR and standard drafting teams. SERC members are also active on the NERC Standards Committee and related groups such as the NERC Functional Model Working Group and the NERC Compliance and Certification Committee.

Program Description and Functions Performed

The reliability standards program ensures SERC members are informed of NERC standards activities and have opportunities to participate actively. This is achieved through sharing of notices and information and working closely with members to ensure NERC drafting teams and committees are well represented by experts from the region. To promote consistency and uniformity of reliability standards at NERC and among the regions, the Manager of Reliability Standards attends NERC Standards Committee meetings as an observer and serves as the SERC representative on the NERC Regional Reliability Standards Working Group.

As a proponent of uniform North American reliability standards, SERC focuses on the development of standards at NERC and does not currently envision active development of regional standards, except as required by NERC's Reliability Standards Three-Year Work Plan or to meet specific regional reliability needs. Regional standards are developed through SERC's Regional Reliability Standards Development Procedure, which has been approved by FERC. SERC has formed a Standards Committee within the region to facilitate regional standards development. A key focus in 2009 is completing the initial regional reliability standards assigned by NERC to the regions.

In addition to standards, SERC has historically maintained a set of "SERC Supplements" to promote good utility practice and consistency in achieving compliance with reliability standards. SERC is in the process of reviewing and updating these documents to distinguish them as regional criteria, guidelines, procedures, reference documents, and white papers, and to ensure all of the documents are current with approved reliability standards.

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

2009 Goals and Objectives

1. Execute the 2009 standards work plan and develop regional reliability standards as required to supplement NERC standards.
2. Promote strong, consistent North American reliability standards through active engagement of SERC stakeholders in standards development and SERC participation and leadership in the NERC standards process and interregional coordination.
3. Improve clarity of the approved standards by providing transparent, experience-based lessons learned from compliance monitoring and enforcement, and by requesting formal interpretations through the NERC process as needed.
4. Develop and update SERC guidelines, procedures, reference documents, and white papers as part of the ongoing conversion of SERC supplements.
5. Maintain document control and objective evidence to demonstrate SERC's compliance with NERC reliability standards and the NERC-SERC delegation agreement.

Regional Entity Reliability Standards Development

SERC has current plans to complete four regional reliability standards, as directed by the NERC's Reliability Standards Three-Year Work Plan. This plan spans multiple budget years and will develop regional standards in the following areas:

- Underfrequency Load Shedding (PRC-006) – Development began in 2008. Will seek stakeholder ballot and SERC board approval by December 2008.
- Disturbance Control Performance (BAL-002) – Will begin development in January 2009 and seek stakeholder ballot and SERC board approval by September 2009.
- Disturbance Monitoring Equipment (PRC-002) – Will begin development in February 2009 and seek stakeholder ballot and SERC board approval by October 2009.
- Special Protection Systems (PRC-012, 013, 014, 015 & 016) – In accordance with NERC three-year plan work will begin approximately first quarter 2010.

Additionally, any requestor may propose a regional standard for development in accordance with SERC's Regional Reliability Standard Development Procedure.

Funding Requirements — Explanation of Increase (Decrease)

Reliability Standards Program funding requirements are steady from 2008 to 2009, with a modest decrease of 7.6% due to increased use of conference calls and meetings in the SERC office in lieu of meetings in external facilities and elimination of outside professional services.

Staffing Needs

Hiring Plans - This function is currently served by 1 FTE Manager of Standards Development and no new hires or increases in staffing are anticipated. The slight fractional increase from 1.33 to 1.4 FTE reflects the fact that the Director of Reliability Services and the department executive assistant support five functions in 2009 compared to six in 2008 (Reliability Assessment program was separated).

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Section A — 2009 Business Plan

Contractors - Contract and vendor support services are anticipated to be utilized to support developing and maintaining computer-based productivity, information delivery and document tracking tools as described in the section on Information Technology.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 317,071	\$ 317,071	\$ -	\$ 292,873	\$ (24,198)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 317,071	\$ 317,071	\$ -	\$ 292,873	\$ (24,198)
Expenses					
Personnel Expenses					
Salaries	\$ 184,021	\$ 195,649	\$ 11,628	\$ 204,634	\$ 8,985
Payroll Taxes	11,260	15,652	4,392	15,348	(304)
Benefits	25,644	15,541	(10,103)	18,746	3,205
Retirement Costs	19,140	24,951	5,811	19,427	(5,524)
Total Personnel Expenses	\$ 240,065	\$ 251,793	\$ 11,728	\$ 258,155	\$ 6,362
Meeting Expenses					
Meetings	\$ 14,340	\$ 6,374	\$ (7,966)	\$ 8,650	\$ 2,276
Travel	10,770	23,852	13,082	8,130	(15,722)
Conference Calls	-	1,868	1,868	977	(891)
Total Meeting Expenses	\$ 25,110	\$ 32,094	\$ 6,984	\$ 17,757	\$ (14,337)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	7,414	7,114	(300)	5,967	(1,147)
Office Costs	11,544	12,026	482	7,738	(4,288)
Professional Services	20,000	9,708	(10,292)	977	(8,731)
Computer Purchase & Maintenance	1,553	-	(1,553)	-	-
Furniture & Equipment	11,385	-	(11,385)	2,279	2,279
Miscellaneous	-	1,175	1,175	-	(1,175)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 51,896	\$ 30,023	\$ (21,873)	\$ 16,961	\$ (13,062)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 317,071	\$ 313,910	\$ (3,161)	\$ 292,873	\$ (21,037)
Change in Assets	\$ -	\$ 3,161	\$ 3,161	\$ -	\$ (3,161)

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	14.2	17	21.5
Total Direct Expenses	3,393,665	3,493,990	4,805,617
Total Indirect Expenses	1,658,260	1,619,735	1,837,408
Total Expenses	5,051,925	5,113,725	6,643,025

Background

As a regional entity, SERC implements the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor, assess, and enforce compliance with reliability standards by the owners, operators, and users in SERC. SERC's Compliance Monitoring and Enforcement Program is responsible for conducting all compliance assessments and recommending confirmation or dismissal of violations and recommending penalties and sanctions.

The NERC Compliance Monitoring and Enforcement Program defines eight methods for identifying alleged violations: self reporting, self certification, compliance audits, spot checks, compliance violation investigations, exception reporting, complaints or periodic data submittal. Each alleged violation will be evaluated by SERC and, if confirmed, will have an appropriate sanction and penalty recommended to NERC and FERC.

To augment the NERC Compliance Monitoring and Enforcement Program, SERC has developed a set of internal procedures to ensure consistency among the staff in the execution of delegated functions. SERC has also significantly expanded and developed the competencies of its compliance staff, while continuing to extensively engage the technical expertise and active participation of industry subject matter experts on advisory committees and audit teams.

SERC has been a leader in the development of an information management system to facilitate the gathering, analysis, and retention of compliance data and to provide a user-friendly interface for input of data by registered entities. In 2008 a majority of regions and NERC have become interested in or adopted SERC's compliance information system platform, otherwise known as the SERC Portal, to meet their needs. SERC is facilitating the startup of a consortium to share resources and expertise in the continuing development of electronic tools to improve compliance information tools.

SERC's compliance staff continues to develop improved processes and practices to enhance its ability to efficiently and effectively implement and administer the Compliance Monitoring and Enforcement Program and promote a culture of reliability excellence across the region.

Program Description and Functions Performed

The SERC Board of Directors has delegated responsibility for the SERC Compliance Monitoring and Enforcement Program to the Board Compliance Committee. The Board Compliance Committee confirms all alleged violations and proposed sanctions or settlements recommended by the SERC compliance staff for 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 Advisory Groups, consisting of stakeholder technical experts across all sectors, for each of the major disciplinary areas (operations, planning/engineering, and cyber security) are available to assist the compliance staff and the Board Compliance Committee as needed, but do not have an approval role in compliance actions.

The SERC Portal, one of the more significant improvements enhancing SERC's ability to effectively and efficiently administer its Compliance Monitoring and Enforcement Program, is a secure central database that provides registered entities within the SERC Region a systematic way to file compliance certifications and other data with SERC, and for SERC to track compliance related activities and information. With the increase in the number of entities registering as users, owners and operators of the bulk-power system in the SERC Region, the SERC Portal has been indispensable in expanding the Compliance Monitoring Enforcement Program to those entities. Based on each entity's registration information, the SERC Portal applications ensure registered entities are properly assigned within the Compliance Enforcement Program. The database also provides a basis for auditing SERC's Compliance Monitoring and Enforcement Program.

The SERC Compliance Monitoring and Enforcement Program is implemented by the SERC compliance staff. The compliance staff, as well as all other SERC staff, are not affiliated with any SERC members or any entities registered within the region. The SERC compliance staff makes the initial determination of alleged violations and proposes appropriate penalties and sanctions in accordance with the NERC Compliance Monitoring and Enforcement Program and the Penalties and Sanctions Guidelines. To accomplish this objective, SERC's compliance staff is further divided into an enforcement branch and an audit branch.

Compliance Audits

SERC audit staff is charged with conducting compliance audits and spot checks of all registered entities and identifying potential alleged violations. In essence these are two of the primary "discovery" processes.

The group maintains a long-range compliance audit plan that ensures compliance audits are conducted for each applicable registered entity within the SERC Region in accordance with a predefined frequency. Qualified senior SERC staff leads each on-site compliance audit team, composed of a combination of SERC auditors and volunteer industry subject matter experts. The teams prepare audit reports with their findings and recommendations, including the identification of any possible alleged violations. Specific lessons learned from each audit are factored into the audit program to promote continuous improvement. Additionally, audit staff has a lead role in the spot-checking program. They also provide technical expertise in support of the compliance enforcement staff.

Compliance Enforcement

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

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

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

The enforcement staff is also responsible for evaluating and accepting mitigation plans and may seek the advice of technical committees in doing so. Ultimately, all mitigation plans must be accepted by the Board Compliance Committee. The enforcement staff also monitors progress of the entity in achieving the mitigation plan including review of supporting material submitted by the entity to substantiate closure.

Once all proceedings have been completed, the compliance enforcement staff would file the case with NERC for review and approval, subject to final approval by FERC.

