



2024 Business Plan and Budget Overview

2024 Budget Drivers

- Inflation and market pressure on salaries
- Addition of 5 FTEs
- Stronger IT & Security Platform
 - Strengthen security and cyber posture
 - Network and data security tools
- RAPA Studies and Assessments
 - New studies and increased frequency and complexity of existing studies

Budget Development Process

- As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate.
- SERC's Board of Directors approved draft 2024 Business Plan & Budget on March 29
 - Human Resources and Compensation Committee reviewed personnel assumptions
 - Finance and Audit Committee reviewed and endorsed Business Plan & Budget
- Business Plan & Budget posted for 30-day stakeholder comment period on April 6
 - No comments received

Budget Development Process

- Final approval by Board of Directors on June 21, conditioned on a 15-day comment period and subsequent final approval by the Board Finance and Audit Committee
- Business Plan & Budget posted for 15-day stakeholder comment period on June 22
 - No comments received
- Final approval by Board Finance and Audit Committee on July 14

2024 Statutory Budget and Assessment Overview

- 2024 Total Budget \$31,994,954 (13.4% increase)
- 2024 Total Assessment \$28,737,687 (9.7% increase)
 - Includes release of \$2,896,449 from the Assessment Stabilization Reserve, and a \$82,318 release of excess working capital reserves
 - Total FTEs 111 (increase of 5)

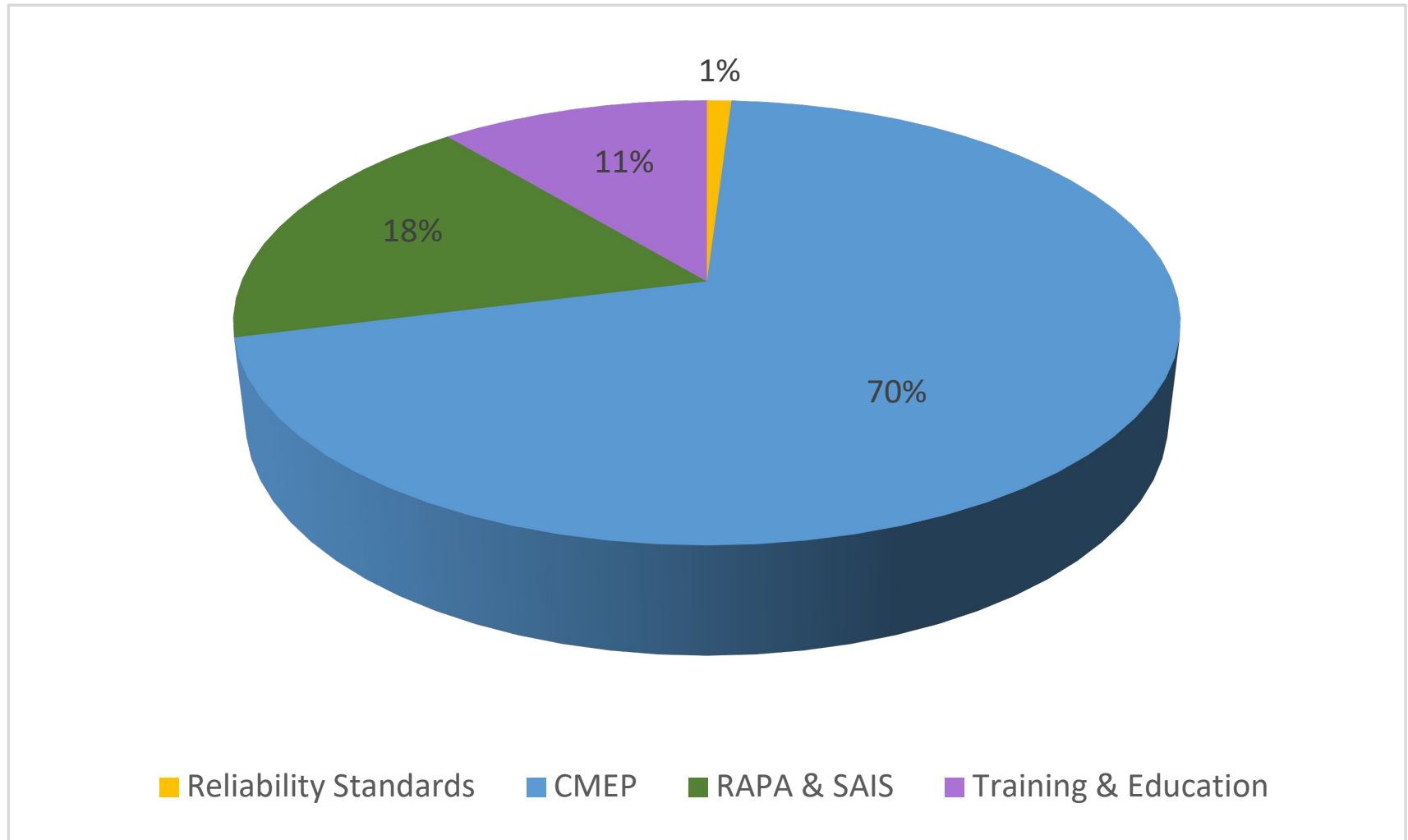
2024 Budget by Category

- Personnel \$25,550,438 (11.2% increase)
 - Approved staffing level of 111 Full-Time Equivalents (FTEs)
 - 5.7% wage increase (4% merit + 1.7% market adjustments)
 - Vacancy rate of 5% applied to all Personnel Expenses
- Meetings and Travel \$1,410,653 (6.3% increase)
 - Combined impacts from inflation and a modest increase in travel

2024 Budget by Category

- Operating Expenses \$4,348,863 (12.1% increase)
 - Increased spending on security related hardware and software tools, software licenses to support RAPA studies and higher commercial insurance rates
- Fixed Assets \$690,000 (1,542.9% increase)
 - Increase of \$648,000 due to anticipated leasehold improvements, build out of high-performance server environment to support RAPA studies, and cyber security enhancements including server and network storage refresh

2024 Budget by Program Area



2024 Assessment Details

- 2024 Assessment \$28,737,687 (9.7% increase)
- SERC's 2024 budget reflects the release of \$2,896,449 from the Assessment Stabilization Reserve as an offset to assessments, and a \$82,318 release of excess Working Capital Reserves

Reserve Overview

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

Projected Reserve Balances

- Total Projected Reserves 12/31/2023 - \$12,683,610
 - Working Capital Reserve \$1,987,161
 - Assessment Stabilization Reserve \$10,696,449
- Total Projected Reserves 12/31/2024 - \$9,704,843
 - Working Capital Reserve \$1,904,843
 - Assessment Stabilization Reserve \$7,800,000

Preliminary 2025 and 2026 Projections

2025

- Budget 6.3% increase over 2024
- Assessment 7.6% increase over 2024

2026

- Budget 3.9% increase over 2025
- Assessment 6.2% increase over 2025

Assumptions

- FTE addition of 3-6 in 2025, 0-3 in 2026
 - Projecting 50%-75% increase in registered entities
 - Evolving grid impacting RAPA, CMEP and State Outreach
- 3.5% annual merit/market adjustments
- New office lease in 2025
- Continued focus on strengthening security profile

Questions and Answers