

2010 Business Plan and Budget

Regional Entity

Southwest Power Pool Regional Entity

July 29, 2009

Table of Contents

| | |
|---|----|
| Introduction | 3 |
| Organizational Overview | 3 |
| Membership and Governance | 3 |
| Statutory Funtional Scope | 4 |
| Planning Cycle | 4 |
| 2010 Key Assumptions | 4 |
| 2010 Goals and Key Deliverables | 5 |
| 2010 Overview of Cost Impacts | 5 |
| Detailed Business Plans and Budgets by Program | 6 |
| Section A — 2010 Business Plan | 7 |
| Reliability Standards Program | 7 |
| Compliance Enforcement and Organization Registration and Certification Program | 15 |
| Reliability Improvement Program | 17 |
| Training, Education, and Operator Certification Program | 19 |
| Reliability Assessment and Performance Analysis Program | 22 |
| Situational Awareness and Infrastructure Security Program | 26 |
| Administrative Services | 33 |
| Section B — 2010 Regional Entity Budget | 40 |
| Section C — Non-Statutory | 53 |
| Section D — Additional Financial Data | 56 |
| Section E — Calculation of SPP Indirect Expense Rate | 57 |

Introduction

| Total RE Resources | | | | |
|-------------------------------|--------------|--------------|--------|--------|
| (in whole dollars) | | | | |
| | 2010 Budget | U.S. | Canada | Mexico |
| Statutory FTEs | 24.25 | | | |
| Non-statutory FTEs | 0 | | | |
| Total FTEs | 24.25 | | | |
| Statutory Expenses | \$ 8,138,783 | \$ 8,138,783 | | |
| Non-statutory Expenses | \$0 | \$0 | | |
| Total Expenses | \$ 8,138,783 | \$ 8,138,783 | | |
| Statutory Funding | \$ 6,755,854 | \$ 6,755,854 | | |
| Non-Statutory(Member) Funding | \$0 | \$0 | | |
| Total Funding | \$ 6,755,854 | \$ 6,755,854 | | |
| NEL | 208,009,387 | 208,009,387 | | |
| NEL % | 100% | 100% | | |

Organizational Overview

Southwest Power Pool, Inc. (SPP) operates as the NERC Regional Entity (RE) over an eight state area within the Eastern Interconnection. In response to the Energy Policy Act of 2005, SPP, Inc. created a new department to perform all compliance activities over SPP registered entities. SPP RE began engaging NERC to lead SPP, Inc. audits in 2007. In April 2007, FERC approved changes to the SPP, Inc. Bylaws creating three independent trustees to manage all SPP RE delegated activities. These trustees, initially elected in June 2007, are required to be independent of SPP, Inc. Members, customers of services provided by SPP Inc., and registered entities in the SPP RE footprint. SPP RE began engaging NERC to lead SPP, Inc. audits in 2007. In March 2009, SPP RE hired a General Manager to oversee the execution of the regional entity strategic direction and direct the day-to-day operations, including all compliance and enforcement activities. All reporting relationships between SPP RE employees and SPP, Inc. employees have been terminated.

This business plan outlines the tasks that the SPP RE portion of the Southwest Power Pool, Inc. performs to fulfill its duties per the FERC approved Regional Entity Delegation Agreement. SPP, Inc. also provides non-RE related functions for entities operating within the SPP footprint; those activities and related funding amounts are not included as part of this Business Plan.

Membership and Governance

Members' Forums

SPP provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas.

Introduction

The SPP RE also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues.

Members' Forums Objectives

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees
- Provide technical forums to act as standards-drafting teams in development of SPP Regional Reliability Standards.

Governance

The SPP RE is governed by three independent Regional Entity Trustees. The RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE Budget, as well as decisions on regional standards, reliability assessments, compliance enforcement actions, and penalties.

Statutory Functional Scope

As the RE for the Southwest Power Pool region, the SPP RE will administer the following programs:

- Regional Reliability Standards Program
- Compliance Monitoring and Enforcement Program
- Organization Registration and Certification
- Compliance Training and Education Programs
- Reliability Assessment and Performance Analysis Program
- Situation Awareness and Infrastructure Security Program

Planning Cycle

The SPP RE will begin its annual budget process in March of each calendar year to allow for sufficient time to develop and present the budget to the SPP Regional Entity Trustees prior to the deadline for submission to NERC.

The SPP RE will prepare the business plan and budget for carrying out the delegated functions with supporting materials and sufficient detail to justify the requested funding collection and budget expenditures.

2010 Key Assumptions

In developing the 2010 business plan, SPP RE has assumed:

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

2010 Goals and Key Deliverables

- Implement the recommendations contained in FERC's Order on the Audit ("FERC Audit") of SPP consistent with SPP's compliance filing with FERC on March 16, 2009. Meet the compliance audit schedule for 2010 in a manner consistent with the CMEP and FERC directives
- Provide compliance monitoring and enforcement activities consistent with the CMEP
- Develop any SPP Regional Reliability Standards to meet NERC continent-wide requirements
- Provide compliance training for registered entities in the SPP RE footprint
- Perform reliability assessments and performance analysis
- Support NERC efforts in Situational Awareness and Infrastructure Security

2010 Overview of Cost Impacts

SPP proposes to increase its operating budget from \$6.5 million to \$ 8.1 million in 2010, an increase of \$ 1.6 million or 25%. The FERC Audit of SPP, published in January 2009, recommended a review of SPP RE resource requirements and consideration of hiring additional staff to perform the delegated functions of the SPP RE. The resource review resulted in the proposal to increase FTEs associated with compliance monitoring and enforcement activities by 8 FTEs compared to the 2009 Business Plan. Costs associated with new workload for processing Technical Feasibility Exceptions significantly increased estimated 2010 consultant and contracts costs. Partially offsetting these increases is a decrease of \$1 million reflecting the decision not to include operator type training in the 2010 SPP RE budget. This training will be included in the SPP, Inc. budget. Also, offsetting these increases is a decrease in the estimated Indirect Expense rate from \$110/hour budgeted for 2009 to \$64/hour. Specifically, the 2010 cost increases are driven by:

Additional Costs

- **Non-CIP Compliance and Enforcement Functions:** Four additional FTEs compared to the 2009 Budget to enable organization registration, compliance monitoring, reporting and enforcement activities to reach a level of performance more consistent with the CMEP and the NERC Rules of Procedure for non-CIP standards;
 - One of these FTEs was added mid-year 2009 as an unbudgeted addition with SPP RE Trustee approval to begin to address workload exceeding existing staff capacity;
- **CIP Compliance and Enforcement Functions:** Four additional FTEs compared to the 2009 Budget to enable SPP RE to carry out increased compliance monitoring, reporting and enforcement activities related to CIP standards;
 - The number of CIP audits will increase substantially to complete the required CIP audits of all "Table 1" entities by 2010 yearend. Also, "Table 2" entities begin to become CIP auditable in the second half of 2010;
 - Processing Technical Feasibility Exceptions drives an increase in consultant and contracts cost of \$700,000.
 - 2010 is expected to see a substantial upswing in the number of CIP related violations, as CIP audits continue to ramp up;
 - One of these FTEs was added mid-year 2009 as an unbudgeted addition with SPPRE Trustee approval.
- **General and Administrative:** One and a half additional FTEs compared to the 2009 Budget;
 - The addition 0.5 FTE due to the hiring of a full-time SPP RE General Manager position as recommended by the FERC Audit to provide independence and separation from non-statutory duties
 - This FTE was added at the end of the first quarter of 2009 but was not included in the 2009 budget;
 - The 2009 Budget included 0.5 FTEs for shared executive support from SPP, Inc.;
 - One additional FTE compared to the 2009 Budget to provide legal administrative support for settlements and document management;

Introduction

- An additional 0.5 FTE needed to address a significant increase in Regional standards activities in 2010.

Indirect Expense Rate: The indirect expense rate is estimated to be \$64/hour for 2009 actual and 2010 budget compared to \$110/hour submitted for the 2009 budget. The indirect expense rate reflects overhead costs such as Human Resources, Information Technology and Accounting. The Indirect expense rate is calculated by dividing the total overhead costs by the total hours worked by non-overhead personnel. The indirect expense rate is then added to the personnel expenses for each hour directly charged by SPP RE or SPP shared staff. The reduction in the indirect expense rate is primarily due to a decrease in Information Technology costs classified as overhead. A table showing the derivation of the Indirect Expense Rate is attached as Section E.

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 — 2010 Business Plan

Reliability Standards Program

| Reliability Standards Program Resources | | | |
|--|------------------|---|--------------------|
| (in whole dollars) | | | |
| | 2009 Budget | 2010 Budget | Increase(Decrease) |
| Total FTEs | 1.0 | 1.5 | 0.5 |
| Total Direct Expenses | Salary \$103,400 | Salary \$163,950 Travel \$15,000 <u>Outside Services \$24,000</u> Total \$ 202,950 | \$99,550 |
| Total Indirect Expenses | \$189,880 | SPP Inc. \$180,480 ¹ <u>SPP RE \$ 79,444</u> Total \$ 259,924 | \$ 70,044 |
| Inc(Dec) in Fixed Assets | \$0 | \$0 | \$0 |
| Total Expenses & Fixed Assets | \$293,280 | \$ 462,874 | \$ 169,594 |

Program Scope and Functional Description

SPP RE will coordinate with NERC to develop and approve technically sound, fair, and balanced reliability standards to ensure the reliability of the bulk power systems in North America. SPP RE will also develop any regional reliability standards per the guideline as defined in the delegation agreement. NERC will submit such standards to FERC and to the appropriate Canadian governmental authorities for adoption as mandatory for bulk power system owners, operators, and users in the United States, and to applicable authorities in Canada for similar status.

The foregoing activities of persons engaged in the reliability standards development process (i.e. Standard Drafting Team) will be conducted, to the extent possible, by conference calls and e-mail, website postings and other means of electronic communications. If face-to-face meetings of participants are needed, those meetings will be announced on the SPP website calendar with a notification to SPP RE Standards Development Explorer.

In addition, SPP RE direct and shared staff will coordinate any regional reliability standards work through the corresponding working groups such as the Transmission Working Group for TPL standards, System Protection and Control Working Group for PRC standards, or any appropriate working group as identified per the SPP Regional Entity Standards Procedure.

2010 Key Assumptions

SPP RE continues to utilize shared staff along with direct staff to facilitate the development of standards to implement the SPP RE Standards Procedure. For 2010, the standard development activities are expected to surge both in SPP (Regional Standards) and NERC (Continent wide standards).

¹ SPP, Inc Indirect Expenses include overhead costs such as Human Resources, Information Technology and Accounting. These corporate support services are provided to SPP RE by SPP, Inc.

2010 Goals and Key Deliverables

Goals

- Meet directives of ERO governmental authorities regarding standards development and procedures
- Meet stated targets in the regional “fill-in-the-blank” standards work plan
- Maintain consistency and quality of regional reliability standards
- Communicate with stakeholders and regulators regarding standards development
- Participate and represent SPP region in NERC’s Standard Drafting Teams that may have significant influence on SPP planning and business practices

Section 215 Regional Entity Reliability Standards Development

SPP RE will follow the standards process as defined in its delegation agreement for any new regional standards or any update of existing regional standards. SPP’s reliability standards development process will have an advisory vote by the Markets and Operations Policy Committee (MOPC), which will be responsible for ensuring that all stakeholder interests are fairly represented in the development of standards. The MOPC has broad industry representation. The SPP Standards Process will provide an open, balanced, and inclusive stakeholder process in which any interested party, regardless of membership status with SPP, Inc., may provide input and vote on any proposed regional reliability standard. No entity may have more than one vote. SPP Regional Entity Trustees have ultimate authority to recommend NERC to approve a regional standard, remand it to the Standard Drafting Team through MOPC, or determine there is no need for the standard and terminate the activity.

The SPP Regional Standards Development Procedure provides the basis for SPP to propose and develop regional reliability standards. That Procedure is consistent with a NERC standard format for all RE standards procedures.

Funding Requirements — Explanation of Increase (Decrease)

The funding requirement is expected to increase from 1 to 1.5 FTE for 2010 Budget. Increased activities for the development of regional standards are anticipated for 2010. Additionally, more SPP RE participation is desired in NERC’s Continent Wide Standard development process to foster development of standards that are clear and unambiguous.