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

2009 Goals and Objectives

1. Effectively carry out on-site compliance audits to ensure accurate and adequately substantiated determinations of compliance or possible violations of reliability standards. Manage audits such that the required periodicity (3 or 6 years) is maintained for each SERC registered entity based on functions performed. Enhance audit focus and methods to improve bulk power system reliability and minimize risk.
2. Implement sufficient spot-checks and table top audits to validate self-certifications, address regional reliability themes and for-cause performance, while optimizing the allocation of audit resources.
3. Attract, develop, and retain compliance staff necessary to achieve effective compliance monitoring and enforcement for recently approved critical infrastructure protection (CIP) standards.
4. Achieve a reputation as a regional entity that is firm, fair, objective, independent, and consistent in carrying out delegated enforcement authorities. Protect confidential compliance information while striving to achieve a high level of transparency with respect to compliance process and expectations.
5. Promote registered entity understanding of compliance monitoring and enforcement processes and reliability standards through active engagement in forums including: compliance advisory groups, compliance seminars, and service as volunteer auditors. Actively communicate lessons learned.
6. Foster continuous improvement through implementation of metrics, targeted self-assessments, and other feedback mechanisms. Proactively refine compliance processes and procedures to improve effectiveness and efficiency. Interact with NERC and other regions to share best practices and promote consistency.
7. Be prepared for uncertainties in future directions of the compliance program and minimize any nonproductive impacts of such uncertainties on registered entities.

Funding Requirements — Explanation of Increase (Decrease)

The cost of the Compliance Program in 2009 is proposed to increase to \$4,805,617 from \$3,393,664 in the 2008 budget, an increase of 41.6%. Most of this increase is in increased staffing and a substantial increase in travel and meeting expenses based on actual experience gained in executing the compliance program since June 2007.

Staffing Needs

Hiring Plans – The Compliance Program was budgeted in 2008 for 17.2 FTEs. 2008 actual staffing is 20, with the addition of two administrative assistants to more cost effectively handle the extensive document management workload and the shift of a half time associate engineer from IT into compliance and a change in status to full time.

The proposal is to further increase staffing in compliance in 2009 by an additional 4.5 FTEs: one critical infrastructure protection (CIP) auditor, one CIP enforcement engineer, one associate auditor, one associate compliance engineer, and a coordinator of spot audits working halftime. The associate auditor and associate compliance engineer positions are being created as part of a long-term plan to hire more junior staff to cost effectively increase bench strength in the near term and develop potential future leaders.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – SERC plans to have available use of consulting resources to assist in the provision of specialized expertise as needed for compliance investigations. Although the amount needed is very uncertain, the amount budgeted for 2009 has been reduced to \$80,000 from \$150,000 planned in 2008. The \$183,300 increase showing in 2009 under contracts is the cost of SERC Portal development and maintenance. This is not an actual increase in costs, but is simply a transfer out of IT to more accurately assign the costs to the compliance function. \$215,000 has been earmarked for contracting with hearing officers and legal support for compliance. Once again, this amount is highly uncertain and could be less than planned or could be several times larger. The business plan assumes that any additional legal or hearing officer costs above the planned amount will be taken from the 10% operating reserve. SERC currently has two hearing officers and a regulatory attorney on retainer for services related to compliance.

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 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,393,665	\$ 3,393,665	\$ -	\$ 4,805,617	\$ 1,411,952
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,393,665	\$ 3,393,665	\$ -	\$ 4,805,617	\$ 1,411,952
Expenses					
Personnel Expenses					
Salaries	\$ 1,866,097	\$ 2,123,090	\$ 256,993	\$ 2,773,005	\$ 649,915
Payroll Taxes	111,474	169,847	58,373	207,975	38,128
Benefits	355,829	180,387	(175,442)	301,762	121,375
Retirement Costs	169,006	280,534	111,528	261,570	(18,964)
Total Personnel Expenses	\$ 2,502,406	\$ 2,753,858	\$ 251,452	\$ 3,544,312	\$ 790,454
Meeting Expenses					
Meetings	\$ 30,276	\$ 50,744	\$ 20,468	\$ 153,250	\$ 102,506
Travel	166,098	256,792	90,694	348,070	91,278
Conference Calls	-	12,280	12,280	15,000	2,720
Total Meeting Expenses	\$ 196,374	\$ 319,816	\$ 123,442	\$ 516,320	\$ 196,504
Operating Expenses					
Consultants	\$ 150,000	\$ 71,840	\$ (78,160)	\$ 80,000	\$ 8,160
Contracts	-	-	-	183,300	183,300
Office Rent	78,960	82,574	3,614	91,639	9,065
Office Costs	128,141	139,583	11,442	140,046	463
Professional Services	200,000	112,683	(87,317)	215,000	102,317
Computer Purchase & Maintenance	16,534	-	(16,534)	-	-
Furniture & Equipment	121,250	-	(121,250)	35,000	35,000
Miscellaneous	-	13,636	13,636	-	(13,636)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 694,885	\$ 420,316	\$ (274,569)	\$ 744,985	\$ 324,669
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,393,665	\$ 3,493,990	\$ 100,325	\$ 4,805,617	\$ 1,311,627
Change in Assets	\$ -	\$ (100,325)	\$ (100,325)	\$ -	\$ 100,325

Reliability Improvement Program (formerly included Reliability Readiness)

Reliability Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.93	1.4	1.4
Total Direct Expenses	440,620	286,338	276,805
Total Indirect Expenses	108,604	133,390	119,645
Total Expenses	549,224	419,728	396,450

Background

Formerly this function was the Reliability Readiness and Evaluation Program. NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Consequently, SERC has eliminated the Reliability Readiness Evaluation Program funding requirements, FTE count, and activities from the 2009 Business Plan and Budget. SERC is choosing in 2009 not to include readiness reviews or an assistance program in the business plan and no resources are provided for those activities. SERC resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing SERC staff.

However, SERC plans to continue several important activities to promote continuous improvement of reliability in the region, as described below.

Program Description and Functions Performed

In 2009, SERC's Reliability Improvement Program continues existing activities related to facilitating implementation of reliability improvement recommendations and tracking of recommendations. Recommendations may be derived from event analyses and apply to individual entities, a cross section of entities, or all entities registered within the region. Actions may also be identified in the form of NERC alerts. Some of these may be in the form of voluntary suggestions for reliability improvement and others may be required actions that must be reported back to NERC or FERC. SERC's goal is to enhance reliability by facilitating implementation of recommendations and required actions and by tracking and reporting completion.

SERC conducts several functions that are very closely related to reliability improvement but are presented separately in the SERC business plan to be consistent with NERC's division of functions. In addition to the reliability improvement function described above, SERC performs a situation awareness function by reporting normal daily conditions on the bulk power system and reporting elevated risk conditions when they occur. SERC also coordinates information in response to an event on the bulk power system. SERC conducts event analyses as needed, in coordination with applicable registered entities, NERC, and FERC.

SERC performs these three functions – reliability improvement and recommendations tracking; situation awareness; and events analysis – using two full time staff. One of those staff is identified as a Reliability Engineer here under the Reliability Improvement Program and the other is identified as Manager of Situation Awareness and Event Analysis under the Situation Awareness and CIP Program. In effect, however, these individuals work together and share responsibilities.

2009 Goals and Objectives

1. Working with the SERC committees, effectively coordinate, track and bring to closure the mitigation of recommendations directed to SERC entities in alerts or through event analysis lessons learned.

Funding Requirements — Explanation of Increase (Decrease)

The budget for this program, excluding the \$206,000 showing in 2008 for the OATI Scheduling Tool, is proposed to increase from \$234,620 in 2008 to \$276,805 in 2009, an increase of 18%. The \$206,000 for the scheduling tool has been moved to IT for budgeting purposes. The increase is driven by an increase in staffing by approximately half of an FTE, which is partially offset by reduced travel expenses.

Staffing Needs

Hiring Plans - This function was budgeted in 2008 to be approximately half an FTE, sharing a staff member with the Situation Awareness function. However, Situation Awareness, including event analysis, has grown significantly beyond what was anticipated in developing the 2008 budget. Therefore, SERC proposes to hire a new Reliability Engineer in the Reliability Improvement Program to both address recommendations tracking and to support the Manager of Situation Awareness in the situation awareness and event analysis functions. Overall, this program area will increase in staffing by approximately half an FTE. This position is also a developmental position, similar to the ones described in the compliance program.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None. Some maintenance costs showing under IT are used to support the recommendations tracking portion of the SERC Portal.

Reliability Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
	2008	2008	2008 Projection	2009	2009 Budget
Funding	Budget	Projection	Variance to	Budget	Variance to
			2008 Budget		2008 Projection
			Over(Under)		Over(Under)
ERO Assessments	\$ 440,620	\$ 440,620	\$ -	\$ 276,805	\$ (163,815)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 440,620	\$ 440,620	\$ -	\$ 276,805	\$ (163,815)
Expenses					
Personnel Expenses					
Salaries	\$ 118,197	\$ 197,823	\$ 79,626	\$ 178,063	\$ (19,760)
Payroll Taxes	9,167	15,826	6,659	13,355	(2,471)
Benefits	24,796	9,991	(14,805)	16,561	6,570
Retirement Costs	8,753	17,584	8,831	17,159	(425)
Total Personnel Expenses	\$ 160,913	\$ 241,224	\$ 80,311	\$ 225,138	\$ (16,086)
Meeting Expenses					
Meetings	\$ 2,640	\$ 7,362	\$ 4,722	\$ 1,800	\$ (5,562)
Travel	43,740	17,252	(26,488)	31,928	14,676
Conference Calls	-	1,200	1,200	977	(223)
Total Meeting Expenses	\$ 46,380	\$ 25,814	\$ (20,566)	\$ 34,705	\$ 8,891
Operating Expenses					
Consultants	\$ 206,000	\$ -	\$ (206,000)	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	5,190	4,573	(617)	5,967	1,394
Office Costs	8,081	7,731	(350)	7,739	8
Professional Services	5,000	6,241	1,241	977	(5,264)
Computer Purchase & Maintenance	1,087	-	(1,087)	-	-
Furniture & Equipment	7,969	-	(7,969)	2,279	2,279
Miscellaneous	-	755	755	-	(755)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 233,327	\$ 19,300	\$ (214,027)	\$ 16,962	\$ (2,338)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 440,620	\$ 286,338	\$ (154,282)	\$ 276,805	\$ (9,533)
Change in Assets	\$ -	\$ 154,282	\$ 154,282	\$ -	\$ (154,282)

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.33	1.4	1.4
Total Direct Expenses	505,151	403,768	481,276
Total Indirect Expenses	155,316	133,390	119,645
Total Expenses	660,467	537,158	600,921

Background

The major North American blackouts of 1996 and 2003 identified shortfalls in operator situational awareness and response to emergency conditions as major contributing factors. As a result, a recent focus of NERC and the industry has turned to developing competency through a systematic approach to training and formal certification for all real-time system operators in North America.

