



Southwest Power Pool, Inc.
SPP REGIONAL ENTITY TRUSTEE MEETING

April 26, 2010

Skirvin Hotel – Oklahoma City, OK

• M I N U T E S •

SPP RE Trustee Chairman, John Meyer, called the meeting to order at 8:30 a.m. The following Trustees were also in attendance: Gerry Burrows, Dave Christiano. Others at the meeting were: Stacy Dochoda General Manager; Ron Ciesiel, Joe Gertsch; Alice Wright; Sheila Scott; Michael Desselle (SPP); Raj Rana (American Electric Power); John Rhea (Oklahoma Gas and Electric Corp.); Jennifer Flandermeyer (Kansas City Power & Light); Brett Kruse (Calpine Energy Services); Tracy Stewart (Southwestern Power Administration); Tim Wooley (Xcel Energy) and; Alison Hayes, Staff Secretary. Those attending by teleconference were: John Allen (City Utilities of Springfield, MO); Michael Gammon (Kansas City Power and Light); Fred Meyer (Empire District Electric Company); Bary Warren (Empire District Electric Company) and Mak Nagle (SPP).

Agenda Item 1 – Antitrust Guidelines

Alison Hayes presented the Antitrust Guidelines for meeting participants to review.

Agenda Item 2 –Administrative Items

Minutes from the January 25, 2010 and April 1, 2010 Trustee Meetings were presented for approval. Gerry Burrows moved to approve both sets of Minutes and Dave Christiano seconded. The Motion passed unanimously.

Agenda Item 3 – Review of Past Action Items

Alison Hayes reported on the status of past action items. (Attachment 1)

Agenda Item 4 – General Manager’s Report

- a. 2010 YTD Administrative Matters: Stacy Dochoda reviewed the NERC Audit, SERC Compliance Monitoring Agreement, FERC Audit, Staffing and Compliance Workshop. (Attachment 2)
- b. There has been no change in the status of the Nebraska Entities moving to SPP RE. As part of the new Regional Delegation Agreements, the Regions have requested a change to the NERC Rules of Procedure which adds a process for entities to change regions.
- c. Removed from the agenda.
- d. Regional Delegation Agreement: The current Pro Forma Regional Delegation Agreement was presented and discussed. The draft is scheduled to be provided to NERC April 30th and presented to the NERC Board May 12th.(Attachment 3)
Gerry Burrows made the following Motion:

I move to approve the draft of the SPP Regional Delegation Agreement, in substantially the form presented; and authorize the SPP RE General Manager, Stacy Dochoda, to make all non-substantive changes and amendments necessary to finalize the document for filing with NERC. (Attachment 4)

Relationship-Based • Member-Driven • Independence Through Diversity

Evolutionary vs. Revolutionary • Reliability & Economics Inseparable

**SPP Regional Entity Trustee Meeting Minutes
April 26, 2010**

The Motion passed unanimously.

Agenda Item 5 – 2011 Business Plan and Budget – Internal Draft

Stacy Dochoda reviewed. Draft will be posted on SPP RE website for stakeholder comment. (Attachment 5)

Agenda Item 6 – YTD March 2010 Financial Statement of Activities

Alice Wright reported on status. (Attachment 6)

Agenda Item 7 – SPP Region 2010 Summer Assessment

Mak Nagle explained the SPP 2010 Summer Assessment Study. The Trustees requested that in-service dates be corrected. . (Attachment 7)

John Meyer made a Motion to accept the report with changes. Gerry Burrows seconded and the Motion passed unanimously.

Agenda Item 8– Under-Frequency Load Shedding Regional Standard Update

Mak Nagle reported on the status of the UFLS Regional Standard. (Attachment 8)

Agenda Item 9– Lessons Learned

Ron Ciesiel reported on CIP Standards. After July 1st, all CIP Standards become enforceable. Over 50% of violations nationwide are CIP standards violations. (Attachment 9)

Agenda Item 10 – Compliance Report

Ron Ciesiel made the Compliance Report (Attachment 10)

Agenda Item 11 – Enforcement Report

Joe Gertsch reported on Enforcement Issues. The FERC Statement on Penalty Guidelines is currently posted and open for comments. (Attachment 11)

Agenda Item 12 – New Action Items

Stacy Dochoda will inquire from SPP if the SPP RE will be included in the SPP salary survey.

Agenda Item 13 – Future Meetings

- | | |
|------------------------|---------------------------------------|
| a. June 24 (Thursday) | SPP RE Trustee Meeting – Little Rock; |
| b. July 28 (Wednesday) | SPP RE Trustee Meeting – Omaha; |
| c. October 25 (Monday) | SPP RE Trustee Meeting – Kansas City |

With no further business, the meeting was adjourned at 1:35 p.m. to Executive Session where the Trustees discussed confidential Compliance and Enforcement issues and the SPP RE NERC Audit.

Respectfully Submitted,

Alison Hayes
Secretary



Southwest Power Pool
TRUSTEE MEETING
Past Action Items Status Report
April 26, 2010

	Action Item	Date Originated	Status	Comments
1.	Stacy Dochoda will update Trustees on Delegation Agreement at each meeting	10/28/09	Ongoing	Will be presented at each meeting
2.	Stacy Dochoda and staff will design training program using industry volunteer presenters on reliability	10/28/09	Pending	
3.	Stacy Dochoda will meet with Nick Brown or Tom Dunn about funding for 5 year technical study and report at January meeting.	10/28/09	Completed	Met with Mak Nagle. Report at meeting.
4	Stacy Dochoda will inquire with HR about changing quarterly Trustee Meetings to Mondays	1/25/10	Completed	Schedule has been changed
5	Report on status of the CEA for Nebraska Entities	1/25/10	Ongoing	Will be presented at each meeting
6	RE to hold workshop or webex on CDMS	1/25/10	Pending	Joint Workshop with MRO scheduled for 5/26./2010



Ms. Stacy Dochoda
Regional Entity General Manager
sdochoda@spp.org

Southwest Power Pool Regional Entity
16101 La Grande, Ste 103
Little Rock, AR 72233
P 501-688-1730
F 501.821.8726

TO: SPP Regional Entity Trustees
FROM: Stacy Dochoda, RE General Manager
DATE : April 16, 2010
SUBJECT: SPP RE Administrative Matters

NERC Audit

NERC conducted its on-site audit of SPP RE during February, 2010. The audit reviewed the period beginning June 2007 to current. NERC and its consultants were on-site the week of February 1 through 5 to review SPP RE's performance against the NERC Compliance Monitoring and Enforcement Program (CMEP) and NERC Rules of Procedure. NERC returned on-site the week of February 15 through 19 to review SPP RE's document management and Information Technology processes. NERC's draft audit report is expected to be provided to SPP RE before the end of April.

SPP, Inc Compliance Monitoring & Enforcement

On February 17, 2010, the NERC Board of Trustees approved the proposed contract between SPP, RE and SERC for SERC to perform compliance monitoring and enforcement for the SPP, Inc. registered entity functions in the SPP Region. The agreement is pending at FERC. MRO filed comments arguing that NERC should be the CEA. SPP, SERC and NERC filed responses to MRO's comments.

FERC Audit

With the arrangement to have a third party perform the compliance monitoring and enforcement for the SPP, Inc. registered entity functions all of the recommendations from the FERC order on the 2008 audit of SPP are complete. SPP will file a regularly scheduled quarterly compliance report on April 30 reporting all twenty items complete.

Staffing

We have filled an additional two open positions. Leesa Oakes joined as Compliance Specialist II – CIP and Clayton Layson is a new Compliance Enforcement Attorney. See attached organizational chart.

SPP RE Compliance Workshop

The SPP RE 2010 Spring Workshop is scheduled for April 20-21 in Kansas City.

TO: SPP Regional Entity Trustees
FROM: Stacy Dochoda, RE General Manager
DATE : April 16, 2010
SUBJECT: Proposed Revised Delegation Agreement

Over the past nine months, the eight regional entities and NERC have negotiated to create a revised Regional Delegation Agreement with the goal of incorporating the benefits of our experience and lessons learned over the past three years. The negotiations have yielded a proposed revised Regional Delegation Agreement, including exhibits, between NERC and SPP, ("Agreement"). Attached are redlined and clean versions of the Agreement. With your approval, NERC plans to provide the Agreement to the NERC Board of Trustees at its May 12, 2010 meeting for approval and filing at FERC.

The revisions included in the Agreement are intended to more clearly define roles and responsibilities, improve consistency and promote efficiency. I have reviewed the Agreement along with Alison Hayes, RE Counsel, Stacy Duckett, SPP, Inc. General Counsel and Nick Brown, SPP, Inc. President and CEO. We recommend approval of the Agreement, with the caveat, that minor changes may still need to be made prior to filing, to correct references or typographical errors.

Action Requested: Approval of the Agreement substantially in the form presented

The significant changes compared to our current Regional Delegation Agreement are:

1. All Regional Entities have agreed to use the same CMEP to enhance consistency (Section 2 (a)(iii) page 5 of redline)
2. Regional Entities will not perform compliance monitoring and enforcement for an affiliated entity. Regional Entities will enter into an agreement with another Regional Entity or NERC to carry out compliance and enforcement activities for an affiliate. (Section 4 (a) and (b) page 6 of redline)
3. Regional Entities may work together in monitoring registered entities who are registered in multiple regions (Section 4 (c) page 7 of redline)

4. Regional Entities agree to comply with directives issued by NERC, and guidance and directions issued by the NERC Board (Section 6 (a) page 9 of redline)
5. NERC's criteria for review of Regional Entities' dispositions of violations is described as a) sufficient record; b) consistent with NERC rules and directions, c) consistent with NERC sanction guidelines and d) reasonably consistent with other Regional Entity dispositions. The criteria do not include a *de novo* reasonableness review of the Regional Entity's decision. (Section 6 (d) page 10 of redline)
6. Allows NERC to reject a disposition but allows Regional Entity to submit a rejected disposition directly to the NERC Board Compliance Committee without revision (Section 6 (d) page 10 of redline)
7. Allows the NERC Board to delegate final approval of dispositions to the NERC President. This allows flexibility to streamline the process as more experience is developed. (Section 6 (d) page 11 of redline)
8. Presumption of NERC's audit of Regional Entities changed from every 3 years to every 5 (Section 6 (i) page 11 of redline)
9. Delegated functions other than compliance and standards are spelled out to include: certification, registration, reliability assessment and performance analysis, event analysis and reliability improvement, training, and situation awareness and infrastructure security (Section 7 pages 12-14 of redline)
10. Performance goals for the Regional Entities shall be developed and used to evaluate Regional Entity performance. Action plans for improvement may be required (Section 8 pages 14-15)
11. NERC may issue directives to the Regional Entities regarding performance of delegated functions (Section 8 (c) pages 16-17 of redline)
12. Term of the agreement is January 1, 2011 (assuming timely FERC approval) for five years following (Section 12(a) and (b) page 21 of redline)
13. Dispute resolution enhanced with escalation steps (Section 18 pages 24-26)

[4-14-2010](#)

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND [REGIONAL ENTITY]**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made ~~this ___ day of _____ 2008,~~ [as of \[January 1, 2011\]](#), between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the ~~bulk power system~~ [Bulk-Power System](#), and ~~the~~ [REGIONAL ENTITY], an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and [REGIONAL ENTITY] may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) ~~and,~~ [which](#), among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the ~~bulk power system~~ [Bulk-Power System](#);