Section A – 2010 Business Plan

Reliability Standards Program

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

| Statement of Activities | | | | | |
|--|-------------------|--------------------|---|-------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Reliability Standards | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 293,280 | \$ 293,280 | \$ - | \$ 462,874 | \$ 169,595 |
| Penalty Sanctions | | | | | - |
| Total ERO Funding | <u>\$ 293,280</u> | <u>\$ 293,280</u> | <u>\$ -</u> | <u>\$ 462,874</u> | <u>\$ 169,595</u> |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | <u>\$ 293,280</u> | <u>\$ 293,280</u> | <u>\$ -</u> | <u>\$ 462,874</u> | <u>\$ 169,595</u> |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 85,339 | \$ 85,339 | \$ - | \$ 135,300 | \$ 49,961 |
| Payroll Taxes | 6,528 | 6,528 | - | 10,350 | 3,822 |
| Benefits | 8,118 | 8,118 | - | 12,900 | 4,782 |
| Retirement Costs | 3,414 | 3,414 | - | 5,400 | 1,986 |
| Total Personnel Expenses | <u>\$ 103,400</u> | <u>\$ 103,400</u> | <u>\$ -</u> | <u>\$ 163,950</u> | <u>\$ 60,550</u> |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | 15,000 | 15,000 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,000</u> | <u>\$ 15,000</u> |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ 24,000 | \$ 24,000 |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,000</u> | <u>\$ 24,000</u> |
| Total Direct Expenses | <u>\$ 103,400</u> | <u>\$ 103,400</u> | <u>\$ -</u> | <u>\$ 202,950</u> | <u>\$ 99,550</u> |
| SPP Inc. Indirect Expenses | <u>\$ 189,880</u> | <u>\$ 120,320</u> | <u>\$ (69,560)</u> | <u>\$ 180,480</u> | <u>\$ (9,400)</u> |
| SPP RE Indirect Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 79,444</u> | <u>\$ 79,444</u> |
| Total Expenses | <u>\$ 293,280</u> | <u>\$ 223,720</u> | <u>\$ (69,560)</u> | <u>\$ 462,874</u> | <u>\$ 169,595</u> |
| Change in Assets | <u>\$ -</u> | <u>\$ 69,560</u> | <u>\$ 69,560</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL CHANGE IN ASSETS | <u>\$ -</u> | <u>\$ 69,560</u> | <u>\$ 69,560</u> | <u>\$ -</u> | <u>\$ -</u> |

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- An increase of 0.5 FTE over the 2009 amount for increased activity to accommodate the planned increased activity in development of regional reliability standards. SPP RE plans to hire 1 additional dedicated SPP RE Staff in 2010 to support Reliability Standards. Historically, SPP RE has relied entirely on SPP RE Shared staff for this function. In 2008, SPP RE was able to use 0.2 FTE shared staff and in 2009 projects availability of 0.5 FTE. The addition of 1 direct FTE is expected to result in 1.5 FTE total for 2010.

Meeting Expenses

- No meeting expenses were budgeted for 2009. The proposed budget to support this function in 2010 includes \$15,000 for travel.

Operating Expenses

- An increase in Operating Expenses of \$24,000 in Consultants and Contracts is driven by studies to be performed in support of regional standard development.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

| Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources | | | |
|--|--|--|--------------------|
| (in whole dollars) | | | |
| | 2009 Budget | 2010 Budget | Increase(Decrease) |
| Total FTEs | 6.0 | 14.0 | 8.0 |
| Total Direct Expenses | Salary \$834,653 Travel \$94,000 Training \$25,000 <u>Consulting \$330,000</u> Total \$1,283,653 | Salary \$2,097,900 Travel \$225,000 Training \$30,000 <u>Consulting \$ 1,095,000</u> Total \$3,447,900 | \$2,164,247 |
| Total Indirect Expenses | \$1,139,280 | SPP Inc.\$1,684,480 <u>SPP RE \$ 1,063,397</u> Total \$2,747,877 | \$1,608,597 |
| Inc(Dec) in Fixed Assets | \$0 | \$0 | \$0 |
| Total Expenses & Fixed Assets | \$2,422,933 | \$6,195,777 | \$3,772,844 |

Program Scope and Functional Description

2010 Key Assumptions

- The number of registered entities in the SPP RE footprint remains relatively stable
- The number of non-CIP enforceable standards remain relatively stable
- The number of non-CIP violations processed remains relatively stable compared to the 2007-2008 timeframe.
- The number of CIP audits will increase substantially to complete CIP audits of all “Table 1” entities by 2010 year end. Also, “Table 2” entities begin to become CIP auditable in the second half of 2010.
- 2010 is expected to see a substantial upswing in the number of CIP possible violations, as CIP audits continue to ramp up.

2010 Goals and Key Deliverables

- Implement FERC Audit recommendation to review staffing to ensure adequate resources to fulfill delegated duties.
- Implement FERC Audit recommendation to ensure RE staff obtain corroborating evidence to verify a registered entity’s compliance following a self report.
- Six to eight on-site compliance audits of registered RC, BA, and TOP entities
- Fifteen to eighteen on-site (or other approved methods) of compliance audits of other registered entities [6-year cycle entities]
- Six to eight spot audits of CIP Standards for RC, BA, and TOP entities not previously scheduled of on-site compliance audits
- Spot check/audits of specified standards as dictated by NERC 2010 Business Plan
- Perform reporting and analysis of Control Performance Standard [CPS] performance and independent analysis and reporting of Disturbance Control Standard [DCS] performance
- Quarterly compliance surveys of specific reliability standards
- Annual self-certification program

Section A – 2010 Business Plan

- Semi-annual self-certification program for CIP standards
- Monitoring of periodic data submittals
- Compliance Violation Investigations, as necessary
- Calculations and imposition of financial penalties or non-monetary sanctions for non-compliance findings
- Participate in Regional Hearing Process, as necessary

Funding Requirements — Explanation of Increase (Decrease)

The expansion of the SPP RE Compliance and Enforcement group is driven by several factors, including:

- The Regional Entities have produced an internal whitepaper, discussing the evolution of the compliance monitoring of the CIP standards, recommending that the on-site audit teams include 4 team members beginning in July 2010 for required on-site audits of the 41 enforceable requirements contained in the CIP standards. The SPP RE is required to either spot check or fully audit all Balancing Authorities, Transmission Operators, and Reliability Coordinators between July 2009 and December 2010. The 2009 Budget included one FTE for CIP Compliance work. Three additional FTEs compared to the 2009 Budget will be required to create a 4 member team. One of these FTEs was reassigned to CIP Compliance work from the Compliance and Registration function during 2009 and an unbudgeted addition was authorized by the RE Trustees during 2009 to backfill the Registration function.
- One additional FTE compared to the 2009 Budget is proposed for Enforcement to handle the expected substantial upswing in the number of CIP possible violations, as CIP audits continue to ramp up.
- A workload analysis of the 2009/2010 CMEP program for non-CIP work has determined that the SPP RE Compliance staff is approximately 2 FTE short and that the Enforcement staff is approximately 2 FTE short of full staff requirements to maintain an ongoing effective regional program compared to the 2009 Budget. One of the Enforcement FTEs was hired as an unbudgeted additional FTE during 2009 with RE Trustee approval.
- Consultants and Contracts costs increased due to expected costs for processing Technical Feasibility Exceptions.

Technical Feasibility Exceptions

Scope and Description

Background

The Critical Infrastructure Protection (CIP) Standards allow for registered entities to request Technical Feasibility Exceptions (TFEs) to the standard requirements in certain instances. Once these requests are made, they must be reviewed and approved, and then short and long-term plans to deal with the TFEs must also be evaluated, approved and monitored to completion.

At the time the Southwest Power Pool RE 2010 Business Plan and Budget were developed, submitted to the Board for review, and posted for stakeholder comment, NERC anticipated that the processing of TFEs would be handled centrally by NERC staff and thus Regional Entity resources would not be required for this work. Based upon feedback and input NERC received in response to the public posting of its proposed 2010 Business Plan and Budget, they revised this approach and directed the Regions to develop proposals to deal with TFE processing.

SPP RE decided to leave its base 2010 Business Plan and Budget as originally proposed and to develop this supplement devoted only to the TFE work. If approved by the NERC Board of Trustees, this supplement would be an additive to the 2010 SPP RE Business Plan and Budget. Should the NERC Board decide that Regional resources are not needed for TFE evaluations because NERC will centrally process them, this supplement will not be necessary and the NERC Board has the option to simply approve the base Business Plan and Budget.

Section A – 2010 Business Plan

There are a number of unknowns and evolving issues associated with the evaluation of TFEs. The ultimate answers to these questions will greatly impact resource requirements.

SPP RE is attempting to answer them as best we can in this supplement, given the information presently available. The assumptions made were used to determine the budget impact of TFE evaluations across the Region.

Key Issues and Assumptions

1. *Who performs the TFE evaluations?*

Assumption – Based on the current information, SPP RE assumes that the Regions will be expected to evaluate all TFE requests, approve interim plans to operate while the TFE exists, and approve plans to ultimately eliminate the TFE.

2. *When are evaluations performed (pre-approval or during an audit)?*

Assumption – The current plan, based on information from NERC is that the evaluations would take place during audits or spot checks, but some sort of initial evaluation must also be conducted.

3. *What information must be collected in support of a TFE?*

Assumption – TFEs are associated with CIP-005 requirements 2.4, 2.6, 3.1., 3.2 and CIP-007 requirements 2.4, 4, 5.3, 6 and 6.3. TFEs may also be associated with other requirements.

Assumption – If a registrant refuses to submit materials or documents due to CEII concerns and requests that they can only be reviewed on-site, SPP RE anticipates complying with this request.

4. *What happens if we do not agree with the basis for the TFE request? Is it a violation of the associated standard? What is the process for any appeal or contest? Does the registrant get a second chance?*

Assumption – The SPP RE assumptions here are consistent with the NERC Compliance Process Bulletin #2009-006, Interim Approach to Technical Feasibility Exceptions, Version 1.0, July 1, 2009, (http://www.nerc.com/files/2009-006_Public%20Notice-V1.pdf). If the TFE is rejected during our evaluation, the entity is given 31 days to make corrections and resubmit it. If the TFE is rejected again, then the alleged violation process will start and all of the same due process rights will be granted to the requestor.

5. *How will common TFEs be coordinated across regions? Can NERC issue a global TFE determination for common equipment? Can they maintain a database of already approved TFEs?*

Assumption – At the time of this writing, a common NERC TFE data base and global determinations are not anticipated. Therefore, we believe the Regions must seek consistency on similar requests absent these tools, and it may add to the time required to evaluate a given TFE.

6. *How are TFE mitigation plans (interim and long term) evaluated and judged? What happens if the plan is not deemed acceptable?*

Assumption – SPP RE believes that we will have to perform the evaluations and an insufficient interim or long term plan will be a basis for rejecting the TFE. If the TFE is rejected, after the opportunity to improve the initial plan, it becomes an alleged violation. We believe the evaluation will be much like those associated with mitigation plans for alleged or confirmed violations of Reliability Standards.

7. *What approval or oversight role will NERC play if TFE evaluation is delegated to the Regional Entities?*

Section A – 2010 Business Plan

Assumption – NERC has indicated they will provide oversight and some analysis should the Regions be the primary evaluators; but the exact nature has not yet been clearly defined due to the uncertainty associated with the TFE evaluations. But it should not impact the Regional workload, other than to require us to address any questions NERC may have regarding the TFE and perhaps to ask more questions of the requestor. Depending on the answer to this question, TFE approval may experience some delays.

8. *How often and how will TFEs be re-evaluated?*

Assumption – TFEs will need to be re-evaluated annually. Also, the mitigation plans must be tracked routinely.

9. *How many TFEs will there be, anyway?*

Assumption – This is the most difficult question to answer. The answer depends on how a TFE is characterized. For instance, if a company has 200 of the same relays with the same TFE need for the same standard, is that one TFE or 200? We are treating it as one. However, the mitigation plans may need to be approved and tracked individually or in subsets with potential multiple assessments.