The mandatory, enforceable set of planning and operating reliability standards under development by NERC underscores the need for effective training of other technical personnel, such as system planners, compliance engineers and auditors, and reliability readiness evaluators.

Historically, SERC has taken a proactive role in the advancement of technical personnel training and development. Through its annual program of seminars and workshops, SERC has promoted improved performance in planning, operation and critical infrastructure protection of the bulk power system. SERC has a reputation for facilitating and providing forums for member interaction and exchange of continuing education activities, such as “lessons learned”, emergency drills, and inter-area event simulations.

Program Description and Functions Performed

SERC’s training services staff works closely with the appropriate SERC and NERC committees to develop and manage effective technical personnel training programs for SERC members and SERC staff in the areas of system operation and operator certification, planning, audits, and compliance. The program methods include needs analyses, identification of performance gaps, design of behavioral learning objectives, development of training materials, program implementation, and evaluation. Additionally, the training function works to ensure that all SERC member company instructors are qualified and prepared to deliver the training programs, in accordance with systematic instructional design procedures. The specific continuing education requirements of the members form the basis of current topics, agendas, and venues for SERC-sponsored training seminars and workshops.

To meet its goals, the SERC training program relies heavily on the technical expertise and training experience of SERC committee members. It is expected that the System Operator Subcommittee of the Operating Committee will continue to make a significant contribution to both the development and delivery of SERC training activities, as they have done in the past. The SERC training program will facilitate and coordinate such training efforts.

2009 Goals and Objectives

1. Develop innovative and timely training opportunities to meet industry personnel training and education needs in the areas of system operation, operator certification, instructor qualification, system planning, audits and compliance.
2. Assist registered entities in ensuring that real-time operating personnel have the competencies required to operate the bulk power system with the highest degree of reliability.
3. Ensure SERC staff, members, and registered entities understand reliability issues, standards in effect, the SERC compliance monitoring and enforcement program, and required compliance documentation.
4. Develop and deliver training to SERC staff and industry volunteers in the basic tenets of compliance auditing, effective use of auditor tools, and effective interviewing and information-gathering skills required for the successful performance of a compliance audit.
5. Promote the development of qualified instructors in the SERC region who are capable of designing and developing effective learning activities based on the systematic approach to training.
6. Assist SERC staff as needed in staying current with the SERC mission, functions and services.

Funding Requirements — Explanation of Increase (Decrease)

The Training and Education Program is planned to be nearly 84% self-funded in 2009. Overall costs will decrease 5% from \$505,151 budgeted in 2008 to \$481,276 in 2009 due to aggressive negotiations with hotel facilities and other efficiencies. The program was planned to be 34% self-funded in 2008.

Staffing Needs

Hiring Plans – This function is currently served by 1 FTE Manager of Training Services. No increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – In 2008 SERC initiated a wide-area restoration scenario table-top exercise. Funding is requested in the 2009 budget of \$15,000 to leverage off of this technical committee work and individual company efforts in order to engage an expert in wide-area system restoration training and exercises to enhance the region's preparedness to respond in the event of a wide-spread event. Specifically this consultant will work with SERC to develop and conduct a "next-level" exercise and to document results and recommendations. Funds for the development and maintenance of computer-delivered training modules and a tracking tool for continuing education hours (CEH) tracking tools are described in the section on Information Technology.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 331,651	\$ 331,651	\$ -	\$ 78,276	\$ (253,375)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	173,500	244,715	71,215	403,000	158,285
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 505,151	\$ 576,366	\$ 71,215	\$ 481,276	\$ (95,090)
Expenses					
Personnel Expenses					
Salaries	\$ 172,431	\$ 184,674	\$ 12,243	\$ 193,855	\$ 9,181
Payroll Taxes	11,094	14,774	3,680	14,539	(235)
Benefits	39,497	15,541	(23,956)	17,765	2,224
Retirement Costs	15,195	24,454	9,259	18,403	(6,051)
Total Personnel Expenses	\$ 238,217	\$ 239,443	\$ 1,226	\$ 244,562	\$ 5,119
Meeting Expenses					
Meetings	\$ 142,340	\$ 120,514	\$ (21,826)	\$ 178,820	\$ 58,306
Travel	60,073	11,920	(48,153)	24,955	13,035
Conference Calls	-	1,868	1,868	977	(891)
Total Meeting Expenses	\$ 202,413	\$ 134,302	\$ (68,111)	\$ 204,752	\$ 70,450
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000
Contracts	-	-	-	-	-
Office Rent	7,414	7,114	(300)	5,967	(1,147)
Office Costs	39,169	12,026	(27,143)	7,739	(4,287)
Professional Services	5,000	9,708	4,708	977	(8,731)
Computer Purchase & Maintenance	1,553	-	(1,553)	-	-
Furniture & Equipment	11,385	-	(11,385)	2,279	2,279
Miscellaneous	-	1,175	1,175	-	(1,175)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 64,521	\$ 30,023	\$ (34,498)	\$ 31,962	\$ 1,939
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 505,151	\$ 403,768	\$ (101,383)	\$ 481,276	\$ 77,508
Change in Assets	\$ -	\$ 172,598	\$ 172,598	\$ -	\$ (172,598)

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.63	4.5	4.5
Total Direct Expenses	528,643	896,413	976,109
Total Indirect Expenses	307,128	428,753	384,575
Total Expenses	835,770	1,325,166	1,360,684

Background

Section 39.11 of the Commission's regulations requires the ERO to assess the reliability and adequacy of the bulk-power system, and to report its findings. Section 800 of NERC's Rules of Procedure describes the manner in which the assessments will be conducted and the reports prepared, and specifies the requirements for regional entities to provide data and information for purposes of the assessments. As a regional entity, SERC collects and compiles data from users, owners and operators of the bulk-power system in the region, and submits that data to NERC. In addition, SERC conducts its own assessments of reliability and adequacy of the region's bulk-power system and reports its findings to NERC.

NERC also prepares special reliability assessment reports on regional, interregional, or interconnection bases as conditions warrant or as requested by the NERC board. Such special assessments typically require input and participation by regional entities. Finally, NERC's Rules of Procedure require NERC to analyze unusual events that occur on the bulk-power system, identify the causes of those events, assess past reliability performance, disseminate its findings to the industry, and develop reliability performance benchmarks. To the extent such unusual events involve the SERC region, SERC will be involved in such analyses.

Beginning in early 2008, SERC has separated the Reliability Assessment Program from Reliability Services in recognition of the importance of this statutory function that is defined in Section 215 of the Federal Power Act. This program is coordinated by SERC staff and makes extensive use of stakeholder volunteer experts in SERC's Reliability Review Subcommittee (RRS), Dynamics Review Subcommittee (DRS), and Data Collection Task Force (DCTF). The supporting inter-regional studies for the reliability assessments are performed by SERC's regional studies groups (Long-Term Power Flow Study Group, Near-Term Power Flow Study Group, Dynamics Study Group, and Short Circuit Database Working Group). Inter-regional and interconnection-wide coordination is accomplished through the Eastern-Interconnection Reliability Assessment Group (ERAG), formed to further augment the reliability of the bulk-power system in the joint areas through periodic reviews of generation and transmission expansion programs and forecasted system conditions. An ERAG Management Committee (MC) oversees the development of an annual series of power-flow and dynamics base-cases by a Multi-regional Modeling Working Group (MMWG). The ERAG MC and MMWG are each comprised of two representatives from each region. These ERAG-MMWG models form the basis from which most wide-area interconnected system studies are performed. Funding for ERAG-MMWG activities is allocated across the six regional entities in the Eastern Interconnection based on Net Energy for Load (NEL).

Program Description and Functions Performed

One of the primary charges of the SERC RRS is to annually perform reliability assessments: seasonal assessments of the SERC Region in support of the NERC Reliability Assessment Subcommittee's Summer and Winter Reliability Assessments and a ten-year reliability assessment of the SERC region, from which a condensed version is also created in support of the NERC Long-term Reliability Assessment. The RRS has prepared an annual 10-year reliability assessment report since 1979. The report includes (both on a regional and sub-regional basis) a resource adequacy assessment, a transmission assessment, and a discussion of significant reliability issues impacting the SERC region. The DRS provides input to the RRS for this report on pertinent stability-related reliability issues and develops stability-related reliability assessments for the sub-regions and region. While the report has evolved over the years, it has generally had a format similar to the NERC Reliability Assessment Subcommittee Long-term Reliability Assessment report, but focused on the SERC region. This report is presented annually to both the SERC Engineering Committee and the SERC Executive Committee. This has led to a variety of SERC Board initiatives over the years addressing reliability in the SERC region.

The SERC DCTF's primary function is to provide reporting parties' required data per the NERC reliability assessment requests. Data collection activities are carried out on the SERC Portal. The SERC Portal is used to specify data requirements and due dates for each data collection effort. The SERC staff maintains and manages areas of the SERC Portal containing reliability data requirements. Additional communication from the SERC staff to the DCTF is accomplished via announcements on the Portal, email, phone conferences, and SERC Data Collection Task Force meetings. The SERC staff aggregates the data, performs data checks and analyses, and compiles the data for the Region's reliability assessments data submittals.

2009 Goals and Objectives

1. Develop and deploy improvements to the SERC Portal for reliability assessment data gathering and analysis, as well as other data requests by the NERC and FERC.
2. Actively engage in NERC's development of reliability assessment and performance analysis programs and requirements to ensure they are practical and effective in promoting the reliability of the bulk power system.
3. Assist SERC members in executing the regional reliability assessment, including the addition of scenario analysis introduced by NERC.
4. Develop regional and/or sub-regional metrics as needed to effectively evaluate and communicate the future adequacy of the bulk power system in the region.