WHEREAS, the Commission has adopted regulations for the implementation of the Act, [which are](#) set forth at Chapter I, Title 18, Code of Federal Regulations, Part ~~39,~~ ~~as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006 (114 FERC ¶ 61,104; hereafter “Order 672~~ [39 \(the “ERO Regulations”\)](#));

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the ~~bulk power system~~ [Bulk-Power System](#), subject to certain delegation provisions described below;

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WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the ~~Commission's regulations~~ [ERO Regulations](#) provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities ("[Regional Entities](#)") such as [REGIONAL ENTITY] provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of ~~bulk power system~~ [Bulk-Power System](#) reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: "[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved";

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, [REGIONAL ENTITY] [is/is not] organized on an Interconnection-wide basis and therefore [is/is not] entitled to the rebuttable presumptions accorded such an entity;

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WHEREAS, NERC will work through [REGIONAL ENTITY] to carry out certain of its activities in furtherance of its responsibilities as the ~~electric reliability organization~~ERO under the Act; ~~and~~

WHEREAS, NERC has concluded that [REGIONAL ENTITY] meets all requirements of the Act, the ~~Commission's regulations~~ERO Regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules of Procedure") necessary to qualify for delegation; and

WHEREAS, NERC and [REGIONAL ENTITY], having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and [REGIONAL ENTITY]; agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the ~~Commission's regulations, or~~ERO Regulations, the NERC Rules of Procedure, or the NERC Glossary of Terms Used in Reliability Standards, or, if not so defined, shall be defined as ~~follows~~set forth in this Section 1 or elsewhere in the text of this Agreement:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to [REGIONAL ENTITY] to propose and enforce Reliability Standards pursuant to the Act and to undertake

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related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

~~(d) [REGIONAL ENTITY] Rules means the bylaws, a rule of procedure or other organizational rule or protocol of [REGIONAL ENTITY].~~

~~(e) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.~~

2. **Representations.**

(a) For purposes of its Delegated Authority, [REGIONAL ENTITY] hereby represents and warrants to NERC that:

(i) [REGIONAL ENTITY] is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. [REGIONAL ENTITY] is governed in accordance with its bylaws by [*select appropriate: an independent board/a balanced stakeholder board/ a combination independent and balanced stakeholder board*]. Pursuant to these bylaws, no two industry sectors can control any [REGIONAL ENTITY] decision and no single industry sector can veto any [REGIONAL ENTITY] decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon [REGIONAL ENTITY].

¹ The **Exhibit B** from ~~each Regional Entity~~ [REGIONAL ENTITY] shall meet the requirements contained in **Exhibit B** to this ~~pro forma~~ Agreement. Amended and Restated Pro Forma Regional Delegation Agreement Amended and Restated for July 21, 2008 Compliance Filing

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(ii) As set forth in **Exhibit C** hereto², [REGIONAL ENTITY] has developed a standards development procedure, which provides the process that [REGIONAL ENTITY] may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto³, [REGIONAL ENTITY] has ~~developed a regional compliance enforcement program~~ adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards within ~~its~~ [REGIONAL ENTITY]'s geographic boundaries as shown on Exhibit A.

(b) NERC hereby represents and warrants to [REGIONAL ENTITY] that:

(i) ~~It~~ NERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) ~~It~~ NERC has been certified as the ERO by the Commission pursuant to the Act.

3. Covenants.

(a) During the term of this Agreement, [REGIONAL ENTITY] shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend ~~the [REGIONAL ENTITY]'s Regional Entity~~ Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this ~~agreement~~ Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections

² The **Exhibit C** from ~~each Regional Entity~~ [REGIONAL ENTITY] shall meet the requirements contained in **Exhibit C** to this ~~pro forma~~ Agreement.

³ ~~The Exhibit D from each Regional Entity shall meet the requirements contained in Exhibit D to this pro forma Agreement.~~

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~~4617~~ and ~~4718~~ of this Agreement, NERC shall not adopt amendments to the NERC Rules of [Procedure](#) that conflict with the rights, obligations or programs of [REGIONAL ENTITY] under this Agreement without first obtaining the consent of [REGIONAL ENTITY], which consent shall not be unreasonably withheld or delayed.

- (c) During the term of this ~~agreement~~[Agreement](#), NERC and [REGIONAL ENTITY]

shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of [REGIONAL ENTITY] in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the ~~regional~~ compliance [monitoring and](#) enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to [REGIONAL ENTITY] for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries ~~set forth on Exhibit A. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent and such other scope set forth on Exhibit A, provided, that [REGIONAL ENTITY] shall not monitor and enforce compliance with Reliability Standards for [REGIONAL ENTITY] or an affiliated entity with respect to reliability functions for which [REGIONAL ENTITY] or an affiliate is a Registered Entity. Any exclusions from this delegation of authority to [REGIONAL ENTITY] within, or additions to this delegation of authority to [REGIONAL ENTITY] beyond, the geographic boundaries set forth on Exhibit A are stated on Exhibit A.~~

(b) [In circumstances where \[REGIONAL ENTITY\] or an affiliated entity is a Registered Entity, \[REGIONAL ENTITY\] shall enter into an agreement with another Regional Entity or NERC for the other Regional Entity or NERC to monitor and enforce \[REGIONAL ENTITY\]'s or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.](#)

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(c) Nothing in this Agreement shall prohibit [REGIONAL ENTITY] from entering into an arrangement between one or more other Regional Entities to perform compliance monitoring and enforcement activities outside of its region, on behalf of NERC and/or other Regional Entities, for Registered Entities that have registered functions monitored by more than one Regional Entity, subject to approval by NERC.

(d) ~~(b)~~ For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by ~~governmental authorities~~ ERO Governmental Authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both [REGIONAL ENTITY] and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(e) ~~(e)~~ As a condition to this delegation of authority and subject to the provisions of ~~section 16~~ Section 17 of this Agreement, [REGIONAL ENTITY] shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

(a) In connection with its Delegated Authority, [REGIONAL ENTITY] shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords [REGIONAL ENTITY] reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through [REGIONAL ENTITY]'s process as set forth in **Exhibit C**. Proposals approved through [REGIONAL ENTITY]'s process shall be reviewed by the NERC Board ~~of Trustees~~ after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule ~~313, section 3.1~~ of Procedure 312.3 as it may be amended from time to time. The NERC ~~board of trustees~~ Board shall promptly thereafter consider such

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proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed ~~standard~~ Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. [REGIONAL ENTITY] may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the ~~[INTERCONNECTION-WIDE REGIONAL ENTITY]~~ Regional Entity organized on an Interconnection-wide basis shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the ~~[INTERCONNECTION-WIDE REGIONAL ENTITY]~~ Interconnection-wide Regional Entity during NERC's review of the proposal.

6. Enforcement of Compliance with Reliability Standards.

(a) In connection with its delegated authority pursuant to this Agreement, [REGIONAL ENTITY] shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth, or as otherwise specified, in **Exhibit A** through the compliance monitoring and enforcement program set forth in **Exhibit D**. NERC and [REGIONAL ENTITY] agree that this compliance monitoring and enforcement program meets all applicable requirements of the Act, Order No. 672 ~~and~~ of the Commission's ~~regulations~~, and the ERO Regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the ~~Commission's regulations~~ ERO Regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the ~~Commission's regulations~~ ERO Regulations and the requirements for due process. [REGIONAL ENTITY] may not change its compliance monitoring and enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed, and the

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approval of the Commission. Subject to the rights and limitations ~~of specified in~~ Sections ~~16~~17 and 1718 of this Agreement, [REGIONAL ENTITY] agrees to comply with the NERC Rules of Procedure, with any directives issued pursuant to Section 8(c) of this Agreement, and with any guidance and directions issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) [REGIONAL ENTITY] shall report promptly to NERC any ~~self-reported violation or investigation of a violation or an alleged violation~~ Possible Violation, Alleged Violation, or Confirmed Violation of a Reliability Standard, and its eventual disposition by [REGIONAL ENTITY]. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were ~~violated or allegedly violated, when the violation or alleged violation~~ the subject of the Possible Violation, Alleged Violation, or Confirmed Violation, when the Possible Violation, Alleged Violation, or Confirmed Violation occurred, other pertinent facts ~~about the violation~~ including circumstances surrounding the ~~violation~~ Possible Violation, Alleged Violation, or Confirmed Violation with any known risk to the ~~bulk power system~~ Bulk-Power System, when the ~~violation~~ Possible Violation, Alleged Violation, or Confirmed Violation was or will be mitigated, the name of a person knowledgeable about the ~~violation or alleged violation~~ Possible Violation, Alleged Violation, or Confirmed Violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and [REGIONAL ENTITY] shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on ~~violations~~ Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards and summary analyses of such ~~violations~~ Possible Violations, Alleged Violations, and Confirmed Violations.

(c) Each ~~violation or alleged violation~~ Possible Violation, Alleged Violation, or Confirmed Violation shall be treated as nonpublic ~~until~~ unless the matter is filed with the Commission as a ~~notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation~~ Notice of Penalty, or, if disclosure is required, dismissed. The disposition of each Possible Violation, Alleged Violation, or Confirmed Violation that relates to a Cybersecurity Incident or that would

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jeopardize the security of the ~~bulk power system~~ Bulk-Power System if publicly disclosed shall ~~be~~remain nonpublic unless the Commission directs otherwise.

(d) All dispositions by [REGIONAL ENTITY] of Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards shall be reported to NERC for review and, in the case of Confirmed Violations, penalties or sanctions, and settlements, for approval. Following approval of a disposition by NERC, NERC shall file the disposition with the Commission, if required by, and in accordance with, Section 215(e) of the Act and Section 39.7 of the ERO Regulations. NERC shall review [REGIONAL ENTITY]'s dispositions based on the following criteria:

(i) whether the disposition is supported by a sufficient record compiled by [REGIONAL ENTITY] in accordance with the NERC Rules of Procedure, NERC directives and Commission requirements, taking into account the nature of the Possible Violation, Alleged Violation, or Confirmed Violation,

(ii) whether the disposition is consistent with any applicable directives issued pursuant to Section 8(c) of this Agreement, any applicable directions or guidance issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, or other applicable NERC guidance, concerning the Reliability Standards to which the Possible Violation, Alleged Violation, or Confirmed Violation relates,

(iii) if the disposition is a Confirmed Violation or settlement, whether it provides for a penalty or sanction, or a determination of no penalty or sanction, determined in accordance with the NERC Sanction Guidelines, Appendix 4B to the NERC Rules of Procedure, and

(iv) whether the disposition is reasonably consistent with other dispositions by [REGIONAL ENTITY] and by other Regional Entities of Possible Violations, Alleged Violations, and Confirmed Violations involving the same or similar facts and circumstances.

NERC may reject any disposition, with an explanation of why NERC believes the disposition does not meet the above criteria. [REGIONAL ENTITY] may submit a disposition requiring NERC approval that has been rejected by NERC, or a revised disposition following a rejection, directly to the NERC Board Compliance Committee for approval without revising the disposition to address all the grounds on which NERC originally rejected the disposition. The

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final approval of [REGIONAL ENTITY]'s disposition of a Possible Violation, Alleged Violation, or Confirmed Violation shall be made by the NERC Board Compliance Committee, provided, that the NERC Board or NERC Board Compliance Committee may, by appropriate resolution, delegate authority for final approval of dispositions of specified categories of Possible Violations, Alleged Violations, or Confirmed Violations to the NERC President.