Estimated 2010 Manpower and Resource Needs

NERC conducted an analysis and estimated that it will take about a man-week for each TFE evaluation, excluding any enforcement activities associated with rejected TFE requests. An estimated 2 man-years of work is estimated. At this time, SPP RE intends to address the additional work-load with contractors. After 2010, once a steady state level of effort is better known, SPP RE may add direct personnel to carry out this work.

2010 Overview of Cost Impacts Including TFE Impact

Overall, the SPP RE 2010 budget will increase by 25% over the 2009 level if both the 'base' 2010 budget and this supplement are approved. (\$8.1 million compared to \$6.5 million). The total incremental cost over the base 2010 budget associated with performing the TFE evaluations is estimated at \$0.7 million.

Funding Requirements — Explanation of Increase (Decrease)

Consultants and Contracts expense will increase due to the hiring of additional contractors to process TFEs.

Section A – 2010 Business Plan

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2010 business plan are shown in the table below.

| Statement of Activities | | | | | |
|---|---------------------|---------------------|---|---------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Compliance and Organization Registration and Certification | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 2,422,933 | \$ 2,422,933 | \$ - | \$ 6,195,777 | \$ 3,772,844 |
| Penalty Sanctions | | | | | - |
| Total ERO Funding | \$ 2,422,933 | \$ 2,422,933 | \$ - | \$ 6,195,777 | \$ 3,772,844 |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | \$ 2,422,933 | \$ 2,422,933 | \$ - | \$ 6,195,777 | \$ 3,772,844 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 698,218 | \$ 900,000 | \$ 201,782 | \$ 1,794,100 | \$ 1,095,882 |
| Payroll Taxes | 53,414 | 68,900 | 15,486 | 117,600 | 64,186 |
| Benefits | 80,092 | 103,200 | 23,108 | 146,200 | 66,108 |
| Retirement Costs | 27,929 | 36,000 | 8,071 | 70,000 | 42,071 |
| Total Personnel Expenses | \$ 859,653 | \$ 1,108,100 | \$ 248,447 | \$ 2,127,900 | \$ 1,268,247 |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 94,000 | 104,000 | 10,000 | 225,000 | 131,000 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 94,000 | \$ 104,000 | \$ 10,000 | \$ 225,000 | \$ 131,000 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 330,000 | \$ 350,000 | \$ 20,000 | \$ 1,095,000 | \$ 765,000 |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 330,000 | \$ 350,000 | \$ 20,000 | \$ 1,095,000 | \$ 765,000 |
| Total Direct Expenses | \$ 1,283,653 | \$ 1,562,100 | \$ 278,447 | \$ 3,447,900 | \$ 2,164,247 |
| SPP Inc. Indirect Expenses | \$ 1,139,280 | \$ 962,560 | \$ (176,720) | \$ 1,684,480 | \$ 545,200 |
| SPP RE Indirect Expenses | \$ - | \$ - | \$ - | \$ 1,063,397 | \$ 1,063,397 |
| Total Expenses | \$ 2,422,933 | \$ 2,524,660 | \$ 101,727 | \$ 6,195,777 | \$ 3,772,844 |
| Change in Assets | \$ - | \$ (101,727) | \$ (101,727) | \$ - | \$ - |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | - | - | - | - | - |
| TOTAL CHANGE IN ASSETS | \$ - | \$ (101,727) | \$ (101,727) | \$ - | \$ - |

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- The dedicated personnel expenses have increased due to a projected increase in staffing requirements [see explanation above] and related personnel expenses.

Meeting Expenses

- Travel expenses increase associated with additional FTEs. Travel expenses are based on the historical average travel expenditure per employee adjusted for the change in the number of employees for 2010.

Operating Expenses

- Outside contractor costs have been increased due to expanded requirements of compliance monitoring in the CIP area, expected costs to process Technical Feasibility Exceptions plus a general increase in the cost per hour of these services.

Indirect Expenses

- The indirect expenses increased due to the increased FTEs. The indirect expenses are assessed to the SPP RE based on a fixed rate per hour charged by the SPP RE dedicated staff.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Reliability Improvement Program

| Reliability Readiness Evaluation and Improvement Program Resources | | | |
|---|--|-------------|--------------------|
| (in whole dollars) | | | |
| | 2009 Budget | 2010 Budget | Increase(Decrease) |
| Total FTEs | 0.5 | 0 | (0.5) |
| Total Direct Expenses | Salary \$51,700 Travel \$18,000 Total \$69,700 | 0 | \$(69,700) |
| Total Indirect Expenses | \$94,940 | 0 | \$(94,940) |
| Inc(Dec) in Fixed Assets | \$0 | \$0 | \$0 |
| Total Expenses & Fixed Assets | \$164,640 | 0 | \$(164,640) |

Program Scope and Functional Description

2010 Key Assumptions

- The SPP RE anticipates that this program will not be active in 2010.

2010 Goals and Key Deliverables

- The SPP RE anticipates that this program will not be active in 2010.

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Requirements — Explanation of Increase (Decrease)

- The SPP RE anticipates that this program will not be active in 2010.

Personnel Expenses

- The SPP RE anticipates that this program will not be active in 2010.

Meeting Expenses

- The SPP RE anticipates that this program will not be active in 2010.

Operating Expenses

- The SPP RE anticipates that this program will not be active in 2010.

Indirect Expenses

- The SPP RE anticipates that this program will not be active in 2010.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Section A – 2010 Business Plan

Reliability Improvement Program

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

| Statement of Activities | | | | | |
|--|-------------------|--------------------|---|----------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Reliability Readiness Evaluation and Improvement | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 164,640 | \$ 164,640 | \$ - | \$ - | \$ (164,640) |
| Penalty Sanctions | | | | | - |
| Total ERO Funding | <u>\$ 164,640</u> | <u>\$ 164,640</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (164,640)</u> |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | <u>\$ 164,640</u> | <u>\$ 164,640</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (164,640)</u> |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 42,670 | \$ - | \$ (42,670) | \$ - | \$ (42,670) |
| Payroll Taxes | 3,264 | - | (3,264) | - | (3,264) |
| Benefits | 4,059 | - | (4,059) | - | (4,059) |
| Retirement Costs | 1,707 | - | (1,707) | - | (1,707) |
| Total Personnel Expenses | <u>\$ 51,700</u> | <u>\$ -</u> | <u>\$ (51,700)</u> | <u>\$ -</u> | <u>\$ (51,700)</u> |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 18,000 | - | (18,000) | - | (18,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | <u>\$ 18,000</u> | <u>\$ -</u> | <u>\$ (18,000)</u> | <u>\$ -</u> | <u>\$ (18,000)</u> |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Direct Expenses | <u>\$ 69,700</u> | <u>\$ -</u> | <u>\$ (69,700)</u> | <u>\$ -</u> | <u>\$ (69,700)</u> |
| SPP Inc. Indirect Expenses | <u>\$ 94,940</u> | <u>\$ 60,160</u> | <u>\$ (34,780)</u> | <u>\$ -</u> | <u>\$ (94,940)</u> |
| SPP RE Indirect Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Expenses | <u>\$ 164,640</u> | <u>\$ 60,160</u> | <u>\$ (104,480)</u> | <u>\$ -</u> | <u>\$ (164,640)</u> |
| Change in Assets | <u>\$ -</u> | <u>\$ 104,480</u> | <u>\$ 104,480</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL CHANGE IN ASSETS | <u>\$ -</u> | <u>\$ 104,480</u> | <u>\$ 104,480</u> | <u>\$ -</u> | <u>\$ -</u> |

Training, Education, and Operator Certification Program

| Training, Education, and Operator Certification Program Resources | | | |
|--|---|-------------------|--------------------|
| <i>(in whole dollars)</i> | | | |
| | 2009 Budget | 2010 Budget | Increase(Decrease) |
| Total FTEs | 3.0 | 0 | (3.0) |
| Total Direct Expenses | Salary \$361,712 Travel \$21,000 Meetings \$153,800 <u>Outside Svcs \$9,660</u> Total \$546,172 | Meetings \$25,000 | (\$521,172) |
| Total Indirect Expenses | \$569,640 | SPP RE \$5,180 | (\$564,460) |
| Inc(Dec) in Fixed Assets | \$0 | \$0 | \$0 |
| Total Expenses & Fixed Assets | \$1,115,812 | \$30,780 | (\$1,085,632) |

Program Scope and Functional Description

- The SPP RE staff designs, develops and implements two general compliance workshops and one CIP workshop for registered entities each year.
- Compliance training is included in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program section.

2010 Goals and Key Deliverables

- Two general compliance workshops for registered entities
- One CIP workshop for registered entities

Section A – 2010 Business Plan

Training, Education, and Operator Certification Program

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

| Statement of Activities | | | | | |
|---|---------------------|---------------------|---|------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Training and Education | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 1,115,812 | \$ 1,115,812 | \$ - | \$ 30,180 | \$ (1,085,632) |
| Penalty Sanctions | | | | | - |
| Total ERO Funding | \$ 1,115,812 | \$ 1,115,812 | \$ - | \$ 30,180 | \$ (1,085,632) |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | \$ 1,115,812 | \$ 1,115,812 | \$ - | \$ 30,180 | \$ (1,085,632) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 299,694 | \$ 299,694 | \$ - | \$ - | \$ (299,694) |
| Payroll Taxes | 22,927 | 22,927 | - | - | (22,927) |
| Benefits | 27,104 | 27,104 | - | - | (27,104) |
| Retirement Costs | 11,988 | 11,988 | - | - | (11,988) |
| Total Personnel Expenses | \$ 361,712 | \$ 361,712 | \$ - | \$ - | \$ (361,712) |
| Meeting Expenses | | | | | |
| Meetings | \$ 153,800 | \$ 115,000 | \$ (38,800) | \$ 25,000 | \$ (128,800) |
| Travel | 21,000 | 21,000 | - | - | (21,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 174,800 | \$ 136,000 | \$ (38,800) | \$ 25,000 | \$ (149,800) |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 9,660 | \$ 9,660 | \$ - | \$ - | \$ (9,660) |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 9,660 | \$ 9,660 | \$ - | \$ - | \$ (9,660) |
| Total Direct Expenses | \$ 546,172 | \$ 507,372 | \$ (38,800) | \$ 25,000 | \$ (521,172) |
| SPP Inc. Indirect Expenses | \$ 569,640 | \$ 360,960 | \$ (208,680) | \$ - | \$ (569,640) |
| SPP RE Indirect Expenses | \$ - | \$ - | \$ - | \$ 5,180 | \$ 5,180 |
| Total Expenses | \$ 1,115,812 | \$ 868,332 | \$ (247,480) | \$ 30,180 | \$ (1,085,632) |
| Change in Assets | \$ - | \$ 247,480 | \$ 247,480 | \$ - | \$ - |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | - | - | - | - | - |
| TOTAL CHANGE IN ASSETS | \$ - | \$ 247,480 | \$ 247,480 | \$ - | \$ - |

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Requirements — Explanation of Increase (Decrease)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Hiring Plans

- N/A

Personnel Expenses

- There is a decrease of 3 FTEs from the 2009 budget to reflect the decision not to include operator type training in the RE budget.

Meeting and Travel Expenses

- There is a decrease of \$153,800 from the 2009 budget to reflect the decision not to include operator type training in the RE budget.

Operating Expenses

- There is a decrease of \$9,660 from the 2009 budget to reflect the decision not to include operator type training in the RE budget.