Funding Requirements — Explanation of Increase (Decrease)

The Reliability Assessment Program is planned to increase from \$528,643 in the 2008 budget to \$976,109, an increase of 84.6% that reflects the increased visibility and importance of the reliability assessment function. The increase is in the area of increased staff and use of outside consultants to assist in reliability assessment methods and models.

Staffing Needs

Hiring Plans – This function is currently staffed at 4.5 FTE, which is an increase of 2.2 compared to the 2008 budget. These additions were made out of necessity in response to the significant changes and demands of the NERC program. The Director of Reliability Assessment is more senior than the manager level anticipated in the 2008 budget and a data analyst was added as well as a department assistant. The additional 0.2 increment results from shifting a part time staff person to focus entirely on reliability assessment rather than splitting time with compliance.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – With respect to the above 2009 Goal 1, Portal development in the area of resource assessment will need to continue to track the demands placed on the Portal by the NERC Reliability Assessment Subcommittee and Planning Committees. Changes to the Long-term and Short-term reliability assessment process have strained the ability of SERC's members, staff and IT resources. The needs driven by increased requirements from the NERC program are reflected in the IT program costs and are accomplished largely through software contractors.

A contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2007 series cases. Funding for vendor support in developing reduced dynamics models of the SERC region in the amount of \$50,000 is projected in 2009. Additionally, the Multi-regional Modeling Working Group (MMWG) is no longer funded by NERC. The Eastern Interconnection Reliability Assessment Group (ERAG) was formed among the 6 regions in the Eastern Interconnection to continue this effort. A contract for compiling the 6 regional representative series of models into the annual MMWG series of models for both power-flow and dynamics cases is required. SERC's portion of ERAG-MMWG model development is projected at \$90,000 based on NEL. Finally, an effort for margin analysis to support regional reliability in the area of assessments is included in the 2009 budget request in the amount of \$90,000.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 528,643	\$ 528,643	\$ -	\$ 976,109	\$ 447,466
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 528,643	\$ 528,643	\$ -	\$ 976,109	\$ 447,466
Expenses					
Personnel Expenses					
Salaries	\$ 289,034	\$ 451,833	\$ 162,799	\$ 475,213	\$ 23,380
Payroll Taxes	19,960	36,147	16,187	35,641	(506)
Benefits	56,731	49,953	(6,778)	41,879	(8,074)
Retirement Costs	21,501	71,397	49,896	43,144	(28,253)
Total Personnel Expenses	\$ 387,226	\$ 609,330	\$ 222,104	\$ 595,877	\$ (13,453)
Meeting Expenses					
Meetings	\$ 34,615	\$ 37,798	\$ 3,183	\$ 53,238	\$ 15,440
Travel	28,808	46,776	17,968	39,333	(7,443)
Conference Calls	-	6,008	6,008	3,140	(2,868)
Total Meeting Expenses	\$ 63,423	\$ 90,582	\$ 27,159	\$ 95,711	\$ 5,129
Operating Expenses					
Consultants	\$ -	\$ 100,000	\$ 100,000	\$ 230,000	\$ 130,000
Contracts	-	-	-	-	-
Office Rent	14,643	22,867	8,224	19,180	(3,687)
Office Costs	22,799	38,654	15,855	24,875	(13,779)
Professional Services	15,000	31,204	16,204	3,140	(28,064)
Computer Purchase & Maintenance	3,066	-	(3,066)	-	-
Furniture & Equipment	22,486	-	(22,486)	7,326	7,326
Miscellaneous	-	3,776	3,776	-	(3,776)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 77,994	\$ 196,501	\$ 118,507	\$ 284,521	\$ 88,020
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 528,643	\$ 896,413	\$ 367,770	\$ 976,109	\$ 79,696
Change in Assets	\$ -	\$ (367,770)	\$ (367,770)	\$ -	\$ 367,770

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.13	1.4	2.4
Total Direct Expenses	289,288	270,599	476,841
Total Indirect Expenses	131,960	133,390	205,107
Total Expenses	421,248	403,989	681,948

Background

For the purpose of consistency with the NERC budget and business planning process and to facilitate comparison with other regional entities, SERC has lumped situation awareness and critical infrastructure protection in this section of the business plan. However, in practice SERC implements these functions separately. The situation awareness role is more closely tied to bulk power system operations and SERC uses staff and groups expert in operations for this function, including the SERC Reliability Coordinator Subcommittee. Critical infrastructure protection is aligned in practice with technical support of and through SERC's Critical Infrastructure Protection Committee, one of SERC's three standing committees.

Program Description and Functions Performed – Situational Awareness

SERC does not have a real-time monitoring capability and does not anticipate such a capability as necessary to effectively perform its regional entity functions. However, SERC will maintain effective situational awareness and help ensure that reliability coordinators, balancing authorities, transmission operators and appropriate regulatory personnel are aware of situations as needed to maintain timely awareness of conditions that present an elevated risk to the reliability of the bulk power system. SERC will accomplish effective awareness by working closely with reliability coordinators in the region and through use of the SERC Hotline during significant events or adverse conditions. SERC also achieves situation awareness in the region through effective use of publicly available information as well as NERC situational awareness tools including the System Data Exchange (SDX), the Reliability Coordinator Information System (RCIS), and the Central Repository for Security Events (CRC).

This program also includes resources to lead or participate in event analyses as may be required during 2009. Event analysis presents a highly uncertain work demand on staff, as the number of events involving SERC, if any, can vary, yet each analysis is an extensive commitment of resources. Although the business plan assumes one SERC-led event analysis and one in which SERC staff participates (led by an entity, another region, or NERC), any additional workload would be addressed through SERC's cash reserve.

In SERC, the Situational Awareness Program is closely tied with the Reliability Improvement Program, as previously described. The Manager of Situation Awareness and Event Analysis is budgeted within the Situational Awareness Program and the Reliability Engineer is budgeted under the Reliability Improvement Program. However, in actuality the two work together.

2009 Goals and Objectives

1. Demonstrate the capability to respond to system events with accepted and effective procedures and communications; event triage; and event analysis – including proactively analyzing reliability issues that may not have resulted in an event but may be considered precursors of reliability risk.

2. Achieve competency in situation awareness reporting for both routine and heightened risk situations — including the communication of lessons learned and trend data.
3. Refine the situation awareness capability at SERC by engaging operating entities (RC's, BA's and TOP's) in streamlining the efficiency of situation awareness information management and minimizing the burden on entities and operators.

Program Description and Functions Performed – Infrastructure Security Program

SERC's Critical Infrastructure Protection Program mirrors that of NERC, with a focus on regional issues. The program is supported by the SERC Critical Infrastructure Protection Committee, whose responsibility is to advance the security of the critical electricity infrastructure within SERC. The SERC Cyber Security Compliance Review Subcommittee actively supports registered entities within the region meeting the newly approved CIP reliability standards, including SERC office cyber systems. The program will continue outreach to the industry by providing 'how to' workshops and forums within the region. SERC staff and stakeholder representatives also actively participate in the NERC CIP program and CIPC.

The CIP resources here are distinct from those in the Compliance Program. The role here is focused on improvement and assistance, while the Compliance Program CIP resources are focused on compliance monitoring and enforcement.

2009 Goals and Objectives

1. Assist registered entities in achieving compliance with infrastructure protection standards and directives that may be issued from time to time.
2. Ensure SERC compliance with any SERC-managed critical assets.

Funding Requirements — Explanation of Increase (Decrease)

The overall budget in this area will increase from \$289,288 to \$476,841, an increase of 64.8%. This increase, primarily due to an increase from 1.13 to 2.4 FTEs, is necessary for SERC to respond effectively to the increased emphasis by FERC and NERC on situational awareness and the recent approval of new CIP reliability standards. The increase in staffing is the result of going from 0.6 FTE in situational awareness to 1.0 FTE and from 0.4 FTE in CIP to 1.0 FTE. The additional small fractional increase is related to the level of commitment of the Director of Reliability Services. Meeting and travel expenses also increase in association with the increased staffing in these areas.

Staffing Needs

Hiring Plans - SERC will add 1 FTE Manager of Critical Infrastructure Protection to support CIP function within the Reliability Services Program, increasing the staffing of this function from 0.4 to 1.0 FTE. As was previously described, the addition of a new Reliability Engineer position will allow the Manager of Situation Awareness to become a full time role, rather than a part time activity as was budgeted in 2008.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – Contractor and consultant support to automate situational awareness data retrieval has been assigned to IT and no additional external support is anticipated in this area.

Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 289,288	\$ 289,288	\$ -	\$ 476,841	\$ 187,553
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 289,288	\$ 289,288	\$ -	\$ 476,841	\$ 187,553
Expenses					
Personnel Expenses					
Salaries	\$ 146,351	\$ 168,696	\$ 22,345	\$ 310,591	\$ 141,895
Payroll Taxes	11,346	13,496	2,150	23,294	9,798
Benefits	35,660	14,431	(21,229)	41,812	27,381
Retirement Costs	12,871	22,575	9,704	28,747	6,172
Total Personnel Expenses	\$ 206,228	\$ 219,198	\$ 12,970	\$ 404,444	\$ 185,246
Meeting Expenses					
Meetings	\$ 11,550	\$ 3,002	\$ (8,548)	\$ 20,625	\$ 17,623
Travel	7,200	18,784	11,584	21,020	2,236
Conference Calls	-	1,736	1,736	1,674	(62)
Total Meeting Expenses	\$ 18,750	\$ 23,522	\$ 4,772	\$ 43,319	\$ 19,797
Operating Expenses					
Consultants	\$ 32,200	\$ -	\$ (32,200)	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	6,302	6,606	304	10,229	3,623
Office Costs	9,811	11,167	1,356	13,268	2,101
Professional Services	5,000	9,015	4,015	1,674	(7,341)
Computer Purchase & Maintenance	1,320	-	(1,320)	-	-
Furniture & Equipment	9,677	-	(9,677)	3,907	3,907
Miscellaneous	-	1,091	1,091	-	(1,091)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 64,310	\$ 27,879	\$ (36,431)	\$ 29,078	\$ 1,199
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 289,288	\$ 270,599	\$ (18,689)	\$ 476,841	\$ 206,242
Change in Assets	\$ -	\$ 18,689	\$ 18,689	\$ -	\$ (18,689)

Administrative Services

Administrative Services Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	10.4	10.0	10.4
Total Indirect Expenses	2,516,584	2,582,048	2,786,025

Technical Committees and Member Forums

Background

A hallmark of SERC's mission since its formation in 1970 has been its member-driven focus, relying on the technical expertise of volunteers from its member organizations to lead its technical committees. Participants in SERC committees and subgroups total more than 400 individuals, many of whom also provide volunteer technical support at the NERC level. As the regional entity, SERC will continue to promote a high level of participation and effort by the best technical experts the region's industry has to offer.