(e) All appeals of penalties imposed by [REGIONAL ENTITY] as a result of a decision by [REGIONAL ENTITY]'s Hearing Body shall be filed with heard by and disposed of by, NERC; in accordance with the NERC Rules of Procedure.

(f) ~~(e)~~ [REGIONAL ENTITY] shall maintain the capability to conduct investigations of ~~potential violations~~ Possible Violations and Alleged Violations of Reliability Standards and to conduct such investigations in a confidential manner.

(g) ~~(f)~~ [REGIONAL ENTITY] shall maintain a program of proactive monitoring and enforcement ~~audits including procedures for spot checks of self-reported compliance and periodic audits of all responsible entities as defined in Exhibit D~~ of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan.

(h) ~~(g)~~ As part of its compliance monitoring and enforcement program, [REGIONAL ENTITY] shall maintain a conflict of interest policy that assures the integrity and independence of such program, including the integrity and ~~the~~ independence of the persons or decision-making bodies making final determinations in compliance ~~program staff from those subject to~~ enforcement actions under Section 5.0 of the NERC Compliance Monitoring and Enforcement Program. A Regional Entity may have stakeholders lead or participate in its board compliance committee so long as integrity and independence are assured through reasonable and appropriate recusal procedures.

(i) ~~(h)~~ As often as NERC deems necessary, but no less than every ~~three~~ five years, NERC shall review [REGIONAL ENTITY]'s compliance monitoring and enforcement program to ~~ensure~~ determine that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties ~~to~~ for violations of Reliability Standards

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constituting comparable levels of threat to reliability of the ~~bulk power system~~Bulk-Power System.

~~(i) [REGIONAL ENTITY] shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.~~

~~(i) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.~~

7. Delegation-Related Activities.

~~7. Delegation-Related Services.~~ NERC will engage [REGIONAL ENTITY] on its behalf to carry out certain of its activities that are in furtherance of ~~its~~Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of ~~delegated functions~~the Delegated Authority, as specified in the NERC Rules of Procedure and listed on Exhibit E. These delegation-related activities shall include, but are not limited to, those described in subsections (a) through (f), each of which shall be considered a statutory activity:

(a) Certification of Bulk-Power System Entities. The NERC Board shall set criteria for certification in accordance with the NERC Rules of Procedure. [REGIONAL ENTITY] shall issue certifications in accordance with the NERC Rules of Procedure.

(b) Registration of owners, operators, and users of the Bulk-Power System as responsible for compliance with requirements of Reliability Standards.

(i) The NERC Board shall develop criteria for registration of owners, operators, and users of the Bulk-Power System as Registered Entities and shall apply the registration criteria to register owners, operators and users of the Bulk-Power System as Registered Entities.

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(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by [REGIONAL ENTITY] and other Regional Entities. [REGIONAL ENTITY] shall provide timely and accurate information relating to registrations to NERC, on at least a monthly basis, to enable NERC to maintain a registration database that is accurate and up-to-date.

(iii) The NERC Board Compliance Committee shall hear and decide appeals from owners, operators and users of the Bulk-Power System contesting registration, in accordance with the NERC Rules of Procedure. If the NERC Board Compliance Committee upholds the decision to register an owner, operator, or user, NERC shall defend the decision in any subsequent appeal of the decision by the Registered Entity to the Commission.

(c) Reliability Assessment and Performance Analysis. [REGIONAL ENTITY] shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. [REGIONAL ENTITY] shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives. NERC shall develop data-gathering quality control procedures, forms and reporting mechanisms, which shall be used by [REGIONAL ENTITY] and other Regional Entities in carrying out their responsibilities under this subsection (c).

(d) Event Analysis and Reliability Improvement. [REGIONAL ENTITY] shall conduct event analysis pursuant to the NERC Rules of Procedure and applicable governmental regulations. NERC and [REGIONAL ENTITY] shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, [REGIONAL ENTITY] shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

(e) Training and Education. [REGIONAL ENTITY] may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related activities under this Agreement. NERC may also provide

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training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) Situation Awareness and Infrastructure Security.

(i) [REGIONAL ENTITY] shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure and applicable governmental regulations, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System

(ii) [REGIONAL ENTITY] shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

8. Oversight of Performance of Delegated Functions and Related Activities.

This Section 8 sets forth processes and procedures which the Parties intend shall be used in NERC's oversight of [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities pursuant to this Agreement. It is the intent of NERC and [REGIONAL ENTITY] that matters relating to NERC's oversight of [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities shall be established or resolved by collaboration between NERC and [REGIONAL ENTITY] and, where applicable, other Regional Entities, to the maximum extent possible, consistent with the construct that NERC and the Regional Entities are operating together in a collaborative manner to carry out the responsibilities of the ERO under Section 215 of the Act and the ERO Regulations.

(a) (i) NERC shall develop, in collaboration with [REGIONAL ENTITY] and other Regional Entities, performance goals, measures and other parameters (including, without limiting the scope of such goals, measures and parameters, financial performance goals, measures and parameters), and performance reports, which shall be used to measure NERC's and [REGIONAL ENTITY]'s performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. [REGIONAL ENTITY] shall provide data, information and reports to NERC, in accordance with established schedules, to

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enable NERC to calculate [REGIONAL ENTITY]'s performance to the agreed-upon goals, measures and parameters.

(ii) NERC shall use the performance goals, measures and parameters and performance reports to evaluate [REGIONAL ENTITY]'s performance of its delegated functions and related activities and to provide advice and direction to [REGIONAL ENTITY] on performance improvements. The performance goals, measures and other parameters and the values of such goals, measures and parameters, shall be reviewed by NERC, [REGIONAL ENTITY] and the other Regional Entities, revised if appropriate, and made public, on the same timeline as the annual business planning and budgeting process described in Section 9 of this Agreement.

(iii) At the request of the President of NERC, [REGIONAL ENTITY] shall be required to develop, submit for NERC approval, and implement action plans to address areas of its performance that are reasonably determined by NERC, based on analysis of [REGIONAL ENTITY]'s performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, provided, that prior to requiring [REGIONAL ENTITY] to adopt and implement an action plan or other remedial action, NERC shall issue a notice to [REGIONAL ENTITY] of the need and basis for an action plan or other remedial action and provide an opportunity for [REGIONAL ENTITY] to submit a written response contesting NERC's evaluation of [REGIONAL ENTITY]'s performance and the need for an action plan. [REGIONAL ENTITY] may request that the President of NERC reconsider the request, and thereafter may request that the NERC Board review and reconsider the request. NERC and [REGIONAL ENTITY] shall work collaboratively as needed in the development and implementation of [REGIONAL ENTITY]'s action plan. A final action plan submitted by [REGIONAL ENTITY] to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

(b) NERC shall make available to [REGIONAL ENTITY] standardized training and education programs, which shall be designed taking into account input from [REGIONAL ENTITY] and other Regional Entities, for [REGIONAL ENTITY] personnel on topics relating to the delegated functions and related activities.

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(c) (i) NERC may issue directives to [REGIONAL ENTITY] concerning the manner in which [REGIONAL ENTITY] shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be considered "directives." NERC shall initiate the development of a directive through a collaborative process with [REGIONAL ENTITY] and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

(ii) If after a period of time that is reasonable under the circumstances, NERC and [REGIONAL ENTITY] and, if applicable, other Regional Entities are unable to reach agreement on the contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President; *provided*, that before the NERC President issues a directive pursuant to this paragraph (ii), [REGIONAL ENTITY] and, if applicable, other Regional Entities, shall be given a reasonable opportunity to present their positions on, and a suggested alternative version or versions of, the proposed directive to the NERC President.

(iii) Upon issuance of a directive by the NERC President, it shall be binding upon, and shall be complied with by, [REGIONAL ENTITY], subject to reasonable time periods for adoption, implementation, and funding of any necessary resources. Upon request by [REGIONAL ENTITY], the NERC Board (or a committee of the Board to which the Board delegates appropriate authority) shall review and shall confirm, revise or revoke any directive that was issued by the NERC President without [REGIONAL ENTITY]'s agreement, *provided*, that [REGIONAL ENTITY] shall request such review within thirty (30) days following issuance of the directive by the NERC President unless good cause can be shown for a later request.

(iv) NERC and [REGIONAL ENTITY] and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President

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makes a written determination stating a specific reason for maintaining a particular directive as non-public.

(d) In addition to the issuance of directives pursuant to subsection (c), the NERC Board (or a Board committee to which the Board has delegated authority) may issue guidance or directions as to the manner in which [REGIONAL ENTITY], and, if applicable, other Regional Entities, shall perform delegated functions and related activities. The Board or Board committee shall also establish reasonable time periods for the implementation of any such guidance or directions, taking into account the impact on the reliability of the Bulk-Power System and the need for funding of additional resources. Any such guidance or directions shall be stated in writing and shall be public, unless the Board or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. [REGIONAL ENTITY], either individually or in conjunction with other Regional Entities, may request that the NERC Board or Board committee reconsider or revise the guidance or direction.

(e) NERC shall conduct collaborative reviews with [REGIONAL ENTITY], either individually or in conjunction with one or more other Regional Entities, that provide for the exchange of information on practices, experiences, and lessons learned in the implementation of the delegated functions.

(f) Any audits of [REGIONAL ENTITY] performed by NERC shall be limited to an examination of [REGIONAL ENTITY]'s compliance with this Agreement, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c)

9. ~~8-Funding.~~ [REGIONAL ENTITY] and NERC shall ensure, subject to Commission approval in accordance with the ERO Regulations, that the delegated functions and related activities described in Sections 5, 6 and 7 and listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) ~~NERC shall fund [REGIONAL ENTITY]~~ [REGIONAL ENTITY] shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. [REGIONAL ENTITY]'s proposed business plan and

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budget shall describe the activities necessary for, and provide a budget with adequate resources for, [REGIONAL ENTITY] to carry out its Delegated Authority under this Agreement, including the functions listed on Exhibit E, and shall not impose any obligation or requirement regarding Delegated Authority upon [REGIONAL ENTITY] without providing appropriate funding to carry out such mandates; and activities described in Sections 5, 6 and 7 and listed on Exhibit E. [REGIONAL ENTITY]'s business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) [REGIONAL ENTITY] and NERC agree that ~~costs~~the portion of ~~carrying out [REGIONAL ENTITY]'s responsibilities under the Delegation Agreement~~[REGIONAL ENTITY]'s approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on Exhibit E that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on ~~net energy~~Net Energy for ~~load~~Load, or through such other formula as is proposed by [REGIONAL ENTITY] and approved by NERC and the Commission. If [REGIONAL ENTITY] proposes to use a formula other than ~~net energy~~Net Energy for ~~load~~Load beginning in the following year, [REGIONAL ENTITY] shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval ~~by May 15,~~ and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and ~~[Regional Entity~~REGIONAL ENTITY] to the Commission pursuant to ~~18 C.F.R. §39.4~~the ERO Regulations for such year;

(c) NERC ~~will ensure~~shall determine that the assessments to fund the costs for its ~~responsibilities~~statutory functions in its Commission-approved budget are first allocated fairly among the ~~interconnections~~Interconnections and regions according to the applicability of this work to those ~~interconnections~~Interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a ~~net energy~~Net Energy for ~~load~~Load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide [REGIONAL ENTITY] with the form ~~for budget submittal no later than April 30 of the prior year,~~ or forms for business plan and budget submittal, and any

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accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

(e) [REGIONAL ENTITY] shall submit its proposed annual business plan and budget for carrying out its Delegated Authority functions and related activities described in Sections 5, 6 and 7 and listed on Exhibit E, as well as for all other activities of [REGIONAL ENTITY], to NERC for review and approval in accordance with the annual schedule for the preparation of business plans and budgets which shall be developed collaboratively by NERC and the Regional Entities, as more fully described in Exhibit E.