Indirect Expenses

- The indirect expensed decreased \$569,640 from the 2009 budget to reflect the decision not to include operator type training in the RE budget.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Reliability Assessment and Performance Analysis Program

| Reliability Assessment and Performance Analysis Program Resources | | | |
|--|--|--|--------------------|
| <i>(in whole dollars)</i> | | | |
| | 2009 Budget | 2010 Budget | Increase(Decrease) |
| Total FTEs | 3.4 | 4.0 | 0.6 |
| Total Direct Expenses | Salary \$351,558 Travel \$25,000 <u>Consulting \$56,000</u> Total \$432,558 | Salary \$437,200 Travel \$30,000 <u>Consulting \$56,000</u> Total \$523,200 | \$90,642 |
| Total Indirect Expenses | \$645,592 | SPP Inc. \$481,280 <u>SPP RE \$218,122</u> Total \$ 689,402 | \$43,810 |
| Inc(Dec) in Fixed Assets | \$0 | \$0 | \$0 |
| Total Expenses & Fixed Assets | \$1,078,150 | \$1,212,602 | \$134,452 |

Program Scope and Functional Description

Background

In the United States, SPP as a NERC RE is required to “conduct periodic assessments of the reliability and adequacy of the bulk-power system in North America.” (FPA, § 215(g); 16 C.F.R.§39.11.) In accordance with this responsibility and SPP’s responsibility to support the reliability of the North American bulk power system, SPP intends to support NERC’s three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports will analyze electricity demand and the Reliability and Adequacy Assessment Objectives adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. SPP will also conduct inter-regional studies and other planning studies to comply with NERC’s various TPL standards.

The SPP RE is responsible for conducting Event Analyses on major reliability events within the SPP RE footprint. This analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. The SPP RE is responsible for producing a final technical report on each incident. Any issues that surface which may lead to standards compliance questions will be handled through the Compliance Monitoring & Enforcement Program portion of this Business Plan.

Program Scope and Functional Description

Reliability and adequacy assessments of the bulk power system will be conducted by teams comprised of NERC’s and RE professional and technical staff, along with volunteers from the electric industry, government, and academia who possess appropriate technical competencies. Except when site visits are necessary to conduct analyses, these teams’ work will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings. Meetings may be held at NERC’s headquarters or at meeting locations around the United States and Canada selected for proximity to and ease of access by team members.

SPP shared staff will conduct inter-regional studies or other planning studies in coordination with its members. The work of these teams will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings at SPP’s headquarters or at locations around the United States selected for proximity to and ease of access by team members. SPP RE staff will act as the

RE liaison with the SPP shared staff in supporting the analysis and publication of the annual NERC assessments.

2010 Key Assumptions

2010 Goals and Key Deliverables

Reliability and Adequacy Assessment Objectives

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their registered entities to assist with planning and evaluating future systems and current operating conditions
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments
- Conduct inter-regional and other planning studies to comply with NERC's TPL standards, including participation in the Eastern Interconnection Reliability Assessment Group
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system
- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members
- Participate actively in new committees/task formed recently formed at NERC level
 - Reliability Metrics Working Group (RMWG)
 - Resource Issues Subcommittee (RIS)
 - Loss of Load Expectation Group (LOLE)
 - Demand Response Data Task Force (DRDTF)
 - Reliability Assessment Guidebook Task Force (RAGTF)

Funding Requirements — Explanation of Increase (Decrease)

SPP staff continues to remain active in 2010 to perform Reliability Assessment and Performance Analysis functions. In addition, SPP staff is planning to get actively engaged into several working groups recently formed at NERC level. These groups are predominantly formed to ensure the consistency across the NERC footprint in defining Reliability, Resource Adequacy and achieving effective Demand Response programs.

Section A – 2010 Business Plan

Reliability Assessment and Performance Analysis Program

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

| Statement of Activities | | | | | |
|--|---------------------|---------------------|---|---------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Reliability Assessment and Performance Analysis | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 1,078,150 | \$ 1,078,150 | \$ - | \$ 1,212,602 | \$ 134,451 |
| Penalty Sanctions | | | | | - |
| Total ERO Funding | <u>\$ 1,078,150</u> | <u>\$ 1,078,150</u> | <u>\$ -</u> | <u>\$ 1,212,602</u> | <u>\$ 134,451</u> |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | <u>\$ 1,078,150</u> | <u>\$ 1,078,150</u> | <u>\$ -</u> | <u>\$ 1,212,602</u> | <u>\$ 134,451</u> |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 290,153 | \$ 290,153 | \$ - | \$ 360,800 | \$ 70,647 |
| Payroll Taxes | 22,197 | 22,197 | - | 27,600 | 5,403 |
| Benefits | 27,602 | 27,602 | - | 34,400 | 6,798 |
| Retirement Costs | 11,606 | 11,606 | - | 14,400 | 2,794 |
| Total Personnel Expenses | <u>\$ 351,558</u> | <u>\$ 351,558</u> | <u>\$ -</u> | <u>\$ 437,200</u> | <u>\$ 85,642</u> |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 25,000 | 25,000 | - | 30,000 | 5,000 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | <u>\$ 25,000</u> | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ 30,000</u> | <u>\$ 5,000</u> |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 56,000 | \$ 56,000 | \$ - | \$ 56,000 | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | <u>\$ 56,000</u> | <u>\$ 56,000</u> | <u>\$ -</u> | <u>\$ 56,000</u> | <u>\$ -</u> |
| Total Direct Expenses | <u>\$ 432,558</u> | <u>\$ 432,558</u> | <u>\$ -</u> | <u>\$ 523,200</u> | <u>\$ 90,642</u> |
| SPP Inc. Indirect Expenses | <u>\$ 645,592</u> | <u>\$ 409,088</u> | <u>\$ (236,504)</u> | <u>\$ 481,280</u> | <u>\$ (164,312)</u> |
| SPP RE Indirect Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 208,122</u> | <u>\$ 208,122</u> |
| Total Expenses | <u>\$ 1,078,150</u> | <u>\$ 841,646</u> | <u>\$ (236,504)</u> | <u>\$ 1,212,602</u> | <u>\$ 134,451</u> |
| Change in Assets | <u>\$ -</u> | <u>\$ 236,504</u> | <u>\$ 236,504</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL CHANGE IN ASSETS | <u>\$ -</u> | <u>\$ 236,504</u> | <u>\$ 236,504</u> | <u>\$ -</u> | <u>\$ -</u> |

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- SPP RE changes include salaries and benefits of the existing FTEs plus the increase of 0.6 FTE assigned to the SPP RE.

Meeting Expenses

- There are no specific meeting expenses associated with this activity from the dedicated SPP RE staff.

Operating Expenses

- Travel expenses have been adjusted to reflect the average cost of travel per employee plus a modest increase in the cost of travel.

Indirect Expenses

- Indirect Expenses have been reduced to reflect a reduction in the expected Indirect Rate. The indirect expenses are assessed to the SPP RE based on a fixed rate per hour charged by the SPP RE dedicated and shared staff.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Situational Awareness and Infrastructure Security Program

| Situation Awareness and Infrastructure Security Program Resources | | | |
|--|---|---|--------------------|
| <i>(in whole dollars)</i> | | | |
| | 2009 Budget | 2010 Budget | Increase(Decrease) |
| Total FTEs | 0.75 | 0.75 | 0.00 |
| Total Direct Expenses | Salary \$82,893 Travel \$18,000 Total \$100,893 | Salary \$88,373 Travel \$18,000 Total \$106,373 | \$5,480 |
| Total Indirect Expenses | \$142,410 | SPP Inc. \$90,240 SPP RE \$ 40,737 Total \$ 130,977 | (\$11,433) |
| Inc(Dec) in Fixed Assets | \$0 | \$0 | \$0 |
| Total Expenses & Fixed Assets | \$243,303 | \$237.350 | (\$5,953) |

Program Scope and Functional Description

NERC coordinates electric industry activities to promote critical infrastructure protection of the bulk power system in North America. NERC has a leadership role in the critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector’s critical infrastructure. NERC acts as the electricity sector’s Sector Coordinator and operates its Information Sharing and Analysis Center to gather and communicate information about security-related threats within the sector, United States and Canadian governmental authorities, and other critical infrastructure sectors. NERC also performs security planning activities focused on the critical infrastructure protection of the electricity sector, including sharing sensitive or classified information with federal, state, and provincial governmental authorities.

SPP actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members.

SPP sponsors a Critical Infrastructure Protection Working Group (CIPWG). The CIPWG:

- Serves as an expert advisory panel to the SPP Board of Directors, committees, and members
- Provides a forum for discussion of physical and cyber security issues within the SPP Region
- Serves as the interface between the NERC Critical Information Protection Committee (CIPC) and the SPP membership, including:
 - Serving as a conduit for information flow between the CIPC and SPP members
 - Developing guidance and recommendations to CIPC members representing the SPP
- Provides general guidance to SPP members on CIP Standards and related compliance efforts

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002-1 through CIP-009-1) and is facilitated by an SPP staff member. The working group meets quarterly at a member location. Additional meetings and conference calls are scheduled as required.

Section A – 2010 Business Plan

SPP is represented on the CIPC by three SPP member company representatives who represent the physical, cyber, and operations disciplines. Per the SPP Bylaws, SPP reimburses the member representatives for travel expenses incurred while performing CIPC responsibilities.

2010 Key Assumptions

The primary assumptions for 2010 are the continued financial and personnel support of the SPP Critical Infrastructure Protection Working Group (CIPWG), and continued support for CIPC participation from designated SPP member representatives.

CIP compliance monitoring and enforcement is included in Compliance Monitoring and Enforcement.

2010 Goals and Key Deliverables

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
 - Continue quarterly meetings
 - Maintain and Increase CIPWG membership
 - Provide progress updates on CIP standards drafting
 - Provide a discussion forum for NERC-requested comments and ballot issues
 - Provide support to the RE-sponsored CIP “How-To” Workshop
- Provide enhanced support to SPP members about CIP Standards
 - Provide general recommendations on appropriate security best practices
 - Provide opportunities for technical and compliance-related training
 - Provide Members Only discussion periods regarding CIP compliance progress
 - Maintain the CIPWG electronic mail lists for group discussion of CIP-related issues
- Continue supporting CIPC attendance by CIPWG representatives
 - Reimburse expenses for Physical, Cyber, and Operations representatives (or designated alternates)

Section A – 2010 Business Plan

Situational Awareness and Infrastructure Security Program

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

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|---|------------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Situational Awareness and Infrastructure Security | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 243,303 | \$ 243,303 | \$ - | \$ 237,349 | \$ (5,954) |
| Penalty Sanctions | | | | | - |
| Total ERO Funding | \$ 243,303 | \$ 243,303 | \$ - | \$ 237,349 | \$ (5,954) |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | \$ 243,303 | \$ 243,303 | \$ - | \$ 237,349 | \$ (5,954) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 69,508 | \$ 69,508 | \$ - | \$ 72,623 | \$ 3,115 |
| Payroll Taxes | 5,317 | 5,317 | - | 5,550 | 233 |
| Benefits | 5,287 | 5,287 | - | 7,275 | 1,988 |
| Retirement Costs | 2,780 | 2,780 | - | 2,925 | 145 |
| Total Personnel Expenses | \$ 82,893 | \$ 82,893 | \$ - | \$ 88,373 | \$ 5,480 |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 18,000 | 18,000 | - | 18,000 | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 18,000 | \$ 18,000 | \$ - | \$ 18,000 | \$ - |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Direct Expenses | \$ 100,893 | \$ 100,893 | \$ - | \$ 106,373 | \$ 5,480 |
| SPP Inc. Indirect Expenses | \$ 142,410 | \$ 90,240 | \$ (52,170) | \$ 90,240 | \$ (52,170) |
| SPP RE Indirect Expenses | \$ - | \$ - | \$ - | \$ 40,737 | \$ 40,737 |
| Total Expenses | \$ 243,303 | \$ 191,133 | \$ (52,170) | \$ 237,349 | \$ (5,954) |
| Change in Assets | \$ - | \$ 52,170 | \$ 52,170 | \$ - | \$ (0) |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | - | - | - | - | - |
| TOTAL CHANGE IN ASSETS | \$ - | \$ 52,170 | \$ 52,170 | \$ - | \$ (0) |

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Shared Employees

- The acting SPP CIPWG Secretary will assist with the coordination and setup for CIPWG meetings throughout 2010.

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- Indirect Expenses have been reduced to reflect a reduction in the expected Indirect Rate. The indirect expenses are assessed to the SPP RE based on a fixed rate per hour charged by the SPP RE dedicated and shared staff.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Technical Committees and Members' Forums

Background

- SPP Regional Entity provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas.
- The SPP Regional Entity also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues. These expenses are included in the Training Statement of Activities for the 2010 Business Plan and Budget.

Program Description and Functions Performed

2010 Goals and Objectives

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees.
- Provide technical committee forums to act as standards-drafting teams in development of SPP regional reliability standards.