The SERC Operating Committee (OC) provides a forum for the discussion and resolution of operating reliability issues within the SERC Region and provides a mechanism for the coordination of activities in the area of operations. The purpose of the OC is to promote the reliability and security of the bulk-power system, through the development of SERC regional reliability standards and other engineering/planning documents (e.g., guidelines, procedures, white papers). The committee coordinates activities in the area of operations and, as may be required pursuant to the Electric Reliability Organization Rules of Procedure, verifies that operating entities (Balancing Authorities, Transmission Operators, and Reliability Coordinators) within the Region meet all of the requirements for certification as set forth in the ERO certification procedures. The Operating Committee has created several subcommittees to provide technical assistance and advice on a continuing basis in specific area of operations.

The purpose of the Engineering Committee and its associated subgroups is to promote the reliability and adequacy of the bulk-power system, as related to the planning and engineering of electric systems, through the development of SERC regional reliability standards and other engineering/planning documents (e.g., guidelines, procedures, reference documents, white papers). The committee provides a mechanism for the coordination of activities in the areas of planning and engineering.

Program Description and Functions Performed

The success of the SERC programs depends on the active and direct participation of its members. The stakeholders are the source of expertise in the industry, and provide the force that raises the bar for enhancing reliability through technical excellence. The SERC Operating Committee and Engineering Committee each hold three (3) scheduled meetings each year and, as necessary, executive committee and conference call meetings. These meetings provide an opportunity for SERC members to address topics related to the reliable planning and operation of the power system, including related critical infrastructure and environmental issues. The purpose of these meetings is to:

- Participate in the establishment of reliability policies and standards;
- Participate in the measurement of performance relative to these policies and standards;

- Develop and exchange information with respect to operating matters relating to the reliability and adequacy of bulk power supplies;
- Review as necessary reliability and adequacy activities within the region in order to meet expected standards and measurements;
- Support the application of the NERC readiness evaluation program for improving the overall reliability and efficiency of operations within the SERC Region; and
- Perform technical functions through assignment of specific tasks to subcommittees and working groups as follows:
 - OC NAESB Working Group (NWG) is responsible for developing and maintaining a forum for discussing, reviewing and commenting on any regional reliability issues that may arise from NAESB standards development.
 - OC Operations Planning Subcommittee (OPS) ensures that operations planning information is shared and coordinated (typically a time frame from the current hour through 13 months into the future). This subcommittee addresses issues from the SERC Operating and Engineering Committees. In addition, the OPS facilitates the sharing of data and information with other entities outside of the SERC Region who have the responsibility for improving security and reliability in the Eastern Interconnection.
 - OC SERC Available Transfer Capability Working Group (ATCWG) is responsible for developing and maintaining SERC procedures for determining transfer capabilities and reliability margins that are in compliance with the NERC Reliability Standards MOD-001 through 009.
 - OC Real Time Modeling Working Group (RMWG) provides overall direction for the exchange of real-time system modeling information to ensure that real-time models used by SERC reliability coordinators have consistent, accurate, and timely system representations to support wide-area real-time system analyses.
 - OC Reliability Coordinator Subcommittee (RCS) is responsible for reviewing operational events associated with the performance and/or actions of the SERC reliability coordinators; reviewing proposed NERC/SERC policy/standards concerning the duties of the reliability coordinator; facilitating coordination of practices among the SERC reliability coordinators; and addressing reliability coordinator related issues assigned to it by the SERC Operating Committee or as deemed relevant by the RCS.
 - OC Telecommunications Subcommittee (TSC) has a primary function to keep the SERC OC informed on communication matters and developments which are of interest and concern to electric power system operations.
 - OC Vegetation Management Subcommittee (VMS) - advises the SERC OC concerning vegetation management issues. The VMS reviews and develops comments on NERC reliability standards that impact right of way maintenance and vegetation management, and recommends development of SERC regional standards and/or SERC standing committee documents (guidelines, procedures, etc.) as appropriate.
 - EC Generation Subcommittee (GS) advises the SERC EC concerning generation issues. The GS reviews and develops comments on NERC reliability standards that impact generating stations, and recommends development of SERC regional standards and/or SERC standing committee documents (guidelines, procedures, etc.) as appropriate.

- EC Protection and Control Subcommittee (PCS) advises the SERC EC concerning protection and control issues. The PCS reviews and develops comments on NERC reliability standards that impact protection and control, and recommends development of SERC regional standards and/or SERC standing committee documents (guidelines, procedures, etc.) as appropriate.

2009 Goals and Objectives

1. Develop co-ownership of the role of SERC's reliability services functions by conducting issue-focused and timely meetings of the SERC standing committees and their associated subgroups and by encouraging broad participation by all sectors of SERC membership where possible.
2. Conduct an analysis of committee involvement in delegated functions and realign subgroup charters to ensure meaningful engagement in the development of reliability issues.
3. Communicate with the industry through the SERC website, SERC portal, SERC committee rosters and associated distribution lists as well as face-to-face and conference-call meetings as an effective means to achieve industry education and collaboration on common reliability issues.
4. Participate in NERC, outside regional, and industry activities as needed to stay abreast of current issues and to support SERC Standing Committees and their associated subgroups.
5. Provide effective knowledge transfer and information sharing in support of a reliable bulk power system.
6. Maintain a strong workforce of volunteer experts working on SERC functions.

Funding Requirements — Explanation of Increase (Decrease)

Funding in the area of technical committees and member forums is planned to increase from \$649,057 to \$773,251, an increase of 19.1% that is attributable mainly to higher than anticipated costs of meetings and travel.

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

Staffing Needs

Hiring Plans - This function is currently served by 1 FTE Manager of Operations and 1 FTE Manager of Planning and Engineering. No increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – No contractor resources are anticipated for this area.

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 649,057	\$ 649,057	\$ -	\$ 773,251	\$ 124,194
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	210	210	-	(210)
Total Funding	\$ 649,057	\$ 649,267	\$ 210	\$ 773,251	\$ 123,984
Expenses					
Personnel Expenses					
Salaries	\$ 312,832	\$ 410,766	\$ 97,934	\$ 366,536	\$ (44,230)
Payroll Taxes	19,385	32,861	13,476	27,490	(5,371)
Benefits	44,811	26,642	(18,169)	33,684	7,042
Retirement Costs	27,978	44,358	16,380	34,928	(9,430)
Total Personnel Expenses	\$ 405,006	\$ 514,627	\$ 109,621	\$ 462,638	\$ (51,989)
Meeting Expenses					
Meetings	\$ 134,355	\$ 150,552	\$ 16,197	\$ 202,475	\$ 51,923
Travel	48,879	72,688	23,809	77,387	4,699
Conference Calls	-	3,204	3,204	1,674	(1,530)
Total Meeting Expenses	\$ 183,234	\$ 226,444	\$ 43,210	\$ 281,536	\$ 55,092
Operating Expenses					
Consultants	\$ -	\$ 25,076	\$ 25,076	\$ -	\$ (25,076)
Contracts	-	-	-	-	-
Office Rent	12,975	12,196	(779)	10,229	(1,967)
Office Costs	20,201	20,615	414	13,267	(7,348)
Professional Services	5,000	16,642	11,642	1,674	(14,968)
Computer Purchase & Maintenance	2,717	-	(2,717)	-	-
Furniture & Equipment	19,924	-	(19,924)	3,907	3,907
Miscellaneous	-	2,014	2,014	-	(2,014)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 60,817	\$ 76,543	\$ 15,726	\$ 29,077	\$ (47,466)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 649,057	\$ 817,614	\$ 168,557	\$ 773,251	\$ (44,363)
Change in Assets	\$ -	\$ (168,347)	\$ (168,347)	\$ -	\$ 168,347

General and Administrative

Functional Description

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

Funding Requirements — Explanation of Increase (Decrease)

\$210,453 has been allocated under General and Administrative to recognize the need to increase the SERC cash reserve by that amount in 2009 to stay consistent with SERC's policy of maintaining a cash reserve of 10% of annual operating costs.

Excluding the amount to increase the reserve, the costs of General and Administrative functions are proposed to increase from \$708,759 to \$1,217,205, an increase of 71.7% compared to 2008 budget. Of this increase, \$499,491 or 98.2% is simply related to the transfer of all salary and benefits from the other administrative departments (IT, HR and Finance) to be included in General & Administrative costs due to the small size of these departments. There is a corresponding decrease in the other departments under Personnel Expenses.

Office supplies are administrative costs to support office operations. With the majority of staff working from the central office, it is necessary to increase office supply costs by 10%.

\$20,000 is included under the furniture budget to allow for the purchase of filing cabinets and bookcases, which were not included in the initial outfitting of the new office.

Staffing Needs

Hiring Plans – This function is currently served by 8 FTEs. All personnel costs for the other administrative functions, including information technology, finance, and human resources, have been transferred to General & Administrative. No increase in staffing is anticipated in any of these areas.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None required for 2009.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 666,759	\$ 666,759	\$ -	\$ 1,427,658	\$ 760,899
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	42,000	20,716	(21,284)	-	(20,716)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 708,759	\$ 687,475	\$ (21,284)	\$ 1,427,658	\$ 740,183
Expenses					
Personnel Expenses					
Salaries	\$ 456,421	\$ 806,984	\$ 350,563	\$ 890,649	\$ 83,665
Payroll Taxes	20,962	64,559	43,597	66,799	2,240
Benefits	70,367	84,365	13,998	79,132	(5,233)
Retirement Costs	39,389	121,888	82,499	81,619	(40,269)
Total Personnel Expenses	\$ 587,139	\$ 1,077,796	\$ 490,657	\$ 1,118,199	\$ 40,403
Meeting Expenses					
Meetings	\$ 8,350	\$ 2,028	\$ (6,322)	\$ 15,500	\$ 13,472
Travel	40,506	74,508	34,002	43,870	(30,638)
Conference Calls	-	6,350	6,350	2,093	(4,257)
Total Meeting Expenses	\$ 48,856	\$ 82,886	\$ 34,030	\$ 61,463	\$ (21,423)
Operating Expenses					
Consultants	\$ -	\$ 672	\$ 672	\$ -	\$ (672)
Contracts	-	-	-	-	-
Office Rent	16,682	15,244	(1,438)	12,787	(2,457)
Office Costs	26,974	25,769	(1,205)	17,779	(7,990)
Professional Services	-	20,803	20,803	2,093	(18,710)
Computer Purchase & Maintenance	3,232	-	(3,232)	-	-
Furniture & Equipment	25,876	-	(25,876)	4,884	4,884
Miscellaneous	-	2,517	2,517	-	(2,517)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 72,764	\$ 65,005	\$ (7,759)	\$ 37,543	\$ (27,462)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 210,453	\$ 210,453
Total Expenses	\$ 708,759	\$ 1,225,687	\$ 516,928	\$ 1,427,658	\$ 201,971
Change in Assets	\$ -	\$ (538,212)	\$ (538,212)	\$ -	\$ 538,212

Legal and Regulatory

Functional Description

SERC legal consultants 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.