(f) NERC shall fund [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities in accordance with [REGIONAL ENTITY]'s Commission-approved business plan and budget, in the amount of [REGIONAL ENTITY]'s assessments to end users approved by the Commission. Exhibit E sets forth the procedures and timing for billing and collecting [REGIONAL ENTITY]'s approved assessments from end users and other entities and payment of the approved assessment amount to [REGIONAL ENTITY], unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon [REGIONAL ENTITY] that has not been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without [REGIONAL ENTITY]'s consent.

(g) ~~(e) [REGIONAL ENTITY] shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on Exhibit E, as well as all other [REGIONAL ENTITY] activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The [REGIONAL ENTITY] budget submission shall include supporting materials, including [REGIONAL ENTITY]'s complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.~~ NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and [REGIONAL ENTITY]

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fiscal year budget with the actual results at the NERC and Regional Entity ~~level~~levels.
[REGIONAL ENTITY] shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

~~(f) [REGIONAL ENTITY]'s funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.~~

~~(g) NERC shall review and approve [REGIONAL ENTITY]'s budget for meeting its responsibilities under the Delegation Agreement.~~

(h) [REGIONAL ENTITY] shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) [REGIONAL ENTITY] shall submit audited financial statements annually, including supporting materials, in a form provided by NERC no later than ~~150 days after the end~~May 1 of the ~~fiscal~~following year.

~~(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of [REGIONAL ENTITY] in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.~~

~~(k) Exhibit E~~ to this Agreement sets forth the mechanism through which [REGIONAL ENTITY] shall offset penalty monies it receives ~~(other than penalty monies received from an operational function or division or affiliated entity of [REGIONAL ENTITY])~~ against its next year's annual budget for carrying out functions under this Agreement, ~~and the mechanism by which [REGIONAL ENTITY] shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of [REGIONAL ENTITY].~~ Provided, that, subject to approval by NERC and the Commission, [REGIONAL ENTITY] may propose and implement an alternative use of penalty monies to that set forth in Exhibit E.

9.10. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning

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Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. [REGIONAL ENTITY] may not delegate in whole or in part its Delegated Authority to any other entity [without NERC's express consent](#); provided, however, that nothing in this provision shall prohibit [REGIONAL ENTITY] from contracting with other entities to assist it in carrying out its Delegated Authority, provided [REGIONAL ENTITY] retains control and responsibility for such Delegated Authority.

~~10~~11. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this ~~article~~[Section 11](#), or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with ~~Section 17~~[18](#) of this Agreement to resolve a dispute as to whether a Breach has occurred ~~or been cured~~. The provisions of this ~~article~~[Section 11](#) will survive termination of this Agreement.

~~11~~12. Term and Termination.

(a) This Agreement shall become effective ~~thirty (30) days after the date of issuance of a final Commission order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party on [January 1, 2011] (the "Effective Date")~~.

(b) The ~~initial~~ term of the Agreement shall be ~~three~~[five \(35\)](#) years from the ~~original effective date of May XX, 2007~~[Effective Date](#), prior to which time NERC shall conduct an

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audit pursuant to ~~subsections 6(e) and 7~~[subsection 6\(i\)](#) to ensure that [REGIONAL ENTITY] continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If [REGIONAL ENTITY] meets such requirements, this Agreement may be renewed for another five (5) year term. [This Agreement may be renewed for successive additional five \(5\) year renewal terms provided that prior to the end of each renewal term.](#) [NERC shall conduct an audit pursuant to subsection 6\(i\) to ensure that \[REGIONAL ENTITY\] continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. Provided, that either Party may terminate this Agreement as of the end of a term by giving written notice to terminate at least one \(1\) year prior to the end of the term.](#) If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ~~ensure~~[provide for](#) a transition of [REGIONAL ENTITY]'s Delegated Authority to NERC or to another eligible entity [and to provide for the resolution of any wind-up costs associated with termination of this Agreement.](#) The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time [REGIONAL ENTITY] may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by [REGIONAL ENTITY] and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section ~~12~~[13](#)), No Third Party Beneficiaries (Section ~~13~~[14](#)) and Confidentiality (Section ~~14~~[15](#)) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

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12.13. Limitation of Liability. [REGIONAL ENTITY] and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and [REGIONAL ENTITY] shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the [REGIONAL ENTITY]'s or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the [REGIONAL ENTITY] or NERC is found liable for gross negligence or intentional misconduct, in which case [REGIONAL ENTITY] or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

13.14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party.

14.15. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the

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recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

~~15.16.~~ Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

~~17.~~ ~~16.~~ Amendments to the NERC Rules of Procedure. NERC shall not adopt amendments to the NERC Rules [of Procedure](#) that conflict with the rights, obligations, or programs of [REGIONAL ENTITY] under this Agreement without first obtaining the consent of [REGIONAL ENTITY], which consent shall not be unreasonably withheld or delayed. To the extent [REGIONAL ENTITY] does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section ~~17~~[18](#) and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules [of Procedure](#). To the extent that the Commission issues an order amending or materially affecting the rights or obligations of [REGIONAL ENTITY] under this Agreement, [REGIONAL ENTITY] shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by [REGIONAL ENTITY] to NERC and the Commission, or at such other time as may be mutually agreed by [REGIONAL ENTITY] and NERC.

~~17.18.~~ Dispute Resolution. In the event a dispute arises under this Agreement between NERC and [REGIONAL ENTITY], [\(including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to \[REGIONAL ENTITY\]'s performance of its obligations under this Agreement\) which cannot be resolved through](#)

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discussions between representatives of the Parties ~~with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities:~~ in the normal course of operations, the Parties shall use the following procedures (“Dispute Resolution”) to attempt to resolve the dispute. [REGIONAL ENTITY] shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party’s position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party’s designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

(b) Within three (3) business days after receipt of the notice invoking Dispute Resolution, the receiving Party shall send a notice to the invoking Party acknowledging receipt of the notice invoking Dispute Resolution, stating the receiving Party’s position with respect to the dispute, and naming the Party’s designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the receiving Party.

(c) During the period commencing three (3) business days and ending twenty (20) business days after the date of the receiving Party’s notice, the designated representatives shall engage in good faith negotiations to attempt to resolve the dispute, *provided*, that the designated representatives may agree prior to the end of such twenty (20) business day period that the process should move to the next step of Dispute Resolution.

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(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty (20) business days immediately following the time period described in subsection (c), provided that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

(e) If a resolution of the dispute is achieved by the Parties, it shall be memorialized in a writing that is acceptable in form and substance to each party and is signed by the designated representative or chief executive officer on behalf of each Party.

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. Provided, however, that: (i) it is the intent of the Parties that unresolved disputes shall be presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

(g) This Section 18 shall not apply to compliance enforcement actions against individual Registered Entities.

18-19. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall

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designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: ~~David Nevius~~ General Counsel
Facsimile: (609) 452-9550

If to [REGIONAL ENTITY]:

Attn:
Facsimile:

19,20. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

20,21. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

21,22. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that [REGIONAL ENTITY] may have to adopt reliability requirements or take other actions to ~~ensure~~maintain reliability of the ~~bulk power system~~Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the ~~authority delegated from NERC~~Delegated Authority, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

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~~22~~[23](#). **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

~~23~~[24](#). **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

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NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the ~~date first above written~~ Effective Date.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

[REGIONAL ENTITY]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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Exhibit A — Regional Boundaries

Exhibit A to the delegation agreement for each Regional Entity receiving Delegated Authority shall describe the geographic or electrical boundaries covered by the proposed delegation of authority. **Exhibit A** for each Regional Entity shall reflect coordination with neighboring Regional Entities, as appropriate, to ensure that all relevant areas are either included within the geographic boundaries of a Regional Entity or specifically identified as not being within the geographic boundaries of any Regional Entity. Any exclusions of geographic or electrical areas or of Registered Entities from the scope of the Regional Entity's Delegated Authority within the geographic or electrical boundaries shown on Exhibit A, and any additions of geographic or electrical areas or of Registered Entities located outside the boundaries shown on Exhibit A to the scope of the Regional Entity's Delegated Authority, shall be specifically stated or described in Exhibit A.

Exhibit A Regional Boundaries

The geographic boundaries of Southwest Power Pool (SPP) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SPP covers an area of approximately 255,000 square miles of service territory (purple region depicted below) in all or part of eight states: Arkansas, Kansas, Louisiana, New Mexico, Mississippi, Missouri, Oklahoma, and Texas.

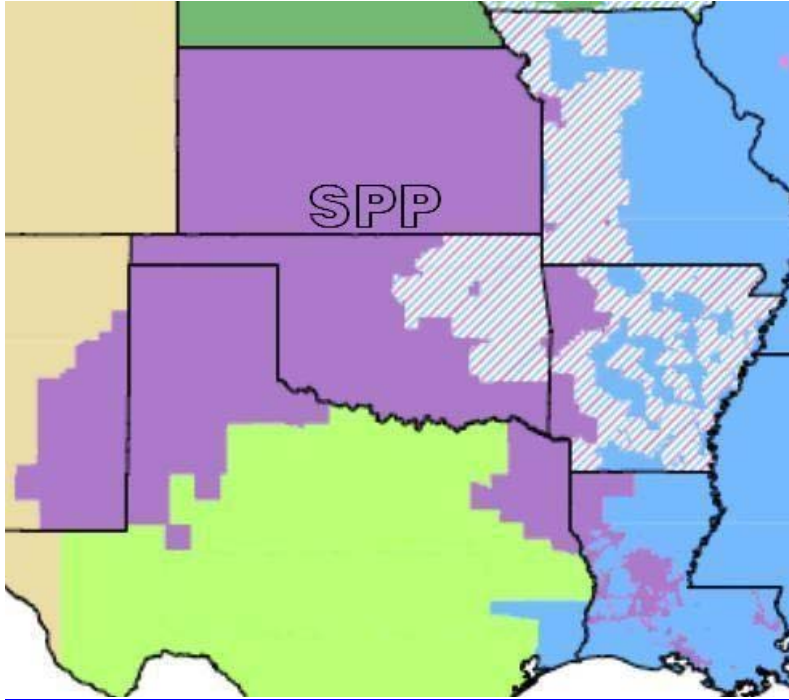
Service provided by SPP members in areas which overlap with neighboring regions:

- ◆ The area in northeastern Oklahoma is served by Western Farmers Electric Cooperative, Oklahoma Gas & Electric Company, Oklahoma Municipal Power Authority, Grand River Dam Authority, and AEP West.
- ◆ The area in Arkansas is served by Arkansas Electric Cooperative Corporation, Oklahoma Gas & Electric Company, and AEP West.
- ◆ The area in western Missouri is served by Aquila, Empire District Electric Company, City Power & Light (Independence, MO), City Utilities (Springfield, MO), Grand River Dam Authority, Kansas City Power & Light Company, City Power & Light (Independence, MO), and Southwestern Power Administration.