Funding Requirements — Explanation of Increase (Decrease)

Staffing Needs

Hiring Plans

- No additional staff is planned for 2010. SPP plans to use existing shared staff to support this function.

Shared Employees

- SPP RE will use existing shared staff to support SPP forums, as listed above, in 2010.

Contractors

- No contractors are expected for 2010 to support this function.

Section A – 2010 Business Plan

Technical Committees and Member Forums

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

| Statement of Activities | | | | | |
|---|------------------|--------------------|---|----------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Technical Committees and Member Forums | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 25,000 | \$ 25,000 | \$ - | \$ - | \$ (25,000) |
| Penalty Sanctions | | | | | |
| Total ERO Funding | <u>\$ 25,000</u> | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | <u>\$ 25,000</u> | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Total Personnel Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Meeting Expenses | | | | | |
| Meetings | \$ 25,000 | \$ - | \$ (25,000) | \$ - | \$ (25,000) |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ (25,000)</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Direct Expenses | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ (25,000)</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
| SPP Inc. Indirect Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| SPP RE Indirect Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Expenses | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ (25,000)</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
| Change in Assets | <u>\$ -</u> | <u>\$ 25,000</u> | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL CHANGE IN ASSETS | <u>\$ -</u> | <u>\$ 25,000</u> | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ -</u> |

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Administrative Services

| Administrative Services | | | |
|--------------------------------|---|---|--------------------|
| (in whole dollars) | | | |
| | 2009 Budget | 2010 Budget | Increase(Decrease) |
| Total FTEs | 2.5 | 4.0 | 1.5 |
| Total Direct Expenses | Salary \$348,219 Travel \$55,000 Trustee Fees \$135,000 <u>Hearings \$150,000</u> Total \$688,219 | Salary \$595,600 Travel \$30,000 Trustee Fees \$140,000 <u>Hearings \$150,000</u> Total \$915,600 | \$227,381 |
| Total Indirect Expenses | \$474,700 | SPP Inc. \$481,280 | \$6,580 |
| Inc(Dec) in Fixed Assets | \$0 | \$0 | \$0 |
| Total Expenses & Fixed Assets | \$1,162,919 | \$1,396,880 | \$233,961 |

General and Administrative

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the SPP RE Counsel and three independent Regional Entity Trustees.

The RE General Manager provides executive level support through participation in meetings and conference calls with other Regional Entities and Senior NERC staff. The RE General Manager reports directly to the three independent RE Trustees.

The RE Trustees are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group. The RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as decisions on regional standards, compliance enforcement actions, and penalties.

2010 Goals and Objectives

The functions and duties of the Regional Entity Trustees will include, but are not limited to the following:

- Monitor all Registered Entities in the SPP footprint for compliance with ERO/FERC requirements, including auditing and issuance of official findings,
- Administer SPP’s Compliance Enforcement Program,
- Coordinate and manage third party audits to confirm that SPP is conforming to ERO policies and standards,
- Impose penalties as prescribed and approved by ERO/FERC,
- Regional Entity staff administration,
- Regional Entity budget decisions,
- Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation,
- Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities, and
- Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.

Section A – 2010 Business Plan

The SPP RE Counsel provides exclusive legal support to the SPP RE.

The RE General Manager ensures that the SPP RE fulfills the responsibilities of the RE Delegation Agreement and provides these resources in a manner that is independent and separate from other non-RE SPP responsibilities.²

Funding Requirements — Explanation of Increase (Decrease)

- The Administrative costs are allocated to the functions in the 2010 Business Plan & Budget resulting in zero funding requirements. Prior to allocation, the funding requirements are expected to increase with the addition of the RE General Manager in mid-year 2009 and an additional administrative support in 2009. The RE General Manager was added to implement the recommendation from the FERC Audit. Due to a significant increase in administrative work including the need to implement a document management system an additional administrative assistant is required. Travel expense is increased due to the increased FTEs needed to support this function.

² See 2009 SPP RE Organization Chart, the Compliance Monitoring and Enforcement and Organization Registration and Certification and the Reliability Readiness Evaluation and Improvement Programs are overseen by the Executive Director of Compliance to ensure separation from SPP non-statutory activities.

Section A – 2010 Business Plan

Administrative Services

Funding sources and related expenses for the Administrative Services section of the 2010 Business Plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|---|------------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| General and Administrative | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 1,630,710 | \$ 1,630,710 | \$ - | \$ - | \$ (1,630,710) |
| Penalty Sanctions | | | | | |
| Total ERO Funding | \$ 1,630,710 | \$ 1,630,710 | \$ - | \$ - | \$ (1,630,710) |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | \$ 1,630,710 | \$ 1,630,710 | \$ - | \$ - | \$ (1,630,710) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 289,435 | \$ 365,200 | \$ 75,765 | \$ 498,800 | \$ 209,365 |
| Payroll Taxes | 22,142 | 27,900 | 5,758 | 33,600 | 11,458 |
| Benefits | 25,065 | 41,900 | 16,835 | 43,200 | 18,135 |
| Retirement Costs | 11,577 | 14,600 | 3,023 | 20,000 | 8,423 |
| Total Personnel Expenses | \$ 348,219 | \$ 449,600 | \$ 101,381 | \$ 595,600 | \$ 247,381 |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 30,000 | 30,000 | - | 30,000 | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 30,000 | \$ 30,000 | \$ - | \$ 30,000 | \$ - |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | 135,000 | 135,000 | - | 140,000 | 5,000 |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 135,000 | \$ 135,000 | \$ - | \$ 140,000 | \$ 5,000 |
| Total Direct Expenses | \$ 513,219 | \$ 614,600 | \$ 101,381 | \$ 765,600 | \$ 252,381 |
| SPP Inc. Indirect Expenses | \$ 474,700 | \$ 481,280 | \$ 6,580 | \$ 481,280 | \$ 6,580 |
| SPP RE Indirect Expenses | \$ - | \$ - | \$ - | \$ (1,246,880) | \$ (1,246,880) |
| Total Expenses | \$ 987,919 | \$ 1,095,880 | \$ 107,961 | \$ - | \$ (987,919) |
| Change in Assets | \$ 642,791 | \$ 534,830 | \$ (107,961) | \$ - | \$ (642,791) |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | - | - | - | - | - |
| TOTAL CHANGE IN ASSETS | \$ 642,791 | \$ 534,830 | \$ (107,961) | \$ - | \$ (642,791) |

Explanations of Variances – 2010 Budget versus 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

Hiring Plans

- SPP RE plans to hire 1 additional dedicated SPP RE staff in 2009 to provide sufficient administrative resources to implement a document management process and augment provision of administrative support for many SPP RE confidential matters including; preparation of audit files and documentation, preparation of compliance violation and preliminary event analysis documentation, assistance with expense reporting and invoice management, assistance with data requests, minor database administration, budget monitoring, on-site support for compliance workshops, and RE Trustees meeting preparations. (This position will be filled midyear 2009 as an out of budget expense). The mid-year 2009 hire of the SPP RE General Manager accounts for the remaining 0.5 FTE increase in 2010 above the 2009 Business Plan.

Shared Employees

- SPP shared staff are budgeted for through the SPP Indirect Costs. Shared staff provides general and administrative services in support of the SPP RE programs. If a shared staff incurs significant time and expense to support an RE activity, those may be tracked directly to the RE. SPP shared staff beyond those directly budgeted for in this section may provide administrative support and are budgeted for through the SPP indirect costs.

Contractors

- No contractors are planned for 2010 to support this activity.

Meeting Expenses

- N/A

Operating Expenses

- The increase in operating expenses is due to increased Trustees Expenses resulting from a small increase to payments for certain meetings.

Indirect Expenses

- The indirect expenses increased due to the increased FTEs. The indirect expenses are assessed to the SPP RE based on a fixed rate per hour charged by the SPP RE dedicated staff.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Human Resources

Functional Description

- SPP will provide Human Resources support for the SPP Regional Entity, including the hiring of any needed staff and the administration of payroll and benefits.

2009 Goals and Objectives

- To provide adequate human resources services for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

Funding Requirements — Explanation of Increase (Decrease)

- The costs for HR services to support all RE program areas are accounted for within the Indirect Costs. No specific direct costs for HR services are identified for 2020.

Legal and Regulatory

Functional Description

- The SPP RE has a General Counsel that provides exclusive legal support to the SPP RE.³ If SPP RE is required to convene hearings under the Compliance Monitoring and Enforcement Program Exhibit C of the RE Delegation Agreement), independent hearing officers may be utilized. Estimated hearing costs are included to support 3 hearings in 2010.

2010 Goals and Objectives

- Provide Legal and Regulatory services to support regular RE activities
- Provide hearing officer if SPP RE is required to convene hearings

Funding Requirements — Explanation of Increase (Decrease)

- The costs for Legal and Regulatory FTEs to support all RE program areas are accounted for within the Administrative and General section. Estimated hearing costs are included to support 3 hearings in 2010

Staffing Needs

Hiring Plans

- No additional staff is planned for this area in 2010.

Shared Employees

- The SPP RE may require shared staff resources in 2010 to support this function. Any time and expense by shared staff to support RE legal and regulatory activities will be tracked.

Contractors

- If required, independent hearing officers will be contracted to lead hearings.

³ SPP RE General Counsel is accounted for in the general and administrative budget for confidentiality
2010 SPP Regional Entity Business Plan and Budget
Approved by SPP RE Trustees: July 29, 2009

Section A – 2010 Business Plan

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2010 Business Plan are shown in the table below.

| Statement of Activities | | | | | |
|--|-------------------|--------------------|---|---------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| Legal and Regulatory | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 150,000 | \$ 150,000 | \$ - | \$ - | \$ (150,000) |
| Penalty Sanctions | | | | | |
| Total ERO Funding | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (150,000)</u> |
| Membership Dues | | | - | | - |
| Testing Fees | | | - | | - |
| Services & Software | | | - | | - |
| Workshops | | | - | | - |
| Interest | | | - | | - |
| Miscellaneous | | | - | | - |
| Total Funding | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (150,000)</u> |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Total Personnel Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | 150,000 | 150,000 | - | 150,000 | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ 150,000</u> | <u>\$ -</u> |
| Total Direct Expenses | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ 150,000</u> | <u>\$ -</u> |
| SPP Inc. Indirect Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| SPP RE Indirect Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (150,000)</u> | <u>\$ (150,000)</u> |
| Total Expenses | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (150,000)</u> |
| Change in Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fixed Assets | | | | | |
| Depreciation | | | \$ - | | \$ - |
| Computer & Software CapEx | | | - | | - |
| Furniture & Fixtures CapEx | | | - | | - |
| Equipment CapEx | | | - | | - |
| Leasehold Improvements | | | - | | - |
| (Incr)Dec in Fixed Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Allocation of Fixed Assets | | | | | |
| Change in Fixed Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL CHANGE IN ASSETS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Information Technology

Functional Description

- The SPP Information Technology department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2010 Goals and Objectives

- To provide adequate information technology support for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

Funding Requirements — Explanation of Increase (Decrease)

- The costs for IT services to support all RE program areas are accounted for within the indirect costs. No specific direct costs for IT services are identified for 2010.

Staffing Needs

Hiring Plans

Shared Employees

- SPP shared staff used to support this function are providing support services only and are budgeted for through SPP indirect costs.

Contractors

- No contractors are planned for this activity.