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

Funding Requirements — Explanation of Increase (Decrease)

SERC depends on outside resources for legal support. Legal support for corporate activities, including all statutory functions except compliance, is anticipated to increase from \$27,200 in 2008 to \$82,400 in 2009. The cost of legal support for the Compliance Program, including hearing officers and legal counsel during compliance proceedings have been allocated to the Compliance Program.

SERC currently has retained counsel in Birmingham, Alabama for corporate and personnel affairs and separate counsel based in Washington, D.C. for regulatory affairs and matters involving compliance.

Staffing Needs

Hiring Plans – This function is currently served by 0 FTEs. No increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors - None required for 2009.

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 27,200	\$ 27,200	\$ -	\$ 82,400	\$ 55,200
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 27,200	\$ 27,200	\$ -	\$ 82,400	\$ 55,200
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	2,200	-	(2,200)	2,400	2,400
Professional Services	25,000	41,168	16,168	80,000	38,832
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 27,200	\$ 41,168	\$ 13,968	\$ 82,400	\$ 41,232
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 27,200	\$ 41,168	\$ 13,968	\$ 82,400	\$ 41,232
Change in Assets	\$ -	\$ (13,968)	\$ (13,968)	\$ -	\$ 13,968

Information Technology

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 Portal and SERC web site)
- Indosoft (OC hot line equipment vendor)
- Deltacom Circuits (Conference Bridge, OC hotline service)
- OATI Checkout Tool (OC project for region wide scheduling checkout tool)
- Conference Bridge (SERC-owned conference call bridge)
- Webex (web meeting and collaboration solution)

2009 Goals and Objectives

1. Continue to develop and maintain the Portal through collaboration with other regions and NERC.
2. Update the SERC public and nonpublic web site for improved navigation and accessibility.
3. Maintain the SERC Hotline.
4. Maintain and support the OATI Scheduling Checkout Tool.
5. Establish a SERC-owned conference bridge to handle conference calls.
6. Establish a web meeting solution.

Funding Requirements — Explanation of Increase (Decrease)

In 2009, SERC is expanding its work on the Portal substantially to include reliability assessment, recommendations tracking and other data support functions. However, contractor cost increases are increasing only \$53,000.

Overall, the projected costs in this area are decreasing from \$692,966 to \$447,027, a decrease of 35.5%. Most of this decrease can be attributed to transferring the personnel costs to General & Administrative.

Staffing Needs

Hiring Plans – Personnel costs for this function have been transferred to General & Administrative and no increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – SERC will use contractors for computer and communications support; IT Web and Portal Support; Checkout Tool; and Hotline maintenance.

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 692,966	\$ 692,966	\$ -	\$ 447,027	\$ (245,939)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 692,966	\$ 692,966	\$ -	\$ 447,027	\$ (245,939)
Expenses					
Personnel Expenses					
Salaries	\$ 196,509	\$ -	\$ (196,509)	\$ -	\$ -
Payroll Taxes	15,367	-	(15,367)	-	-
Benefits	45,875	-	(45,875)	-	-
Retirement Costs	17,830	-	(17,830)	-	-
Total Personnel Expenses	\$ 275,581	\$ -	\$ (275,581)	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	3,608	3,608	5,000	1,392
Conference Calls	-	2,136	2,136	1,395	(741)
Total Meeting Expenses	\$ -	\$ 5,744	\$ 5,744	\$ 6,395	\$ 651
Operating Expenses					
Consultants	\$ -	\$ 57,729	\$ 57,729	\$ -	\$ (57,729)
Contracts	363,400	289,212	(74,188)	416,400	127,188
Office Rent	11,677	8,130	(3,547)	8,525	395
Office Costs	21,931	13,743	(8,188)	11,056	(2,687)
Professional Services	-	11,095	11,095	1,395	(9,700)
Computer Purchase & Maintenance	2,445	-	(2,445)	-	-
Furniture & Equipment	17,932	-	(17,932)	3,256	3,256
Miscellaneous	-	1,343	1,343	-	(1,343)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 417,385	\$ 381,252	\$ (36,133)	\$ 440,632	\$ 59,380
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 692,966	\$ 386,996	\$ (305,970)	\$ 447,027	\$ 60,031
Change in Assets	\$ -	\$ 305,970	\$ 305,970	\$ -	\$ (305,970)

Human Resources

Functional Description

- Recruit stellar employees.
- Maintain appropriate salaries and benefits based on industry data.
- Provide for employee training programs.
- Update the employee handbook.

Funding Requirements — Explanation of Increase (Decrease)

Cost of the human resources support is planned to decrease approximately 91.2% in 2009. This decrease can be attributed to transferring the personnel costs to General & Administrative.

Staffing Needs

Hiring Plans – Personnel costs for this function have been transferred to General & Administrative and no increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None required for 2009.

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 43,814	\$ 43,814	\$ -	\$ 3,843	\$ (39,971)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 43,814	\$ 43,814	\$ -	\$ 3,843	\$ (39,971)
Expenses					
Personnel Expenses					
Salaries	\$ 27,043	\$ -	\$ (27,043)	\$ -	\$ -
Payroll Taxes	2,117	-	(2,117)	-	-
Benefits	5,603	-	(5,603)	-	-
Retirement Costs	1,874	-	(1,874)	-	-
Total Personnel Expenses	\$ 36,637	\$ -	\$ (36,637)	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	400	400	209	(191)
Total Meeting Expenses	\$ -	\$ 400	\$ 400	\$ 209	\$ (191)
Operating Expenses					
Consultants	\$ -	\$ 27,596	\$ 27,596	\$ -	\$ (27,596)
Contracts	-	-	-	-	-
Office Rent	1,668	1,525	(143)	1,279	(246)
Office Costs	2,598	2,577	(21)	1,658	(919)
Professional Services	-	2,080	2,080	209	(1,871)
Computer Purchase & Maintenance	349	-	(349)	-	-
Furniture & Equipment	2,562	-	(2,562)	488	488
Miscellaneous	-	252	252	-	(252)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 7,177	\$ 34,030	\$ 26,853	\$ 3,634	\$ (30,396)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 43,814	\$ 34,430	\$ (9,384)	\$ 3,843	\$ (30,587)
Change in Assets	\$ -	\$ 9,384	\$ 9,384	\$ -	\$ (9,384)

Finance and Accounting

Functional Description

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

- Provide payroll and expense administration.
- Prepare quarterly financial statements.
- File federal and state tax and other forms required of non-profit corporations.
Review and improve fiscal controls and complete a year-end external audit.

Funding Requirements — Explanation of Increase (Decrease)

The costs for Finance and Accounting are planned to decrease from \$394,788 in 2008 to \$51,846 in 2009. This decrease is mainly attributed to transferring the personnel costs to General & Administrative. Also, there were one-time costs associated with the start up of the Charlotte office that were budgeted in 2008 that do not appear in 2009.

Staffing Needs

Hiring Plans - Personnel costs for this function have been transferred to General & Administrative and no increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None required for 2009.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 394,788	\$ 394,788	\$ -	\$ 11,846	\$ (382,942)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	40,000	40,000
Miscellaneous	-	-	-	-	-
Total Funding	\$ 394,788	\$ 394,788	\$ -	\$ 51,846	\$ (342,942)
Expenses					
Personnel Expenses					
Salaries	\$ 193,594	\$ -	\$ (193,594)	\$ -	\$ -
Payroll Taxes	15,284	-	(15,284)	-	-
Benefits	56,272	-	(56,272)	-	-
Retirement Costs	22,586	-	(22,586)	-	-
Total Personnel Expenses	\$ 287,736	\$ -	\$ (287,736)	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ 500	\$ 500	\$ 275	\$ (225)
Travel	2,970	3,092	122	1,475	(1,617)
Conference Calls	-	3,604	3,604	1,884	(1,720)
Total Meeting Expenses	\$ 2,970	\$ 7,196	\$ 4,226	\$ 3,634	\$ (3,562)
Operating Expenses					
Consultants	\$ -	\$ 11,057	\$ 11,057	\$ -	\$ (11,057)
Contracts	-	-	-	-	-
Office Rent	15,014	13,720	(1,294)	11,508	(2,212)
Office Costs	37,870	23,192	(14,678)	18,425	(4,767)
Professional Services	25,000	18,723	(6,277)	13,884	(4,839)
Computer Purchase & Maintenance	3,144	-	(3,144)	-	-
Furniture & Equipment	23,054	-	(23,054)	4,395	4,395
Miscellaneous	-	2,266	2,266	-	(2,266)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 104,082	\$ 68,958	\$ (35,124)	\$ 48,212	\$ (20,746)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 394,788	\$ 76,154	\$ (318,634)	\$ 51,846	\$ (24,308)
Change in Assets	\$ -	\$ 318,634	\$ 318,634	\$ -	\$ (318,634)