Within the SPP Region, compliance monitoring and enforcement functions with respect to reliability functions for which SPP is the registered entity are performed by SERC Reliability Corporation (SERC) pursuant to a contract between SPP and SERC dated as of (DATE).

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Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity meets the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

CRITERION 2: The Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

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Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

[Regional Entity Name] regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A [Regional Entity Name] reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

[Regional Entity Name] regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the [Regional Entity Name] area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of [Regional Entity Name], or group within [Regional Entity Name] shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

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COMMON ATTRIBUTE 5

[Standards or other named] committee — The [Regional Entity Name] [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

COMMON ATTRIBUTE 6

[Alternative 6A: For a Regional Entity that chooses to vote using a balanced stakeholder committee.]

The [standards] committee is a balanced stakeholder committee, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. [The [standards] committee votes to approve standards.] See Appendix A for the representation model of the [standards] committee.

[Alternative 6B: For a Regional Entity that chooses to vote using a balanced ballot body of stakeholders.]

[Registered ballot body] — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with [Regional Entity Name] as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the [Regional Entity Name] and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

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COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

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COMMON ATTRIBUTE 13

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the [Regional Entity Name] website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the [Regional Entity Name] [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

[Alternative 17A: For an RE that chooses to vote using a balanced stakeholder committee.]

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the [Regional Entity Name] board. The [standards]

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committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

[Alternative 17B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

The [Regional Entity Name] registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

COMMON ATTRIBUTE 18

[Alternative 18A: For an RE that chooses to vote using a balanced stakeholder committee.]

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

[Alternative 18B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

All members of [Regional Entity Name] are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

[Alternative 19A: For an RE that chooses to vote using a balanced stakeholder committee.]

Actions by the committee shall be recorded in the regular minutes of the committee.

[Alternative 19B: For an RE that chooses to vote using a balanced ballot body of stakeholders.]

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

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COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the [Regional Entity Name] bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in [Regional Entity Name], and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the [Regional Entity Name] members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The [Regional Entity Name] standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the [Regional Entity Name] area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

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COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Applicability	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire [Regional Entity Name] area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
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COMMON ATTRIBUTE 33

Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
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COMMON ATTRIBUTE 34

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or
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	<p>information to assess performance or outcomes.</p> <ul style="list-style-type: none">• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.• Violation severity levels.
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EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

~~1.1 Obligations of [Fill in Name of Regional Entity]~~

~~[Fill in Name of Regional Entity REGIONAL ENTITY] will implement the NERC Compliance Monitoring and Enforcement Program, (Appendix 4C to the NERC Rules of Procedure) (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within [Fill in Name of Regional Entity REGIONAL ENTITY]'s geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the "Compliance Program").~~

~~1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program~~

~~[Describe each deviation from the NERC Compliance Monitoring and Enforcement Program required by the Regional Entity. Identify each NERC Compliance Monitoring and Enforcement Program section from which a deviation is required by the Regional Entity. For each section describe how the Regional Entity will implement its alternative, why the alternative is necessary, and how that alternative meets the obligations set forth in the NERC Rules of Procedure and Section 39.7 of FERC Order 672. Separate attachments to this **Exhibit D** may be used if the information is voluminous.]~~

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

~~[Fill in Name of Regional Entity REGIONAL ENTITY] shall establish and maintain a hearing body with authority to conduct and render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan, which shall be either [Fill in Name of Regional Entity REGIONAL ENTITY]'s board or a balanced compliance panel reporting directly to [Fill in Name of Regional Entity REGIONAL ENTITY]'s board. [Fill in Name of Regional Entity REGIONAL ENTITY]'s hearing body is [its board] [if not the board, insert the name of the committee or group serving as the hearing body].~~

~~[If the hearing body is a compliance panel other than the board, provide here a description of how the members of the compliance panel are selected and the qualifications to be selected for the compliance panel.]~~

[REGIONAL ENTITY] shall conduct all compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, proposed Mitigation Plan, or a proposed Remedial Action Directive, in accordance with Attachment 2, Hearing Procedures, to the NERC Compliance Monitoring and Enforcement Program, subject to the following deviations, if any: [Describe any deviations, or state "None". If there are deviations from the NERC pro forma Hearing Procedures, [REGIONAL ENTITY]'s Hearing Procedures shall be included as a separate attachment to this Exhibit D.]

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3.0 OTHER DECISION-MAKING BODIES

If [~~Fill in Name of Regional Entity~~] uses other decision-making bodies within its compliance program, provide here a description of the function of that body to the extent not described elsewhere in the Agreement or exhibits, how the members of that body are selected, and the qualifications to be selected for that body.]

~~SPP does not use any other decision making bodies for its Compliance Monitoring and Enforcement Program.~~ SPP RE has engaged the SERC Reliability Corporation (SERC) to oversee the compliance monitoring and enforcement responsibility within the SPP RE Region as related to SPP's compliance with Reliability Standards requirements that are applicable to the functions for which SPP is a Registered Entity.

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Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

[Regional Entity] shall include in its annual budget submission to NERC amounts for costs it will incur in ~~support of performing its~~ delegated ~~activities~~ functions and related activities ~~that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules~~ as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standard Development ~~(Section 300)~~
- Compliance Monitoring and Enforcement ~~(Section 400)~~
- Organization Registration and Certification ~~(Section 500)~~
- ~~Reliability Readiness Evaluation and Improvement (Section 700)~~
- Reliability Assessment and Performance Analysis (~~Section 800~~) (including necessary data gathering activities)
- Event Analysis and Reliability Improvement
- Training and Education ~~(Section 900)~~
- Situation Awareness
- ~~Situational Awareness and~~ Infrastructure Security ~~(Section 1000)~~

2. Preparation of Annual Business Plan and Budget

(a) NERC and [Regional Entity], in conjunction with the other Regional Entities, shall collaboratively develop an annual schedule for the development, submission, review and approval of [Regional Entity's] business plan and budget. The annual schedule for the preparation of business plans and budgets shall require [Regional Entity] (i) to submit to NERC draft(s) of [Regional Entity]'s proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by [Regional Entity] Board of Trustees to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of [Regional Entity]'s business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The [Regional Entity] business plan and budget submission shall include supporting materials, including [Regional Entity]'s complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, and the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. [Regional Entity]'s business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(b) NERC shall review and approve [Regional Entity]'s proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this Exhibit E, or shall direct [Regional Entity] to make such revisions as NERC deems appropriate prior to approval. NERC shall submit [Regional Entity]'s approved business plan and budget and proposed assessments to the Commission for approval as part of

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NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

3. Allocation of Costs

~~[Regional Entity] shall allocate its dues, fees, and other charges for its~~ Assessments to fund the costs of [REGIONAL ENTITY]'s delegated functions and related activities pursuant to the ~~delegation agreement~~ Agreement shall be allocated among all load-serving entities on the basis of ~~net energy~~ Net Energy for ~~load~~ Load, unless a different method(s) of allocating and calculating such ~~dues, fees and charges~~ assessments has been submitted to and approved by NERC and the Commission in accordance with Section ~~89~~ (b) of the ~~delegation agreement~~ Agreement. [Regional Entity] shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries ~~and their~~ that shall be responsible for paying [Regional Entity's] assessment and the load-serving entities' proportionate ~~net energy~~ Net Energy for ~~load~~ Load, and such other data and information as is necessary to allocate and calculate the allocation of [Regional Entity's] ~~dues, fees and charges under any such different~~ assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

3.4. Collection of Funding

[IF NERC WILL BILL AND COLLECT ASSESSMENTS DIRECTLY FROM LOAD-SERVING ENTITIES IN REGIONAL ENTITY'S REGION, USE THE FOLLOWING TEXT FOR SECTION 3.4(a):]

(a) NERC shall submit invoices to the load-serving entities or designees identified by [Regional Entity] covering the NERC and [Regional Entity] ~~budgets~~ assessments approved for collection.

~~NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.~~

[IF THE REGIONAL ENTITY WILL ACT AS THE BILLING AND COLLECTION AGENT ON BEHALF OF NERC TO BILL AND COLLECT ASSESSMENTS FROM LOAD-SERVING ENTITIES IN REGIONAL ENTITY'S REGION, USE THE FOLLOWING TEXT FOR SECTION 3.4(a):]

(a) NERC and [Regional Entity] agree that [Regional Entity] shall act as the billing and collection agent on behalf of NERC to bill and collect [Regional Entity]'s assessments ~~for the costs of activities under the Act~~ from load-serving entities and designees (or such other entities as agreed by NERC and [Regional Entity]). [Regional Entity] agrees that it shall (i) issue all invoices to load-serving entities and other entities in a prompt and timely manner after receipt from NERC of the information needed to issue the invoices; (ii) exercise commercially reasonable efforts to collect invoices that are not paid as of the due date(s); and (iii) transfer all funds collected to NERC in a timely manner, as follows: ~~Once~~ Prior to

4-14-2010

the start of each calendar quarter, and once per week thereafter until all billings for the quarter are collected, [Regional Entity] will electronically transfer to NERC, in immediately available funds, all payments received by [Regional Entity] from load-serving entities or other entities ~~during that week~~ for payment of invoices. On the same day that [Regional Entity] makes each electronic transfer of funds to NERC, [Regional Entity] shall send an e-mail to the Chief Financial Officer or Controller of NERC detailing the collections being transmitted, including a listing of the load-serving entities or other entities from which payments were collected and the amount collected from each entity. [Note: If NERC and Regional Entity have a different collection and payment arrangement, the preceding two sentences will be modified accordingly to describe it.]

[Regional Entity] agrees that it shall not in any way use its position as billing and collection agent for NERC to attempt to influence NERC's policies or decisions on matters relating to adoption of ~~reliability standards~~ Reliability Standards (including ~~regional standards and differences~~ Regional Reliability Standards and Regional Variances), administration of the compliance monitoring and enforcement program and other compliance and enforcement matters, determination and imposition of penalties and sanctions, budgeting matters including review and approval of [Regional Entity's] budgets and business plans, or any other NERC decisions, including by issuing invoices, engaging in collection activities or transferring funds collected to NERC in an untimely manner or other than in accordance with this Agreement.

~~(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund [Regional Entity's] costs identified in Section 1 of this Exhibit E in four equal quarterly payments.~~

(b) NERC shall pursue any non-payments of assessment amounts and shall request assistance from ERO Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, [Regional Entity] shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, [Regional Entity] is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts. NERC shall add the amount of any non-payments by end-users or designees within [REGIONAL ENTITY]'s region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within [Regional Entity]'s region.

(c) Upon approval by ERO Governmental Authorities of [Regional Entity]'s annual assessment to fund the costs of its delegated functions and related activities, NERC shall pay [Regional Entity's] annual assessment to Regional Entity in four equal quarterly payments on January 15, April 15, July 15 and October 15 of the budget year.