Section B — 2010 Budget

2009 Budget and Projection and 2010 Budget Comparisons

Table 1

| Statement of Activities | | | | | |
|---|---------------------|---------------------|---|-----------------------|---|
| 2009 Budget & Projection, and 2010 Budget | | | | | |
| STATUTORY | | | | | |
| | 2009 Budget | 2009 Projection | Variance 2009 Projection v 2009 Budget Over(Under) | 2010 Budget | Variance 2010 Budget v 2009 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| ERO Assessments | \$ 7,123,827 | \$ 7,123,827 | \$ - | \$ 6,755,854 | \$ 1,014,955 |
| Penalty Sanctions ⁽¹⁾ | - | - | - | - | - |
| Total ERO Funding | \$ 7,123,827 | \$ 7,123,827 | \$ - | \$ 6,755,854 | \$ 1,014,955 |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 7,123,827 | \$ 7,123,827 | \$ - | \$ 6,755,854 | \$ 1,014,955 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 1,775,017 | \$ 2,009,894 | \$ 234,877 | \$ 2,861,623 | \$ 1,086,606 |
| Payroll Taxes | 135,789 | 153,769 | 17,980 | 194,700 | 58,911 |
| Benefits | 177,328 | 213,212 | 35,884 | 243,975 | 66,647 |
| Retirement Costs | 71,001 | 80,388 | 9,387 | 112,725 | 41,724 |
| Total Personnel Expenses | \$ 2,159,134 | \$ 2,457,263 | \$ 298,129 | \$ 3,413,023 | \$ 1,253,888 |
| Meeting Expenses | | | | | |
| Meetings | \$ 178,800 | \$ 115,000 | \$ (63,800) | \$ 25,000 | \$ (153,800) |
| Travel | 206,000 | 198,000 | (8,000) | 318,000 | 112,000 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 384,800 | \$ 313,000 | \$ (71,800) | \$ 343,000 | \$ (41,800) |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 395,660 | \$ 415,660 | \$ 20,000 | \$ 1,175,000 | \$ 779,340 |
| Office Rent | - | - | 0 | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | 285,000 | 285,000 | - | 290,000 | 5,000 |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 680,660 | \$ 700,660 | \$ 20,000 | \$ 1,465,000 | \$ 784,340 |
| Total Direct Expenses | \$ 3,224,594 | \$ 3,470,923 | \$ 246,329 | \$ 5,221,023 | \$ 1,996,428 |
| SPP Inc. Indirect Expenses | \$ 3,256,442 | \$ 2,484,608 | \$ (771,834) | \$ 2,917,760 | \$ (338,682) |
| SPP RE Indirect Expenses | \$ - | \$ - | \$ - | \$ (0) | \$ (0) |
| Total Expenses | \$ 6,481,036 | \$ 5,955,531 | \$ (525,505) | \$ 8,138,783 | \$ 1,657,746 |
| Change in Assets | \$ 642,791 | \$ 1,168,296 | \$ 525,505 | \$ (1,382,928) | \$ (642,791) |
| Fixed Assets | | | | | |
| Depreciation | \$ - | \$ - | \$ - | \$ - | \$ - |
| Computer & Software CapEx | - | - | - | - | - |
| Furniture & Fixtures CapEx | - | - | - | - | - |
| Equipment CapEx | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - |
| Change in Fixed Assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Allocation of Fixed Assets | - | - | - | - | - |
| Change in Fixed Assets | - | - | - | - | - |
| TOTAL CHANGE IN ASSETS | \$ 642,791 | \$ 1,168,296 | \$ 525,505 | \$ (1,382,928) | \$ (642,791) |

Section B – 2010 Regional Entity Budget

Personnel Analysis

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

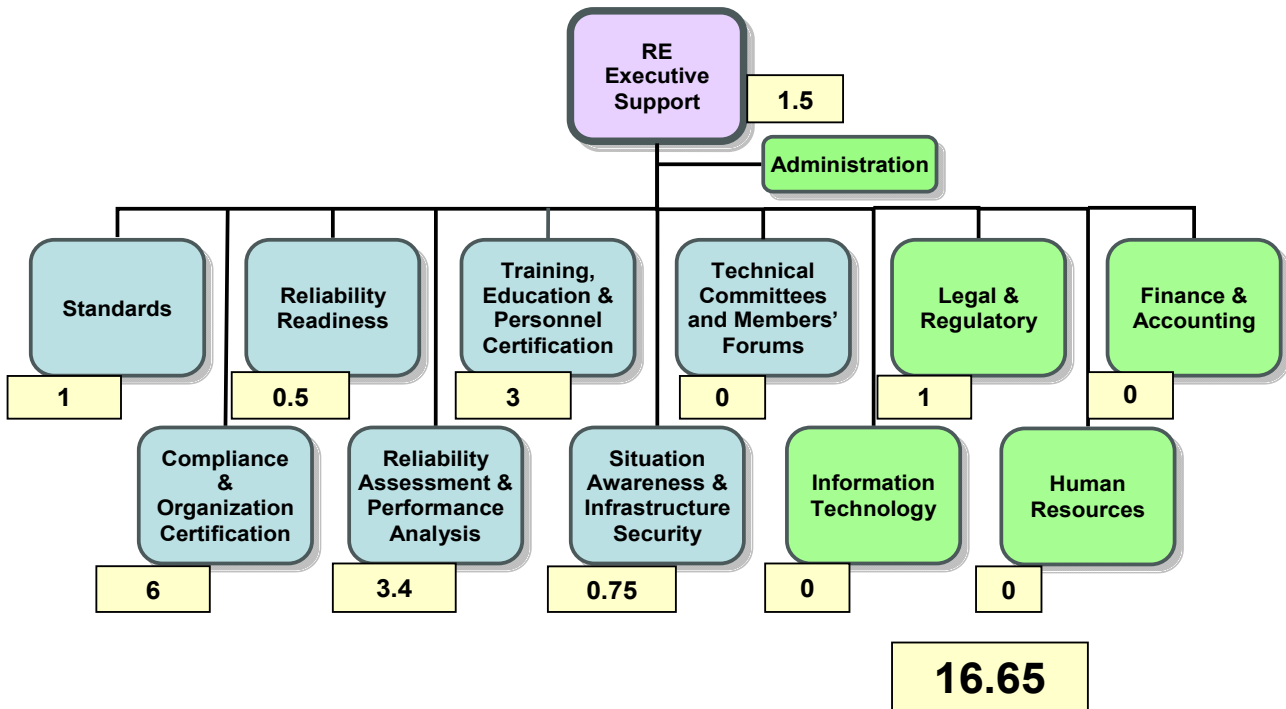
Table 2

| Total FTE's by Program Area | Budget 2009 | Projection 2009 | Direct FTEs 2010 Budget | Shared FTEs ¹ 2010 Budget | Total FTEs 2010 Budget | Change from 2009 Budget |
|--|----------------|--------------------|----------------------------|---|---------------------------|----------------------------|
| STATUTORY | | | | | | |
| Operational Programs | | | | | | |
| Reliability Standards | 1.0 | 1.0 | 1.0 | 0.5 | 1.5 | 0.5 |
| Compliance and Organization Registration and Certification | 6.0 | 8.0 | 14.0 | 0.0 | 14.0 | 8.0 |
| Reliability Readiness Evaluation and Improvement | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | -0.5 |
| Training and Education | 3.0 | 3.0 | 0.0 | 0.0 | 0.0 | -3.0 |
| Reliability Assessment and Performance Analysis | 3.4 | 3.4 | 1.0 | 3.0 | 4.0 | 0.6 |
| Situational Awareness and Infrastructure Security | 0.8 | 0.8 | 0.0 | 0.8 | 0.8 | 0.0 |
| Total FTEs Operational Programs | 14.7 | 16.2 | 16.0 | 4.3 | 20.3 | 5.6 |
| Administrative Programs | | | | | | |
| Member Forums | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General & Administrative | 2.5 | 4.0 | 4.0 | 0.0 | 4.0 | 1.5 |
| Information Technology | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Legal and Regulatory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Human Resources | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounting | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total FTEs Administrative Programs | 2.5 | 4.0 | 4.0 | 0.0 | 4.0 | 1.5 |
| Total FTEs | 17.2 | 20.2 | 20.0 | 4.3 | 24.3 | 7.1 |

Note: Information Technology, Corporate Legal and Regulatory, Human Resources and Accounting are provided by SPP, Inc. and charged to SPP RE through the Indirect Expense Rate.

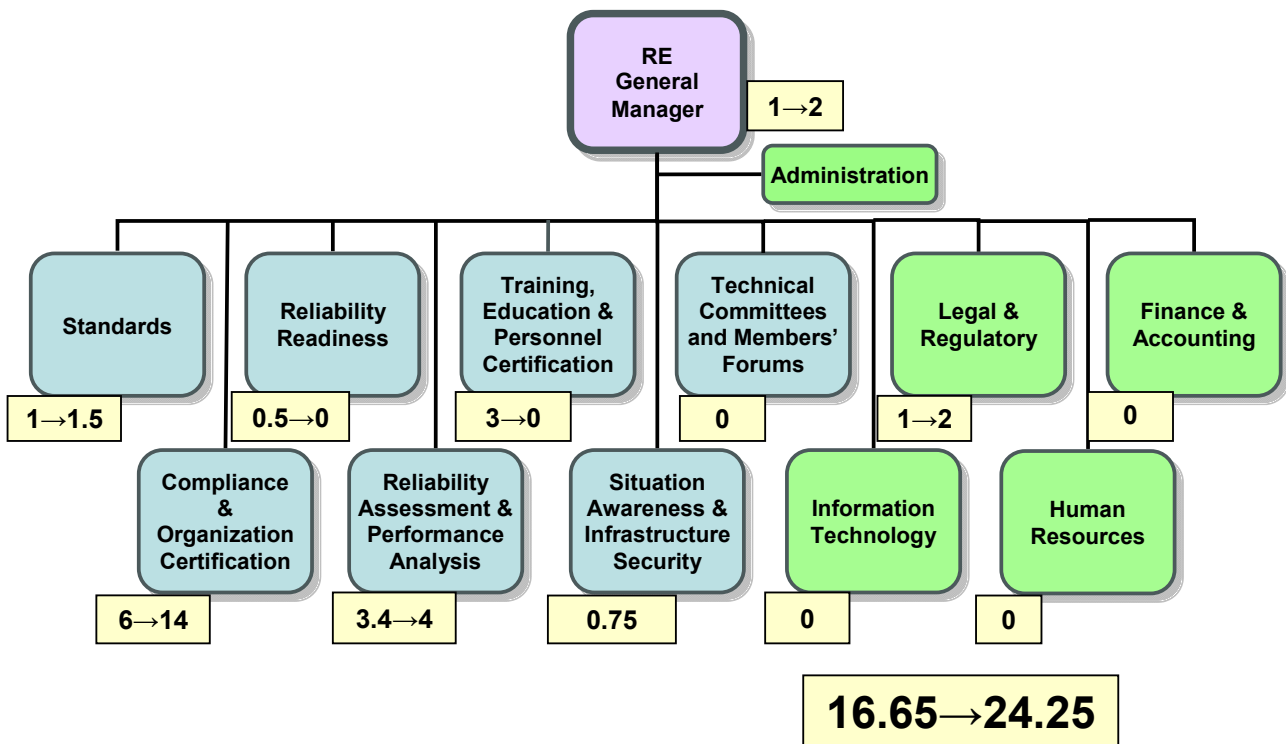
2009 Organizational Chart

Table 3



2010 Organizational Chart

Table 4



Section B – 2010 Regional Entity Budget

Table 5

| Working Capital Reserve Analysis 2009-2010 | |
|---|--------------------|
| STATUTORY | |
| Beginning Working Capital Reserve (Deficit), December 31, 2008 | 214,632 |
| Less: Penalty sanctions to be used as offset to 2010 assessments ¹ | 0 |
| Plus: 2009 ERO Funding (from LSEs or designees) | 7,123,827 |
| Plus: 2009 Other funding sources | 0 |
| Less: '2009 Projected expenses & capital expenditures | (5,955,531) |
| Projected Working Capital Reserve (Deficit), December 31, 2009 | 1,382,928 |
| Desired Working Capital Reserve, December 31, 2010 | 0 |
| Less: Projected Working Capital Reserve, December 31, 2009 | (1,382,928) |
| Increase(decrease) in assessments to achieve desired Working Capital Reserve | (1,382,928) |
| 2010 Assessment for Expenses and Capital Expenditures | 8,138,783 |
| Less: Penalty Sanctions ¹ | 0 |
| Less: Other Funding Sources | 0 |
| Adjustment to achieve desired Working Capital Reserve | (1,382,928) |
| 2010 Assessment | 6,755,854 |

¹ Represents collections prior to June 30, 2009.