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 7,775,521	\$ 7,775,521	\$ -	\$ 9,652,546	\$ 1,877,025
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	173,500	244,715	71,215	403,000	158,285
Interest	42,000	20,716	(21,284)	40,000	19,284
Miscellaneous	-	210	210	-	(210)
Total Funding	\$ 7,991,021	\$ 8,041,162	\$ 50,141	\$ 10,095,546	\$ 2,054,384
Expenses					
Personnel Expenses					
Salaries	\$ 3,962,530	\$ 4,539,515	\$ 576,985	\$ 5,392,546	\$ 853,031
Payroll Taxes	247,416	363,162	115,746	404,441	41,279
Benefits	761,085	396,851	(364,234)	551,341	154,490
Retirement Costs	356,123	607,741	251,618	504,997	(102,744)
Total Personnel Expenses	\$ 5,327,154	\$ 5,907,269	\$ 580,115	\$ 6,853,325	\$ 946,056
Meeting Expenses					
Meetings	\$ 378,465	\$ 378,874	\$ 409	\$ 634,633	\$ 255,759
Travel	409,044	529,272	120,228	601,168	71,896
Conference Calls	-	40,654	40,654	30,000	(10,654)
Total Meeting Expenses	\$ 787,509	\$ 948,800	\$ 161,291	\$ 1,265,801	\$ 317,001
Operating Expenses					
Consultants	\$ 388,200	\$ 293,970	\$ (94,230)	\$ 325,000	\$ 31,030
Contracts	363,400	289,212	(74,188)	599,700	310,488
Office Rent	177,939	181,663	3,724	183,277	1,614
Office Costs	331,319	307,083	(24,236)	265,990	(41,093)
Professional Services	305,000	289,070	(15,930)	322,000	32,930
Computer Purchase & Maintenance	37,000	-	(37,000)	-	-
Furniture & Equipment	273,500	-	(273,500)	70,000	70,000
Miscellaneous	-	30,000	30,000	-	(30,000)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,876,358	\$ 1,390,998	\$ (485,360)	\$ 1,765,967	\$ 374,969
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 210,453	\$ 210,453
Total Expenses	\$ 7,991,021	\$ 8,247,067	\$ 256,046	\$ 10,095,546	\$ 1,848,479
Change in Assets	\$ -	\$ (205,905)	\$ (205,905)	\$ -	\$ 205,905

Personnel Analysis

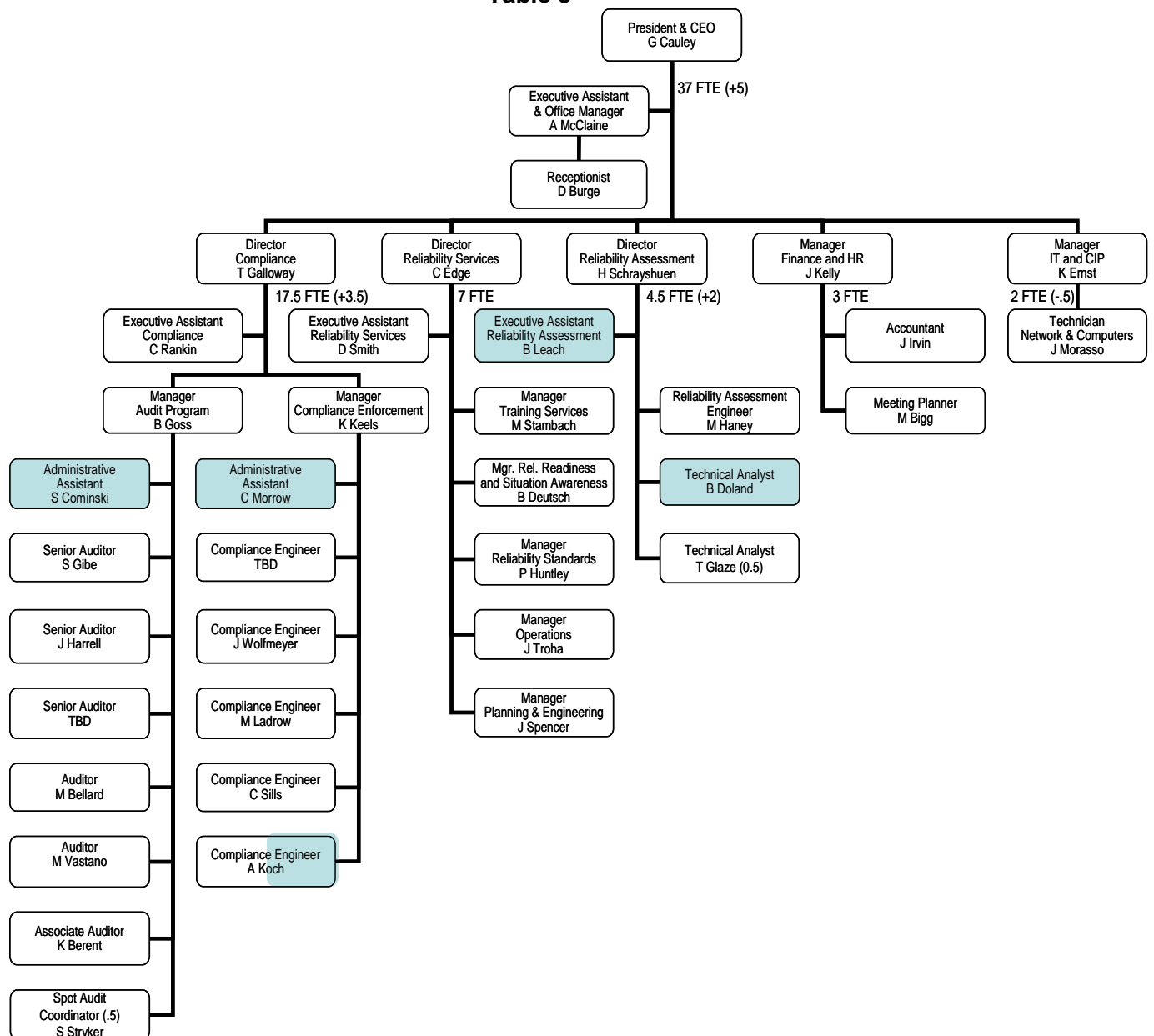
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	1.3	1.4	1.4	0.0
Compliance and Organization Registration and Certification	14.2	17.0	21.5	4.5
Reliability Readiness Audit and Improvement	0.9	1.4	1.4	0.0
Training and Education	1.3	1.4	1.4	0.0
Reliability Assessment and Performance Analysis	2.6	4.5	4.5	0.0
Situational Awareness and Infrastructure Security	1.1	1.4	2.4	1.0
Total FTEs Operational Programs	21.6	27.1	32.6	5.5
Administrative Programs				
Member Forums	2.3	2.4	2.4	0.0
General & Administrative	8.1	7.6	8.0	0.4
Information Technology	0.0	0.0	0.0	0.0
Legal and Regulatory	0.0	0.0	0.0	0.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	0.0	0.0	0.0	0.0
Total FTEs Administrative Programs	10.4	10.0	10.4	0.4
Total FTEs	32.0	37.1	43.0	5.9

2008 Organizational Chart

Incremental values show actual 2008 staffing compared to 2008 budget.

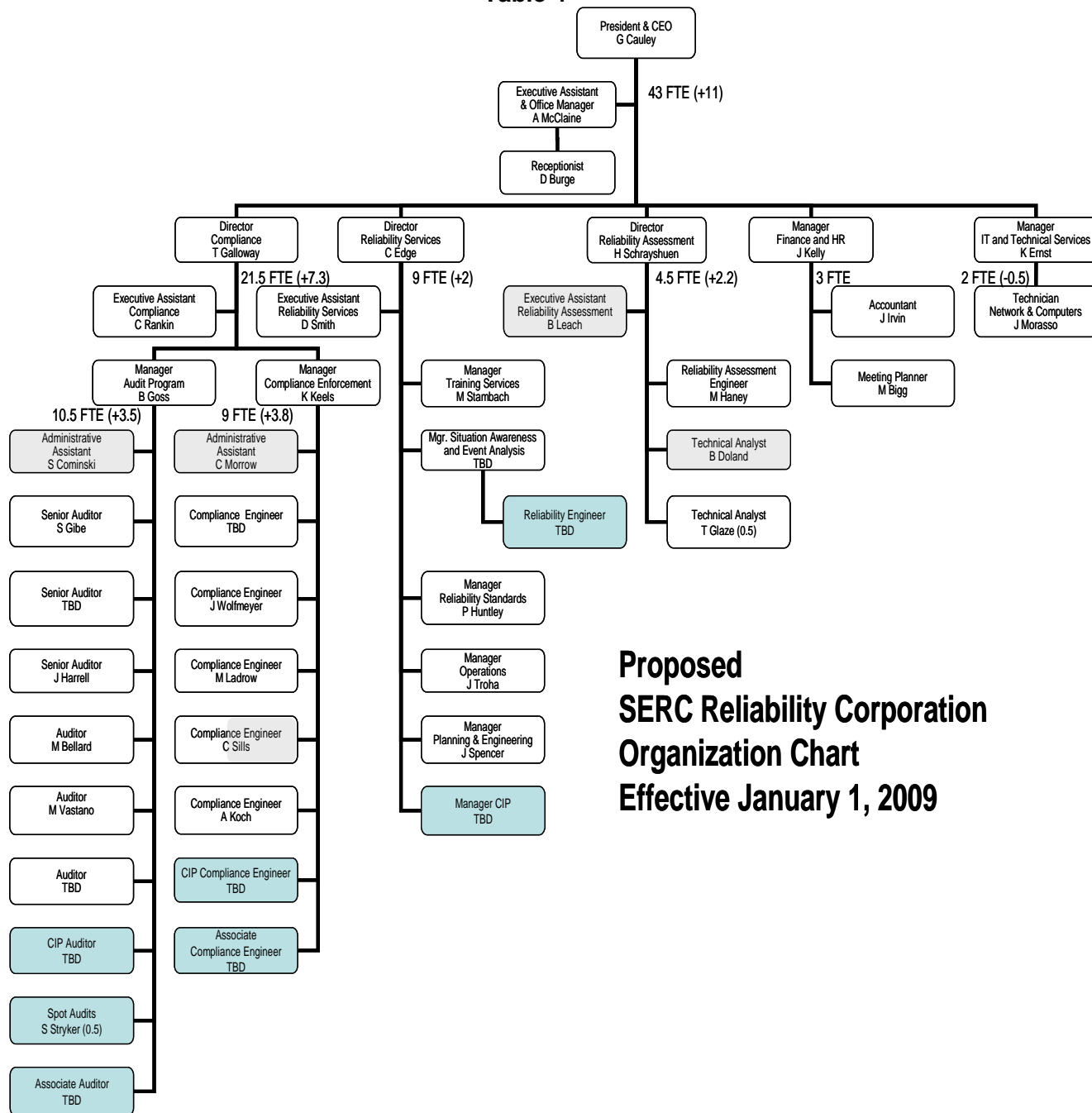
Table 3



2009 Organizational Chart

Incremental values show increase in staffing from 2008 budget to 2009 budget.