4.5 Application of Penalties

~~All~~ Except as otherwise approved by the Commission, all penalty monies received by [Regional Entity], ~~other than penalty monies received from an operational function of~~

4-14-2010

~~division or affiliated entity of [Regional Entity]~~, shall be applied as a general offset to ~~the entity [Regional Entity]~~'s budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. ~~Any~~ Except as otherwise approved by the Commission, any penalty monies received from an operational function or division or affiliated entity of [Regional Entity] shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

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5-6. Budget and Funding for [Regional Entity's] Non-Statutory Activities

In addition to its delegated activities functions and related activities ~~that are in furtherance of NERC's responsibilities as the ERO under the Act~~, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 56 as "statutory activities"), [Regional Entity] performs the following other functions and activities (such other functions and activities being referred to in this Section 56 as "non-statutory activities"): [List and describe all non-statutory activities performed by Regional Entity, or state "None".]

[Regional Entity] shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions: [List and ~~described~~ describe the methods and procedures Regional Entity employs to keep costs and funding of statutory activities separate from costs and funding of non-statutory activities, including at a minimum a description of how Regional Entity's bank accounts and receivables/payables procedures are set up for both statutory and non-statutory functions ~~and~~, a description of how Regional Entity ensures each employee involved in both statutory and non-statutory functions keeps accurate time records reflecting his/her activities, and a description of how Regional Entity's general and administrative costs are allocated between statutory activities and non-statutory activities. If the necessary descriptions are lengthy they may be provided in a separate attachment labeled "Attachment E-1", and state here "See Attachment E-1." If Regional Entity has listed no non-statutory functions in the preceding paragraph, state here "Not applicable."]

[Regional Entity] shall provide its budget for such non-statutory activities to NERC at the same time that [Regional Entity] submits its proposed annual business plan and budget ~~request~~ for statutory activities to NERC pursuant to Section 4.9 of the Agreement. [Regional Entity's] budget for non-statutory activities that is provided to NERC shall contain a detailed list of [Regional Entity's] non-statutory activities and a description of the funding sources for the non-statutory activities. [Regional Entity] agrees that no costs (which shall include a reasonable allocation of [Regional Entity]'s general and administrative costs) of non-statutory activities are to be included in the calculation of [Regional Entity's] assessments, dues, fees, and other charges for its statutory activities.

7. Amended or Supplemental Business Plans and Budgets

4-14-2010

During the course of the fiscal year, if [Regional Entity] determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, [Regional Entity] shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in [Regional Entity]'s approved business plan and budget for the fiscal year. NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct [Regional Entity] to make such revisions as NERC deems appropriate prior to approval. NERC shall submit [Regional Entity]'s approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of Regional Entity Financial Statements

NERC shall conduct reviews of the quarterly and annual financial statements submitted by [Regional Entity] pursuant to Section 9(h) and (i) of the Agreement. [Regional Entity] shall provide supporting documentation for the quarterly and annual financial statements as reasonably requested by NERC based on its reviews.

Document comparison done by Workshare DeltaView on Friday, April 16, 2010 5:58:15 PM

Input:	
Document 1	file://P:/text/nerc/RDA2010/NERC pro forma RDA filed with FERC 7-21-08.doc
Document 2	file://P:/text/nerc/RDA2010/Revised pro forma Delegation Agmt - FINAL - 4-14-10.doc
Rendering set	standard

Legend:	
<u>Insertion</u>	
Deletion	
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Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	318
Deletions	226
Moved from	15
Moved to	15
Style change	0
Format changed	0
Total changes	574

SPP RE Trustees
Regional Delegation Agreement
Pro Forma Draft
Motion

I/we move to approve the draft of the SPP Regional Delegation Agreement, in substantially the form presented; and authorize the SPP RE General Manager, Stacy Dochoda, to make all non-substantive changes and amendments necessary to finalize the document for filing with NERC.



2011 Business Plan and Budget
Preliminary Draft

Presentation to RE Trustees

April 26, 2010
Stacy Dochoda
SPP RE General Manager



2011 Proposed Business Plan & Budget Summary

- ❖ **Propose 3.25 FTE increase above 2010 Budget**
 - ❖ **Reliability Standards – 1 FTE; new (FTE transferred to Enforcement in 2009)**
 - ❖ **Event Analysis – 1 FTE; new**
 - ❖ **Enforcement – 1.25 FTE (part-time law clerks); unbudgeted hires '09**

- ❖ **Total Increase in Expenses- \$1.2 million or 14%**
 - **SPP, Inc Indirect Expenses- \$668 thousand or 57% of increase**
 - **RE Direct Expenses- \$495 thousand or \$43% of increase**
 - **Increase cost concentrated in 3 categories: SPP, Inc. Indirect Expenses, Personnel Expenses, Meeting Expenses**

- ❖ **Increase comparable with anticipated changes from the other REs**
 - **3-7 Additional FTEs**
 - **~10% Increase in funding**



Budget Comparison 2010 – Proposed 2011 Total Resources

<u>Resource Item</u>	<u>2010</u>	<u>2011</u>	<u>Increase / (Decrease)</u>	<u>% Increase / (Decrease)</u>
SPP RE Direct FTEs	20.00	23.25	3.25	16%
SPP Shared FTEs	4.25	4.25	-	0%
Total FTEs	24.25	27.50	3.25	13%
Direct Expenses (millions)	\$ 5.2	\$ 5.7	\$ 0.5	9%
SPP, Inc. Indirect Expenses (millions)	\$ 2.9	\$ 3.6	\$ 0.7	23%
Total Expenses (millions)	\$ 8.1	\$ 9.3	\$ 1.2	14%
Total Funding Requirement* (millions)	\$ 6.8	\$ 9.1	\$ 2.3	34% *
NELs (MWhs)	208,009,387	203,022,708	(4,986,679)	-2%
\$/MWh	\$ 0.032	\$ 0.045	\$ 0.012	38%

* Additional 12% increase in funding requirement results from \$1.4 million reduction in 2010 Assessments:

- 2009 Projection Expenses less than 2009 Budgeted Expenses- \$525k
- 2008 Actual Expenses less than Budgeted Expenses/Actual Assessments - \$856k



Budget Comparison
2010 Budgeted -2011 Proposed Budget
Cost Variance Explanations
(thousands of dollars)

Expense Classification	2010		2011		Contribution to Total Increase in Budgeted Expenses	
	Amount	% Total Expenses	Amount	% Total Expenses	\$	%
Direct Expenses*	\$ 5,221	64%	\$ 5,716	61%	\$ 495	43%
SPP, Inc. Indirect Expenses	\$ 2,918	36%	\$ 3,585	39%	\$ 668	57%
Total Increase in Budgeted Expenses	\$ 8,139	100%	\$ 9,301	100%	\$ 1,162	100%

* Includes SPP RE General & Administrative Services and Legal and Regulatory Program Expenses



Comparison By Program
2010 Budget -2011 Proposed
Total Expenses
(thousands of dollars)

Program Name	Program Expense						\$ Increase/ (Decrease)			% Increase/ (Decrease)		
	2010			2011			2011-2010			2011-2010		
	Direct*	SPP, Inc. Indirect	Total	Direct*	SPP, Inc. Indirect	Total	Direct*	SPP, Inc. Indirect	Total	Direct*	SPP, Inc. Indirect	Total
Reliability Standards	\$ 204	\$ 180	\$ 384	\$ 222	\$ 196	\$ 418	\$ 18	\$ 16	\$ 34	9%	9%	9%
Registration, Compliance, & Enforcement	\$ 3,449	\$ 1,684	\$ 5,133	\$ 3,484	\$ 2,249	\$ 5,733	\$ 35	\$ 565	\$ 600	1%	34%	12%
Reliability Assessment & Performance Analysis	\$ 524	\$ 481	\$ 1,005	\$ 902	\$ 652	\$ 1,554	\$ 378	\$ 171	\$ 549	72%	36%	55%
Training & Education	\$ 26	\$ -	\$ 26	\$ 124	\$ 65	\$ 189	\$ 98	\$ 65	\$ 163	384%		639%
Situation Awareness & Infrastructure Security	\$ 107	\$ 90	\$ 197	\$ 54	\$ 33	\$ 87	\$ (53)	\$ (57)	\$ (110)	-50%	-63%	-56%
A&G and Legal & Regulatory	\$ 916	\$ 481	\$ 1,397	\$ 934	\$ 391	\$ 1,326	\$ 19	\$ (90)	\$ (71)	2%	-19%	-5%
Total	\$ 5,223	\$ 2,916	\$ 8,139	\$ 5,718	\$ 3,586	\$ 9,304	\$ 495	\$ 670	\$ 1,165	9%	23%	14%

Significant Cost Drivers:

- **All Programs:** Increase in SPP, Inc. Indirect Expense Rate
- **Registration, Compliance, & Enforcement:** Increase FTEs (RE Direct Staff) offset by reductions in contractor costs
- **Reliability Assessment & Performance Analysis:** Increase in FTEs (RE Direct Staff) and Travel Expenses
- **Training & Education:** Increase in FTEs (SPP Shared Staff) and Travel
- **Situation Awareness & Infrastructure Security:** Decrease in FTEs (SPP Shared Staff)



Budget Comparison
2010 Budgeted -2011 Proposed Budget
Cost Variance Explanations
(thousands of dollars)

Cost Item	Increase/ (Decrease)	% of Increase/ (Decrease) Direct Expenses	% of Increase/ (Decrease) Total Expenses	Explanation
Personnel Costs	\$ 419	85%	36%	Additional 3.25 FTEs- (Enforcement, Reliability and Assessment, Training & Education operational programs)
Consultant Expenses	\$ (131)	-26%	-11%	2010 estimate for evaluating TFE requests assumed more time than currently estimated
Contractors Expenses	\$ 33	7%	3%	SPP RE's Compliance Data Management System (CDMS)- annual digital certificate & miscellaneous upgrades fees
Professional Services	\$ 53	11%	5%	Personnel Services Recruiter Fees
Meeting Expenses	\$ 121	24%	10%	Travel requirements are expected to increase in 2011 to support increase emphasis infor the Reliability Standards and Training & Education programs .
Total Direct Expenses*	\$ 495	100%	43%	N/A
Total Increase in Budgeted Expenses	\$ 1,162	N/A	100%	N/A

* Includes SPP RE General & Administrative Services and Legal and Regulatory Program Expenses



Budget Comparison SPP, Inc. Indirect Expenses Cost Variance Explanations

- ❖ **Total Increase in SPP RE Indirect Expenses ≈ \$668k or 23%**
 - Increase in OH Rate- \$250k
 - \$64.49 to \$69.35 (Cost Increases- Additional FTEs, Lease Costs, & Pension Costs)
 - Increase in RE Staff (3.25 FTEs)- \$420k

SPP, Inc. Support Group Cost Comparison				
Support Group	2008*	2009**	\$ Difference	% Difference
Administration	\$ 11,841	\$ 14,754	\$ 2,912	25%
Officers	1,798	3,015	1,217	68%
Accounting	925	1,021	96	10%
Human Resources	1,228	1,586	358	29%
Customer Service	350	401	50	14%
Legal	556	619	63	11%
Communications	283	284	0	0%
Information Technology	7,875	10,397	2,522	32%
Total	\$ 24,856	\$ 32,075	\$ 7,219	29%