² SPP RE does not require a working capital reserve in that on a cash basis SPP is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

**Regional Entity Assessment Analysis
Assessments by Country**

Table 6

| Data Year | Regional Entity | Total NEL | U.S. NEL | Canada NEL | Mexico NEL | % of RE Total | US Total | Canada Total | Mexico Total |
|----------------------------|-----------------|--------------------|--------------------|------------|------------|---------------|-----------------|---------------|---------------|
| Summary by Regional Entity | | | | | | | | | |
| 2008 | FRCC | - | | | | | | | |
| 2008 | MRO | - | | | | | | | |
| 2008 | NPCC | - | | | | | | | |
| 2008 | RFC | - | | | | | | | |
| 2008 | SERC | - | | | | | | | |
| 2008 | SPP | 208,009,387 | 208,009,387 | | | | 100.000% | | |
| 2008 | TRE | - | | | | | | | |
| 2008 | WECC | - | | | | | | | |
| | TOTAL | 208,009,387 | 208,009,387 | - | - | 0% | 100.000% | 0.000% | 0.000% |

Section B – 2010 Regional Entity Budget

Table 7

**Statement of Activities
2011 and 2012 Projections**

| | 2010 Budget | 2011 Projection | \$ Change 10 v 11 | % Change 10 v 11 | 2012 Projection | \$ Change 11 v 12 | % Change 11 v 12 |
|-----------------------------------|---------------------|--------------------|-----------------------|------------------------|--------------------|----------------------|------------------------|
| Funding | | | | | | | |
| ERO Funding | | | | | | | |
| ERO Assessments | \$ 6,755,854 | \$ - | \$ (6,755,854) | 0.00% | \$ - | \$ - | |
| Penalty Sanctions | - | - | - | | - | - | |
| Total ERO Funding | \$ 6,755,854 | \$ - | \$ (6,755,854) | 0.0% | \$ - | \$ - | |
| Membership Dues | - | - | - | | - | - | |
| Testing Fees | - | - | - | | - | - | |
| Services & Software | - | - | - | | - | - | |
| Workshops | - | - | - | | - | - | |
| Interest | - | - | - | | - | - | |
| Miscellaneous | - | - | - | | - | - | |
| Total Funding | \$ 6,755,854 | \$ - | \$ (6,755,854) | 0.0% | \$ - | \$ - | |
| Expenses | | | | | | | |
| Personnel Expenses | | | | | | | |
| Salaries | 2,861,623 | - | (2,861,623) | 0.0% | - | - | |
| Payroll Taxes | 194,700 | - | (194,700) | 0.0% | - | - | |
| Benefits | 243,975 | - | (243,975) | 0.0% | - | - | |
| Retirement Costs | 112,725 | - | (112,725) | 0.0% | - | - | |
| Total Personnel Expenses | \$ 3,413,023 | \$ - | \$ (3,413,023) | 0.0% | \$ - | \$ - | |
| Meeting Expenses | | | | | | | |
| Meetings | \$ 25,000 | \$ - | \$ (25,000) | 0.0% | - | - | |
| Travel | 318,000 | - | (318,000) | 0.0% | - | - | |
| Conference Calls | - | - | - | | - | - | |
| Total Meeting Expenses | \$ 343,000 | \$ - | \$ (343,000) | 0.0% | \$ - | \$ - | |
| Operating Expenses | | | | | | | |
| Consultants & Contracts | \$ 1,175,000 | \$ - | (1,175,000) | 0.0% | - | - | |
| Office Rent | - | - | - | | - | - | |
| Office Costs | - | - | - | | - | - | |
| Professional Services | 290,000 | - | (290,000) | 0.0% | - | - | |
| Miscellaneous | - | - | - | | - | - | |
| Depreciation | - | - | - | | - | - | |
| Total Operating Expenses | 1,465,000 | - | (1,465,000) | 0.0% | - | - | |
| SPP Inc. Indirect Expenses | \$ 2,917,760 | \$ - | \$ (2,917,760) | 0.0% | - | - | |
| SPP RE Indirect Expenses | \$ (0) | \$ - | \$ 0 | 0.0% | - | - | |
| Total Expenses | \$ 8,138,783 | \$ - | \$ (8,138,783) | 0.0% | \$ - | \$ - | 0.0% |
| Change in Assets | \$ 1,382,929 | \$ - | \$ (1,382,929) | 0.0% | \$ - | \$ - | |
| Fixed Assets | | | | | | | |
| Depreciation | \$ - | 0 | 0 | | 0 | 0 | |
| Computer & Software CapEx | - | 0 | 0 | | 0 | 0 | |
| Furniture & Fixtures CapEx | - | 0 | 0 | | 0 | 0 | |
| Equipment CapEx | - | 0 | 0 | | 0 | 0 | |
| Leasehold Improvements | - | 0 | 0 | | 0 | 0 | |
| Change in Fixed Assets | \$ - | \$ - | \$ - | | \$ - | \$ - | |
| TOTAL CHANGE IN ASSETS | \$ 1,382,929 | \$ - | \$ (1,382,929) | | \$ - | \$ - | |

Table B-1

| Penalty Sanctions Received Prior to June 30, 2009 | Date Receive | Amount Received |
|--|---------------------|------------------------|
|--|---------------------|------------------------|

Name of Entity

Total Penalties Received

\$ -

No Penalties were received prior to June 30, 2009.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1 of the 2010 RE business Plan and budget. All significant variances have been disclosed by program area in the preceding pages

Table B-2

Supplemental Funding
N/A

Section B – 2010 Regional Entity Budget

Personnel Expenses

Table B-3

| Personnel Expenses | Budget 2009 | Projection 2009 | Budget 2010 | Variance 2010 Budget v 2009 Budget | Variance % |
|--|------------------------|----------------------------|------------------------|---|-------------------|
| Salaries | | | | | |
| Salary | \$ 1,775,018 | \$ 2,009,894 | \$ 2,861,623 | \$ 1,086,605 | 61.2% |
| Employment Agency Fees | | | | - | |
| Temporary Office Services | | | | - | |
| Total Salaries | \$ 1,775,018 | \$ 2,009,894 | \$ 2,861,623 | \$ 1,086,605 | 61.2% |
| Total Payroll Taxes | \$ 135,789 | \$ 153,769 | \$ 194,700 | \$ 58,911 | 43.4% |
| Benefits | | | | | |
| Workers Compensation | \$ - | \$ - | \$ - | \$ - | |
| Medical Insurance | 141,570 | 177,420 | 202,075 | 60,505 | 42.7% |
| Life-LTD-LTC Insurance | 10,758 | 10,792 | 11,900 | 1,142 | 10.6% |
| Education | 25,000 | 25,000 | 30,000 | 5,000 | 20.0% |
| Relocation | | | | - | |
| Total Benefits | \$ 177,328 | \$ 213,212 | \$ 243,975 | \$ 66,647 | 37.6% |
| Retirement | | | | | |
| Discretionary 401k Cont. Savings Plan | \$ 71,000 | 80,388 | \$ 112,725 | \$ 41,725 | 58.8% |
| Total Retirement | \$ 71,000 | \$ 80,388 | \$ 112,725 | \$ 41,725 | 58.8% |
| Total Personnel Costs | \$ 2,159,134 | \$ 2,457,263 | \$ 3,413,023 | \$ 1,253,888 | 58.1% |
| FTEs | 17.2 | 20.7 | 24.3 | 7.1 | 41.4% |
| Cost per FTE | | | | | |
| Salaries | \$ 103,500 | \$ 97,331 | \$ 118,005 | 14,505 | 14.0% |
| Payroll Taxes | 7,918 | 7,446 | 8,029 | 111 | 1.4% |
| Benefits | 10,340 | 10,325 | 10,061 | (279) | -2.7% |
| Retirement | 4,140 | 3,893 | 4,648 | 509 | 12.3% |
| Total Cost per FTE | \$ 125,897 | \$ 118,996 | \$ 140,743 | \$ 14,846 | 11.8% |

Explanation of Significant Variances – 2010 Budget versus 2009

Variances are driven by the hiring of the SPP RE General Manager and two unbudgeted personnel additions to the Compliance and Enforcement staff.

Section B – 2010 Regional Entity Budget

Consultants and Contracts

Table B-4

| Consultants | Budget 2009 | Projection 2009 | Budget 2010 | Variance 2010 Budget v 2009 Budget | Variance % |
|---|-------------------|-------------------|---------------------|------------------------------------|-----------------|
| Consultants | | | | | |
| Reliability Standards | | | | \$ - | |
| Compliance and Organization Registration and Certification | 260,000 | 280,000 | 1,025,000 | 765,000 | 266.07% |
| Reliability Readiness Evaluation and Improvement-instead of FTE | | | | - | |
| Reliability Assessment and Performance Analysis | 56,000 | 56,000 | 56,000 | - | 0.00% |
| Training and Education | | | | - | |
| Situational Awareness and Infrastructure Security-NASPI | | | | - | |
| Committee and Member Forums | | | | - | |
| General and Administrative | | | | - | |
| Legal and Regulatory-Self Assessment | | | | - | |
| Information Technology | | | | - | |
| Human Resources-Executive Search | | | | - | |
| Accounting and Finance | | | | - | |
| Consultants Total | \$ 316,000 | \$ 336,000 | \$ 1,081,000 | \$ 765,000 | 221.73% |
| | | | | | |
| Contracts | | | | | |
| CDMS Software Costs | \$ 70,000 | \$ 70,000 | \$ 70,000 | \$ - | |
| Reliability Standards Voting Tool Software | | | 24,000 | 24,000 | |
| Assessment Studies | | | | - | |
| TADS Development | | | | - | |
| Subtotal - Compliance and Reliability Assessment Contracts | \$ 70,000 | \$ 70,000 | \$ 94,000 | \$ 24,000 | 34.29% |
| | | | | | |
| RCIS Support | | | | - | |
| Resource Adequacy Tool (Srv Agreement) | | | | - | |
| Inadvertent Interchange | | | | - | |
| AIE Monitoring | | | | - | |
| CPS1-Balancing Authority ACE Limit Monitoring | | | | - | |
| Frequency Monitoring | | | | - | |
| Intelligent Alarms/DARA (Srv Agreement) | | | | - | |
| Resources Subcommittee Maintenance | | | | - | |
| Subtotal -Situational Awareness Contracts | \$ - | \$ - | \$ - | \$ - | |
| | | | | | |
| Frame Relay | \$ - | \$ - | \$ - | \$ - | |
| | | | | | |
| Contract - IDC | | | | | |
| SDX Support | | | | \$ - | |
| SDX Maintenance | | | | - | |
| IDC Maintenance | | | | - | |
| DF Support Services Contract | | | | - | |
| IDC Client Contracts | | | | - | |
| IDC Client Billing | | | | - | |
| IDC Base Contract | | | | - | |
| NERC Factor Viewer (NFV) | | | | - | |
| Book of Flowgate Database | | | | - | |
| Book of Flowgate Database Maintenance | | | | - | |
| E-Tag Maintenance | | | | - | |
| Contracts - IDC Total | \$ - | \$ - | \$ - | \$ - | |
| | | | | | |
| Education and Training | | | | | |
| System Operator Testing Expenses | \$ 9,660 | \$ 9,660 | | \$ (9,660) | |
| System Operator Job Analysis | | | | - | |
| System Operator Examination Development | | | | - | |
| Database Development | | | | - | |
| Course Development-Compliance, Standards | | | | - | |
| NERC Staff Training | | | | - | |
| Design a Course | | | | - | |
| Education and Training Total | \$ 9,660 | \$ 9,660 | \$ - | \$ (9,660) | -100.00% |
| | | | | | |
| Canadian Affairs Representative | \$ - | \$ - | \$ - | \$ - | |
| | | | | | |
| Contracts Total | \$ 79,660 | \$ 79,660 | \$ 94,000 | \$ 14,340 | 18.00% |
| | | | | | |
| Total Consulting and Contracts | \$ 395,660 | \$ 415,660 | \$ 1,175,000 | \$ 779,340 | 182.68% |

Section B – 2010 Regional Entity Budget

Table B-5

| Office Rent | Budget 2009 | Projection 2009 | Budget 2010 | Variance 2010 Budget v 2009 Budget | Variance % |
|--------------------------|------------------------|----------------------------|------------------------|---|-------------------|
| Office Rent | \$ - | \$ - | \$ - | \$ - | - |
| Utilities | - | - | - | - | - |
| Maintenance | - | - | - | - | - |
| Security | - | - | - | - | - |
| Total Office Rent | \$ - | \$ - | \$ - | \$ - | - |

This is a cost included in the SPP Indirect Expense Rate. Overhead costs for services provided by SPP, Inc. such as payroll, human resources, information technology, executive leadership, communications, office costs and other support services are included in the SPP Indirect Expense Rate.