Table 4



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

Reserve Balance

Table 5

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	1,005,217
2008 ERO Funding (from LSEs or designees)	7,775,521
2008 Other funding sources (Cash basis)	265,431
Less: '2008 Projected expenses & capital expenditures (Cash basis)	(8,247,067)
Projected Working Capital Reserve (Deficit), December 31, 2008	<u>799,102</u>
 Desired Working Capital Reserve, December 31, 2009	 1,009,555
Less: Projected Working Capital Reserve (Deficit), December 31, 2008	799,102
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>210,453</u>
 2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	 9,885,093
Less: Other Funding Sources (Cash Basis)	(443,000)
Adjustment to achieve desired Working Capital Reserve	<u>210,453</u>
2009 Assessment	<u>9,652,546</u>

¹ As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal 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.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 55, of the 2009 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Training and Education					
Workshops	\$ 173,500	\$ 244,715	\$ 403,000	\$ 158,285	64.68%
Total	\$ 173,500	\$ 244,715	\$ 403,000	\$ 158,285	64.68%
General and Administrative					
Interest Income	\$ 42,000	\$ 20,716	\$ 40,000	\$ 19,284	93.09%
Total	\$ 42,000	\$ 20,716	\$ 40,000	\$ 19,284	93.09%
Total Outside Funding	\$ 215,500	\$ 265,431	\$ 443,000	\$ 177,569	66.90%

Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 3,923,297	\$ 4,539,515	\$ 5,392,546	\$ 853,031	18.79%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	39,233	-	-	-	
Total Salaries	\$ 3,962,530	\$ 4,539,515	\$ 5,392,546	\$ 853,031	18.79%
Payroll Taxes					
FICA	\$ 183,168	\$ 272,371	\$ 377,478	\$ 105,107	38.6%
Medicare	56,888	68,093	-	(68,093)	-100.0%
SUI	7,360	18,158	21,570	3,412	18.8%
FUI	-	4,540	5,393	853	18.8%
Total Payroll Taxes	\$ 247,416	\$ 363,162	\$ 404,441	\$ 41,279	11.4%
Benefits					
Workers Compensation	\$ 33,683	\$ -	\$ 9,000	\$ 9,000	
Medical Insurance	528,000	267,812	309,522	41,710	15.6%
Life-LTD Insurance	25,787	58,539	142,856	84,317	144.0%
Education	19,615	12,000	26,963	14,963	124.7%
Relocation	154,000	58,500	63,000	4,500	7.7%
Total Benefits	\$ 761,085	\$ 396,851	\$ 551,341	\$ 154,490	38.9%
Retirement					
Profit Sharing Plan / SERP	\$ -	\$ 308,705	\$ 240,475	\$ (68,230)	-22.1%
Savings Plan	356,123	299,036	264,522	(34,514)	-11.5%
Total Retirement	\$ 356,123	\$ 607,741	\$ 504,997	\$ (102,744)	-16.9%
Total Personnel Costs	\$ 5,327,154	\$ 5,907,269	\$ 6,853,325	\$ 946,056	16.0%

Meeting Expenses

Table B-3

Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 14,340	\$ 6,374	\$ 8,650	\$ 2,276	35.71%
Compliance and Organization Registration and Certification	30,275	50,744	153,250	102,506	202.01%
Reliability Readiness Audit and Improvement	2,640	7,362	1,800	(5,562)	-75.55%
Reliability Assessment and Performance Analysis	34,615	37,798	53,238	15,440	40.85%
Training and Education	142,340	120,514	178,820	58,306	48.38%
Situational Awareness and Infrastructure Security	11,550	3,002	20,625	17,623	587.04%
Committee and Member Forums	134,355	150,552	202,475	51,923	34.49%
General and Administrative	8,350	2,028	15,500	13,472	664.30%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	500	275	(225)	-45.00%
Total Meeting Expenses	\$ 378,465	\$ 378,874	\$ 634,633	\$ 255,759	67.51%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 10,770	\$ 23,852	\$ 8,130	\$ (15,722)	-65.91%
Compliance and Organization Registration and Certification	166,098	256,792	348,070	91,278	35.55%
Reliability Readiness Audit and Improvement	43,740	17,252	31,928	14,676	85.07%
Reliability Assessment and Performance Analysis	28,808	46,776	39,333	(7,443)	-15.91%
Training and Education	60,073	11,920	24,955	13,035	109.35%
Situational Awareness and Infrastructure Security	7,200	18,784	21,020	2,236	11.90%
Committee and Member Forums	48,879	72,688	77,387	4,699	6.46%
General and Administrative	40,506	74,508	43,870	(30,638)	-41.12%
Legal and Regulatory	-	-	-	-	
Information Technology	-	3,608	5,000	1,392	38.58%
Human Resources	-	-	-	-	
Accounting and Finance	2,970	3,092	1,475	(1,617)	-52.30%
Total Travel Expenses	\$ 409,044	\$ 529,272	\$ 601,168	\$ 71,896	13.58%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ -	\$ 1,868	\$ 977	\$ (891)	-47.70%
Compliance and Organization Registration and Certification	-	12,280	15,000	2,720	22.15%
Reliability Readiness Audit and Improvement	-	1,200	977	(223)	-18.58%
Reliability Assessment and Performance Analysis	-	6,008	3,140	(2,868)	-47.74%
Training and Education	-	1,868	977	(891)	-47.70%
Situational Awareness and Infrastructure Security	-	1,736	1,674	(62)	-3.57%
Committee and Member Forums	-	3,204	1,674	(1,530)	-47.75%
General and Administrative	-	6,350	2,093	(4,257)	-67.04%
Legal and Regulatory	-	-	-	-	
Information Technology	-	2,136	1,395	(741)	-34.69%
Human Resources	-	400	209	(191)	-47.75%
Accounting and Finance	-	3,604	1,884	(1,720)	-47.72%
Total Conference Calls	\$ -	\$ 40,654	\$ 30,000	\$ (10,654)	-26.21%

Total Meeting Expenses	\$ 787,509	\$ 948,800	\$ 1,265,801	\$ 317,001	33.41%
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Operating Expenses
Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	150,000	71,840	80,000	8,160	11.36%
Reliability Readiness Audit and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	206,000	100,000	230,000	130,000	130.00%
Training and Education	-	-	15,000	15,000	
Situational Awareness and Infrastructure Security	32,200	-	-	-	
Member Forum Consultants	-	25,076	-	(25,076)	-100.00%
General and Administrative	-	672	-	(672)	
Legal and Regulatory	-	-	-	-	
Information Technology	-	57,729	-	(57,729)	-100.00%
Human Resources	-	27,596	-	(27,596)	
Accounting and Finance	-	11,057	-	(11,057)	
Consultants Total	\$ 388,200	\$ 293,970	\$ 325,000	\$ 31,030	10.56%

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts - Software					
Computer & Communications Support	\$ 363,400	\$ 268,076	\$ 120,000	\$ (148,076)	-55.24%
IT Web and Portal Support	-	-	323,700	323,700	
Checkout Tool	-	-	144,000	144,000	
Hotline Maintenance	-	21,136	12,000	(9,136)	-43.22%
Contracts - Software Total	\$ 363,400	\$ 289,212	\$ 599,700	\$ 310,488	107.36%
Contracts Total	\$ 363,400	\$ 289,212	\$ 599,700	\$ 310,488	107.36%

Section B — Statutory

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent	\$ 177,939	\$ 181,663	\$ 183,277	\$ 1,614	0.89%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	\$ 177,939	\$ 181,663	\$ 183,277	\$ 1,614	0.89%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Telephone	\$ 106,350	\$ 118,252	\$ 94,200	\$ (24,052)	-20.34%
Internet	106,350	46,336	11,100	(35,236)	-76.04%
Office Supplies	12,100	117,837	35,000	(82,837)	-70.30%
Computer Supplies and Maintenance	31,100	-	88,690	88,690	
Publications & Subscriptions	1,200	-	-	-	
Dues	3,000	1,422	-	(1,422)	-100.00%
Postage	5,400	1,976	6,000	4,024	203.64%
Express Shipping	7,200	4,680	8,000	3,320	70.94%
Copying	12,000	2,764	6,500	3,736	135.17%
Reports - Graphics	5,494	-	6,000	6,000	
Stationary Forms	-	-	-	-	
Equipment Repair/Service Contracts	17,000	4,176	7,000	2,824	67.62%
Bank Charges	4,000	5,544	-	(5,544)	-100.00%
Sales & Use Taxes	15,000	-	-	-	
Merchant Card Fees	5,125	4,096	3,500	(596)	-14.55%
Presentation & Publicity	-	-	-	-	
Total Office Costs	\$ 331,319	\$ 307,083	\$ 265,990	\$ (41,093)	-13.38%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Independent Trustee Fees	\$ -		\$ -	\$ -	
Outside Legal	200,000	200,000	250,000	\$ 50,000	25.00%
Accounting & Auditing Fees	5,000	9,300	12,000	\$ 2,700	29.03%
Other Legal Fees	80,000	56,770	30,000	\$ (26,770)	-47.16%
Insurance Commercial	20,000	23,000	30,000	\$ 7,000	30.43%
Total Services	\$ 305,000	\$ 289,070	\$ 322,000	\$ 32,930	11.39%

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Purchase and Lease	\$ 37,000	\$ -	\$ -	\$ -	
Software	\$ -	\$ -	\$ -	\$ -	
Total Computer	\$ 37,000	\$ -	\$ -	\$ -	

Table B-10

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture	\$ 144,000	\$ -	\$ -	\$ -	
Equipment	129,500	-	70,000	70,000	
Leasehold Improvements	-	-	-	-	
Total Furniture & Fixtures	\$ 273,500	\$ -	\$ 70,000	\$ 70,000	

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Office Relocation	-	-	-	-	
Cash Reserve Requirement	-	-	210,453	210,453	
Total Non-Operating Expenses	\$ -	\$ -	\$ 210,453	\$ 210,453	