* Costs used to calculate SPP, Inc. Indirect Expense Rate for 2010 Budget & 2009 Projections

** Costs used to calculate SPP, Inc. Indirect Expense Rate for 2010 Projections & 2011 Budget



Budget Comparison
2010 Budgeted -2011 Proposed Budget
FTEs

Program	2010 Budgeted*			2011 Budgeted			Difference		
	RE Direct Staff	Shared Staff	Total	RE Direct Staff	Shared Staff	Total	RE Direct Staff	Shared Staff	Total
Reliability Standards	1.00	0.50	1.50	1.00	0.50	1.50	-	-	-
Registration, Compliance, & Enforcement	14.00	-	14.00	17.25	-	17.25	3.25	-	3.25
Training & Education	-	-	-	-	0.50	0.50	-	0.50	0.50
Reliability Assessment & Performance Analysis	1.00	3.00	4.00	2.00	3.00	5.00	1.00	-	1.00
Situation Awareness & Infrastructure Security	-	0.75	0.75	-	0.25	0.25	-	(0.50)	(0.50)
General & Administrative	4.00	-	4.00	3.00	-	3.00	(1.00)	-	(1.00)
Total	20.00	4.25	24.25	23.25	4.25	27.50	3.25	-	3.25

* Does not reflect the reorganization that occurred during the 4th quarter 2009



Budget Comparison 2010 Budgeted -2010 Projected FTEs

Program	2010 Budget			2010 Projected			Difference		
	RE Direct Staff	Shared Staff	Total	RE Direct Staff	Shared Staff	Total	RE Direct Staff	Shared Staff	Total
Reliability Standards	1.00	0.50	1.50	-	0.50	0.50	(1.00)	-	(1.00)
Registration, Compliance, & Enforcement	14.00	-	14.00	17.25	-	17.25	3.25	-	3.25
Training & Education	-	-	-	-	-	-	-	-	-
Reliability Assessment & Performance Analysis	1.00	3.00	4.00	1.00	3.00	4.00	-	-	-
Situation Awareness & Infrastructure Security	-	0.75	0.75	-	0.25	0.25	-	(0.50)	(0.50)
General & Administrative	4.00	-	4.00	3.00	-	3.00	(1.00)	-	(1.00)
Total	20.00	4.25	24.25	21.25	3.75	25.00	1.25	(0.50)	0.75

Variance Explanations:

- **Reliability Standards Program:** 2010 Projected Reduced 1 FTE- open position – reassigned to Enforcement
- **General and Administrative Program:** 2010 Projected Reduced net 1 FTE- transfer to Enforcement
- **Situational Awareness Program:** 2010 Projected Reduced .50 FTE to better reflect actual activity in 2009 & 2010 to Date
- **Registration, Compliance, & Enforcement Program:** 2010 Projected Increased 3.25 FTE – reassigned FTEs & redeployment of consultant dollars to 1.25 FTE Part-time Law Clerk positions - Enforcement



Budget Comparison 2010 Projected – 2011 Proposed Budget FTEs

Program	2010 Projected			2011 Budgeted			Difference		
	RE Direct Staff	Shared Staff	Total	RE Direct Staff	Shared Staff	Total	RE Direct Staff	Shared Staff	Total
Reliability Standards	-	0.50	0.50	1.00	0.50	1.50	1.00	-	1.00
Registration, Compliance, & Enforcement	17.25	-	17.25	17.25	-	17.25	-	-	-
Training & Education	-	-	-	-	0.50	0.50	-	0.50	0.50
Reliability Assessment & Performance Analysis	1.00	3.00	4.00	2.00	3.00	5.00	1.00	-	1.00
Situation Awareness & Infrastructure Security	-	0.25	0.25	-	0.25	0.25	-	-	-
General & Administrative	3.00	-	3.00	3.00	-	3.00	-	-	-
Total	21.25	3.75	25.00	23.25	4.25	27.50	2.00	0.50	2.50

Variance Explanations:

- **Reliability Standards Program:** Additional one FTE reflects the reinstatement of 2010 Budgeted position, which was reassigned to Enforcement in 2009
- **Training and Education Program:** Additional one-half FTE request reflects incremental resources required to meet increased emphasis on using training and education workshops and webinars to help improve the compliance culture, and thereby reliability of BPS
- **Reliability Assessment & Performance Analysis:** Additional one FTE request reflects the incremental resources required to meet the expected increase in the number of events analyzed, as well as the expected increase in the depth and complexity of the analyses



Budget Comparison
SPP RE Direct Staff

2010 Budgeted	FTE	2010 Projected/Current	FTE	2011 Proposed	FTE
General & Administration		General & Administration		General & Administration	
Stacy Dochoda	1	Stacy Dochoda	1	Stacy Dochoda	1
Alison Hayes	1	Alice Wright	1	Alice Wright	1
Machelle Smith	1	Sheila Scott	1	Sheila Scott	1
Sheila Scott	1				
Subtotal G&A	4	Subtotal G&A	3	Subtotal G&A	3
Reliability Standards		Reliability Standards		Reliability Standards	
Open	1			Open	1
Reliability Assessment & Performance Analysis		Reliability Assessment & Performance Analysis		Reliability Assessment & Performance Analysis	
Alan Wahlstrom	1	Alan Wahlstrom	1	Alan Wahlstrom	1
				Open	1
Subtotal Traditional RAPA	1	Subtotal Traditional RAPA	1	Subtotal Traditional RAPA	2
Registration, Compliance, & Enforcement		Registration, Compliance, & Enforcement		Registration, Compliance, & Enforcement	
Ron Ciesiel	1	Ron Ciesiel- Compliance	1	Ron Ciesiel- Compliance	1
		Joe Gertsch- Enforcement	1	Joe Gertsch- Enforcement	1
Traditional Compliance		Traditional Compliance		Traditional Compliance	
Kevin Goolsby	1	Jim Williams	1	Jim Williams	1
Jim Williams	1	Greg Sorenson	1	Greg Sorenson	1
Open	1	Expected to fill 6/1/10	1	2010 Hire	1
Open	1	Expected to fill 6/1/10	1	2010 Hire	1
Subtotal Traditional Compliance	4	Subtotal Traditional Compliance	4	Subtotal Traditional Compliance	4
CIP Compliance		CIP Compliance		CIP Compliance	
Kevin Perry	1	Kevin Perry	1	Kevin Perry	1
Shon Austin	1	Shon Austin	1	Shon Austin	1
Open	1	Steve Applegate	1	Steve Applegate	1
Open	1	Leesa Oakes	1	Leesa Oakes	1
Subtotal CIP Compliance	4	Subtotal CIP Compliance	4	Subtotal CIP Compliance	4
Subtotal Compliance	8		9	Subtotal Compliance	9
Enforcement		Enforcement		Enforcement	
Joe Gertsch	1	Alison Hayes	1	Alison Hayes	1
Tasha Ward	1	Tasha Ward	1	Tasha Ward	1
Open	1	Jimmy Cline	1	Jimmy Cline	1
Open	1	Clayton Layson	1	Clayton Layson	1
		Open	1	Expected to fill 8/1/10	1
		Machelle Smith	1	Machelle Smith	1
		Tyler Morgan	0.75	Tyler Morgan- Part time	0.75
		Jennifer Knepper	0.50	Jennifer Knepper- Part time	0.50
Subtotal Enforcement	4	Subtotal Enforcement	8.25	Subtotal Enforcement	8.25
Generalist (Registration, Policies, Audit, Budget)		Generalist (Registration, Policies, Audit, Budget)		Generalist (Registration, Policies, Audit, Budget)	
Alice Wright	1				
Subtotal Registration, Compliance, & Enforcement	14	Subtotal Registration, Compliance, & Enforcement	17.25	Subtotal Registration, Compliance, & Enforcement	17.25
Total Direct RE Staff	20	Total Direct RE Staff	21.25	Total Direct RE Staff	23.25



Budget Comparison 2010 Projected – 2011 Proposed Budget Summary

- ❖ **Increase Expenses- \$1.2 million or 14%**
 - **SPP, Inc Indirect Expenses- \$668 thousand or 57% of increase**
 - **RE Direct Expenses- \$495 thousand or 43% of increase**
 - **Increase concentrated in 3 program areas: Enforcement, Event Analysis & Training**
 - **Increase cost concentrated in 3 categories: SPP, Inc. Indirect Expenses, Personnel Expenses, Meeting Expenses**
 - **Proposed Increases in FTEs: 3.25 compared to 2010 budget, 2.50 compared to 2010 projected**

- ❖ **Increase comparable with anticipated changes from the other REs**
 - **3-7 Additional FTEs**
 - **~10% Increase in funding**

- ❖ **Increase Funding Assessments- \$2.3 million or 34%**



2011 Proposed Budget Next Steps

- April 30 - Post Proposed 2011 Business Plan and Budget (BP&B) for stakeholder comment
- May 10 – Internal draft provided to NERC for review and feedback
- May 14 – SPP RE stakeholder comments due on April 30 posting
- May 28 – NERC posts Regional Entity BP&B
- June 24 – SPP RE Trustee meeting to finalize BP&B
- July 8 – Final SPP RE BP&B due to NERC
- August 5 – Final NERC & Regional Entity BP&B presented to NERC BOT
- August 24 –Final BP&B submitted to FERC



Questions





2011 Business Plan and Budget

Southwest Power Pool Regional Entity

Preliminary Draft

April 26, 2010

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	27.50			
Non-statutory FTEs	-			
Total FTEs	27.50			
Statutory Expenses	\$ 9,301,033			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 9,301,033			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment ¹	\$ (224,611)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (224,611)			
Total Statutory Funding Requirement	\$ 9,076,422			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 9,076,422			
Statutory Funding Assessments	\$ 9,076,422	\$ 9,076,422		
Non-Statutory Fees	\$ -	\$ -		
NEL	203,022,708	203,022,708		
NEL%	100%	100%		

*Refer to Table B-1 on page 41 in Section B.

Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a non-profit organization whose primary mission is maintaining electric reliability. SPP is one of nine Federal Energy Regulatory Commission (FERC)-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs) and one of eight North American Electric Reliability Corporation (NERC) Regional Entities.

Southwest Power Pool Regional Entity (SPP RE), an independent and functionally separate division of SPP, was created for the purpose of fulfilling the duties specified in the FERC-approved Regional Entity Delegation Agreement between SPP and NERC. As a NERC Regional Entity, SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing reliability standards, monitoring and enforcing entity compliance with reliability standards, assessing and evaluating the reliability of the bulk power systems, and providing technical expertise and assistance to the owners, operators and users of the BPS, in particular to the entities located within the SPP RE's footprint—an eight-state area that includes Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas. There are 126 entities registered in the SPP RE footprint.

Sections A and B of this business plan and budget (BP&B) details the programs and costs for the activities the SPP RE performs to fulfill the duties specified in the Regional Entity Delegation Agreement between SPP and NERC.

The SPP's RTO activities, which are listed in Section C of this BP&B, are non-statutory, and as such, are not included in the SPP RE's BP&B.

Membership and Governance

The SPP RE is governed by three independent Regional Entity Trustees, who operate separately from the SPP, Inc. Board of Directors. The SPP RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE Budget, as well as oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties. The SPP RE's General Manager reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions. The dedicated staff of the SPP RE is independent of all users, owners, and operators of the bulk power system.