Table B-6

| Office Costs | Budget 2009 | Projection 2009 | Budget 2010 | Variance 2010 Budget v 2009 Budget | Variance % |
|------------------------------------|------------------------|----------------------------|------------------------|---|-------------------|
| Telephone | \$ - | \$ - | \$ - | \$ - | - |
| Internet | - | - | - | - | - |
| Office Supplies | - | - | - | - | - |
| Computer Supplies and Maintenance | - | - | - | - | - |
| Publications & Subscriptions | - | - | - | - | - |
| Dues | - | - | - | - | - |
| Postage | - | - | - | - | - |
| Express Shipping | - | - | - | - | - |
| Copying | - | - | - | - | - |
| Reports - Graphics | - | - | - | - | - |
| Stationary Forms | - | - | - | - | - |
| Equipment Repair/Service Contracts | - | - | - | - | - |
| Bank Charges | - | - | - | - | - |
| Sales & Use Taxes | - | - | - | - | - |
| Merchant Card Fees | - | - | - | - | - |
| Presentation & Publicity | - | - | - | - | - |
| Total Office Costs | \$ - | \$ - | \$ - | \$ - | - |

This is a cost included in the SPP Indirect Expense Rate. Overhead costs for services provided by SPP, Inc. such as payroll, human resources, information technology, executive leadership, communications, office costs and other support services are included in the SPP Indirect Expense Rate.

Section B – 2010 Regional Entity Budget

Table B-7

| Professional Services | Budget 2009 | Projection 2009 | Budget 2010 | Variance 2010 Budget v 2009 Budget | Variance % |
|------------------------------|------------------------|----------------------------|------------------------|---|-------------------|
| Independent Trustee Fees | \$ 135,000 | \$ 135,000 | \$ 140,000 | \$ 5,000 | 3.70% |
| Outside Legal | 150,000 | 150,000 | 150,000 | - | 0.00% |
| Accounting & Auditing Fees | | | | - | |
| Other Legal Fees | | | | - | |
| Insurance Commercial | | | | - | |
| Total Services | \$ 285,000 | \$ 285,000 | \$ 290,000 | \$ 5,000 | 1.75% |

Table B-8

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

Section C – Non-Statutory

Section C — 2010 RE Non-Statutory Business Plan and Budget

Background

Southwest Power Pool, Inc. (SPP) is a Regional Transmission Organization, mandated by the Federal Energy Regulatory Commission to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. These activities are budgeted for separately from the SPP RE and constitute the non-statutory activities further described in this Section.

Membership and Governance (for non-statutory activities)

SPP is a relationship-based organization with member-driven processes offering independence through diversity in Organizational Group membership and recognition that reliability and economic/equity issues are inseparable. SPP strives to continuously improve and implement new concepts in a deliberate evolutionary manner.

SPP membership is voluntary and open to any electric utility, federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership is also open to entities eligible to take service under the SPP Open Access Transmission Tariff (OATT). SPP offers its Members greater efficiency and service reliability through better coordination.

SPP members serve over 5 million customers across nine states: Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

SPP is governed in accordance with its Bylaws by an independent Board of Directors consisting of seven directors independent of any SPP Member. The Board of Directors works to ensure equity to all Members and acts in the best interest of SPP through its management, control and direction of the general business of SPP.

Non-Statutory Functional Scope

SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

Tariff Administration: Independent administration of the Open Access Transmission Tariff that provides one-stop shopping for regional transmission service with consistent rates and terms.

Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.

Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.

Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Section C – Non-Statutory

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission.⁴

Schedule for Preparation and Approval of SPP Inc.'s Overall Annual Budget

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process; SPP is unable to provide an accurate 2010 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October. The SPP overall annual budget is then submitted to FERC for approval.

⁴ See Sw. Power Pool, Inc., 109 FERC ¶ 61,010, at P 98 (2004) (requiring SPP to file its operating budget on an annual basis). See also Sw. Power Pool, Inc., 109 FERC ¶ 61,009, at PP 3-5 (2004), order on reh'g, 110 FERC ¶ 61,137 (2005) (describing history of SPP RTO application, including approval and revision of SPP Bylaws); see also, generally, Sw. Power Pool, Inc., 108 FERC ¶ 61,003 (2004), order on reh'g, 110 FERC ¶ 61,138 (2005); Sw. Power Pool, Inc., 106 FERC ¶ 61,110 (2004).

Section C – Non-Statutory



**SOUTHWEST POWER POOL
2009 BUDGET & 2008 FORECAST**

| (000's) | 2009 Budget | 2008 Forecast |
|-------------------------------|------------------------|--------------------------|
| Tariff Administration Service | 56,601 | 56,536 |
| Fees and Assessments | 18,227 | 11,491 |
| Contract Services Revenue | 21,538 | 18,526 |
| Study Revenue | 4,911 | 3,359 |
| Other Income | 325 | 753 |
| Total Revenue | 101,602 | 90,664 |
| Salary & Benefits | 48,659 | 40,757 |
| Employee Travel | 1,504 | 1,417 |
| Administrative | 2,821 | 2,354 |
| Assessments and Fees | 11,103 | 7,551 |
| Meetings | 644 | 555 |
| Communications | 2,805 | 2,181 |
| Maintenance | 4,893 | 4,332 |
| Leases | 1,090 | 983 |
| Outside Services | 16,552 | 13,548 |
| Regional State Committee | 699 | 757 |
| Depreciation & Amortization | 20,709 | 17,212 |
| Interest Expense | 3,524 | 2,579 |
| Interest Income | (750) | (942) |
| Total Expenses | 114,253 | 93,285 |
| Net Income | (12,651) | (2,620) |
| Debt Repayment | 8,206 | 12,206 |
| MW/h Forecast | 331,360 | 296,135 |
| Net Revenue Requirement | 56,478 | 53,879 |
| Calculated Admin Fee / MWh | \$0.170 | \$0.182 |
| Recommended Admin Fee / MWh | \$0.170 | \$0.190 |
| Capital Expense | 29,637 | |
| Headcount | 417 | |

This schedule was filed with FERC as notification of SPP's 2009 budget. It was filed prior to the completion of the 2008 financial audit and should not be used to derive financial information associated with calendar year 2008. Actual audited financials can be obtained through SPP's website.

Section D – Additional Financial Data

Section D

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

| Program | Fund | Statutory Total | Non-Statutory | Function 10 - Director Agreement | | | | | | | | | | Non-Statutory Functions | | | |
|---------------------------------|------|-----------------|---------------|------------------------------------|---|---|--------------------------------------|---|----------------------------|---------------------------------------|----------------------|------------------------|-----------------|-------------------------|------------------------|---|---|
| | | | | Reliability Standards (Section 80) | Compliance and Organization Certification (Section 80B) | Reliability Assessment and Analysis (Section 80C) | Training and Education (Section 80D) | Statistical Assessment and Security (Section 80E) | Committee and Member Forum | Operational and Member Administration | Legal and Regulatory | Information Technology | Human Resources | | Accounting and Finance | | |
| ERD Funding | | 8,138,783 | 8,138,783 | 462,874 | 6,195,777 | 1,212,602 | 30,180 | 231,249 | - | - | - | - | - | - | - | - | - |
| ERD Assessments | | 8,138,783 | - | 462,874 | 6,195,777 | 1,212,602 | 30,180 | 231,249 | - | - | - | - | - | - | - | - | - |
| Penalty Services | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total ERD Funding | | 8,138,783 | 8,138,783 | 462,874 | 6,195,777 | 1,212,602 | 30,180 | 231,249 | - | - | - | - | - | - | - | - | - |
| Membership Dues | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Training Fees | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Services & Software | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Workshops | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Contingencies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenses | | 8,138,783 | 8,138,783 | 462,874 | 6,195,777 | 1,212,602 | 30,180 | 231,249 | - | - | - | - | - | - | - | - | - |
| Expenses | | | | | | | | | | | | | | | | | |
| Personnel Expenses | | 2,861,623 | 2,861,623 | 153,300 | 1,794,100 | 500,000 | - | 7,263 | - | - | - | - | - | - | - | - | - |
| Salaries | | 1,500,000 | 1,500,000 | 120,000 | 1,000,000 | 300,000 | - | 4,000 | - | - | - | - | - | - | - | - | - |
| Taxes | | 248,975 | 248,975 | 12,000 | 146,200 | 54,400 | - | 775 | - | - | - | - | - | - | - | - | - |
| Benefits | | 111,225 | 111,225 | 5,400 | 70,000 | 14,400 | - | 2,925 | - | - | - | - | - | - | - | - | - |
| Retirement Costs | | 3,413,023 | 3,413,023 | 163,900 | 2,127,300 | 427,200 | - | 88,373 | - | - | - | - | - | - | - | - | - |
| Total Personnel Expenses | | 3,413,023 | 3,413,023 | 163,900 | 2,127,300 | 427,200 | - | 88,373 | - | - | - | - | - | - | - | - | - |
| Meeting Expenses | | 25,000 | 25,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Travel | | 318,000 | 318,000 | 15,000 | 225,000 | 30,000 | - | 18,000 | - | - | - | - | - | - | - | - | - |
| Conference Calls | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Meeting Expenses | | 343,000 | 343,000 | 15,000 | 225,000 | 30,000 | - | 18,000 | - | - | - | - | - | - | - | - | - |
| Operating Expenses | | 1,175,000 | 1,175,000 | 24,000 | 1,085,000 | 58,000 | - | - | - | - | - | - | - | - | - | - | - |
| Equipment & Comms | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Office Rent | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Office Costs | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Professional Services | | 290,000 | 290,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Operating Expenses | | 1,465,000 | 1,465,000 | 24,000 | 1,085,000 | 58,000 | - | - | - | - | - | - | - | - | - | - | - |
| Total Direct Expenses | | 5,211,623 | 5,211,623 | 202,900 | 3,447,300 | 523,200 | 25,000 | 108,373 | - | - | - | - | - | - | - | - | - |
| SPP Inc. Indirect Expenses | | 2,917,760 | 2,917,760 | 190,480 | 1,894,480 | 481,280 | - | 9,240 | - | - | - | - | - | - | - | - | - |
| SPP RE Indirect Expenses | | (0) | (0) | (0) | (0) | (0) | - | (0) | - | - | - | - | - | - | - | - | - |
| Total Expenses | | 8,138,783 | 8,138,783 | 462,874 | 6,195,777 | 1,212,602 | 30,180 | 231,249 | - | - | - | - | - | - | - | - | - |
| Change in Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fixed Assets | | | | | | | | | | | | | | | | | |
| Depreciation | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Computer & Software CapEx | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Furniture & Fixtures CapEx | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equipment CapEx | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Construction CapEx | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in Fixed Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Allocation of Fixed Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in Travel Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| TOTAL CHANGE IN ASSETS | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Section E – Calculation of SPP Indirect Expense Rate

CALCULATION OF THE SPP INDIRECT EXPENSE RATE

| Support Groups | Overhead Costs to Allocate | |
|-----------------------------|----------------------------|----|
| Administration | \$11,841,414 | * |
| Officers | \$1,797,617 | ** |
| Accounting | \$924,812 | |
| Human Resources | \$1,228,284 | |
| Internal Audit | \$0 | |
| Project Management | \$0 | |
| Customer Service | \$350,123 | |
| Legal | \$556,077 | |
| Communications | \$283,310 | |
| Information Technology | \$7,874,594 | |
| | <hr/> | |
| | \$24,856,231 | A |
| | | |
| Non-Support Resource Groups | | |
| Ending 2008 Headcount | 205 | |
| # of Work Hours in 2008 | 1,880 | |
| | <hr/> | |
| | 385,400 | B |
| | | |
| 2008 Indirect Rate (A / B) | \$64.49 | |

* Does not include FERC Pass-Thru Fees and depreciation of market and transmission assets

** Does not include costs for executives performing delegated functions