Additionally, in order to avoid the appearance of any conflicts of interest, historically, the SPP RE has engaged NERC to perform certain compliance enforcement authority activities for SPP in its capacity as an RTO. Upon approval by FERC, SERC Reliability Corporation (SERC) will assume responsibility for the compliance enforcement authority activities with respect to the SPP's registered functions in the SPP region.

The governance of the SPP RE, which has been approved by NERC and FERC, meets the requirements of the Energy Policy Act of 2005.

Statutory Functional Scope

SPP RE performs various activities in the execution of its delegated functions and in support of NERC's responsibilities as the electric reliability organization (ERO). These activities include:

- Reliability Standard Development
- Compliance Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training and Education
- Situational Awareness and Infrastructure Security

2011 Key Assumptions

The key assumptions underlying the SPP RE 2011 Business Plan and Budget (BP&B) are consistent with those contained in NERC's 2011 BP&B, **Exhibit X**.¹ The assumptions that were of particular importance to the SPP RE's 2011 BP&B include the expectation that:

1. NERC and the Regional Entities will continue to work collaboratively to promote and improve the reliability of the BPS;
2. NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the BPS established by Energy Policy Act of 2005;
3. SPP RE's delegated authorities and responsibilities will remain relatively constant, with incremental process improvements reflected in the revised delegation agreements between NERC and the Regional Entities;

¹ See NERC BP&B posted on NERC at **XXXXXXX** on April 20, 2010.

4. NERC and the Regional Entities' negotiations of amendments and extensions of the terms of the existing delegation agreements will reach a successful conclusion;
5. Cyber and critical asset security will continue to be a priority in the United States; and
6. Economic conditions continue to place cost pressures on NERC and Regional Entities to work as efficiently as possible and leverage overall resources. Similarly, cost pressures on the electric utility industry may affect stakeholder resources available to participate in NERC and Regional Entities' activities.

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to the SPP RE include:

- SPP RE continues to operate as an independent and functionally separate division of SPP;
- SPP RE continues to utilize SPP Shared staff to coordinate and facilitate the development of reliability standards and to conduct certain activities in the SPP RE's Reliability Assessment and Performance Analysis and Situation Awareness and Infrastructure Security programs;
- SPP will to prepare the studies and analyses required by the new MOD Reliability Standards for the applicable entities registered in the SPP RE; and
- SPP RE will continue to engage NERC (and subject to the approval of NERC and FERC, SERC) to perform the compliance enforcement authority activities for the SPP registered functions that would otherwise be performed by the SPP RE.

Key assumptions specific to individual programs are provided in Section A of this BP&B.

2011 Goals and Key Deliverables

As stated in NERC's 2011 BP&B, **Exhibit X**, NERC and Regional Entities will continue to work cooperatively, while maintaining each of the organization's independent governance structure. In particular, NERC and the Regional Entities will place greater emphasis on working collaboratively towards providing more transparency, sharing information, including lessons learned, and setting high expectations for the industry to improve performance. NERC and the Regional Entities will increase their overall effectiveness by: 1) assessing risks and materiality, 2) focusing on matters that impact the BPS reliability, and 3) naturally evolving into a teaching, instructive, improvement-based electric reliability oversight organization.

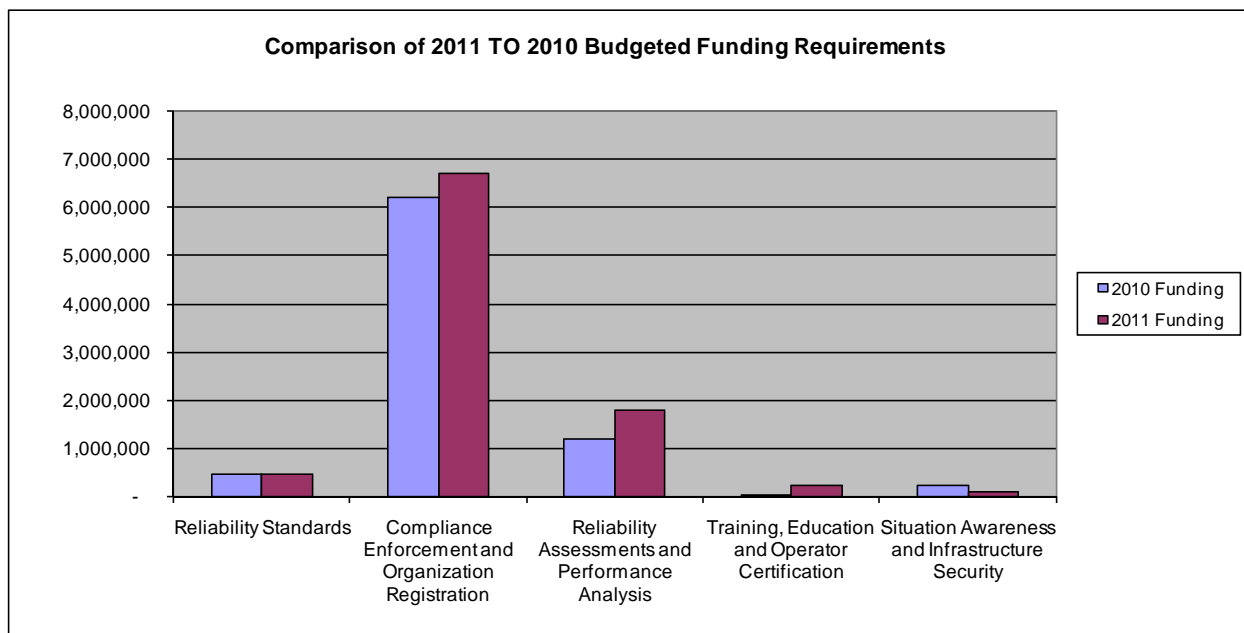
2011 Overview of Cost Impacts

SPP RE proposes to increase its operating budget from \$8.1 million to \$9.3 million, an increase of \$1.2 million or 14%. In 2011 as in most years, the operating budget and assessment funding is generally the same. However, in 2010, the SPP RE assessment funding of \$6.8 million was

almost \$1.4 million or 17% less than the \$8.1 operating budget.² The difference between the 2010 operating budget and the 2010 assessment funding was due to: 1) 2009 Projected Expenses being approximately \$525 thousands less than 2009 Budgeted Expenses, and 2) 2008 Actual Expenses being approximately \$856 thousand less than 2008 Budgeted Expenses and/or Actual Assessments.

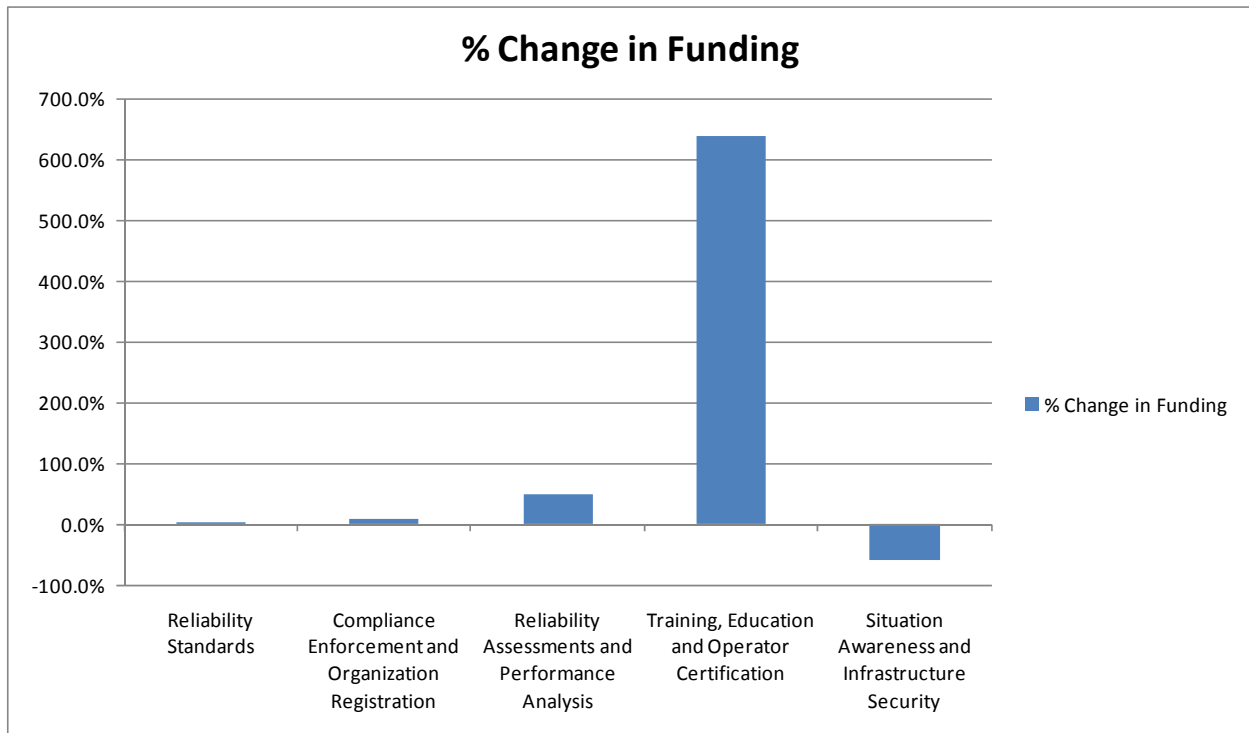
As shown in the table and chart that follow, the proposed \$1.2 million increase in the 2011 budget as compared to 2010 is concentrated in three of the five operational programs: 1) Compliance Enforcement and Organization Registration- \$502,106; 2) Reliability Assessments and Performance Analysis- \$590,229; and 3) Training, Education and Operator Certification- \$192,227. The increases in these programs were partially offset by a \$137,064 decrease in the Situation Awareness and Infrastructure Security program.

Program	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Reliability Standards	462,874	169,600	477,628	14,754	3.2%
Compliance Enforcement and Organization Registration	6,195,777	6,805,767	6,697,883	502,106	8.1%
Reliability Assessments and Performance Analysis	1,212,602	1,166,968	1,802,831	590,229	48.7%
Training, Education and Operator Certification	30,180	32,506	222,407	192,227	636.9%
Situation Awareness and Infrastructure Security	237,349	76,003	100,285	(137,064)	-57.7%



*This graphical representation does not include an allocation of working capital requirements among the Program Areas

² See SPP RE's 2010 BP&B, Table 5: Working Capital Reserve Analysis 2009-2010, page 44.



One of the principal drivers for the cost increases is the additional FTEs budgeted for 2011 as compared to 2010. As shown in the table below, the 2011 budgeted FTEs result in proposed increases of 3.25, 1.0, and 0.5 FTEs in the Compliance Enforcement and Organization Registration, Reliability Assessments and Performance Analysis, and Training, Education and Operator Certification programs, respectively. The proposed increases in budgeted FTEs for these programs are partially offset by a reduction in the number of budgeted FTEs in the Situation Awareness and Infrastructure Security and Administrative programs, 0.50 and 1.0 FTEs, respectively. The net increase in proposed budgeted FTEs is 3.25.

Total FTE's by Program Area	Budget	Projection	Direct	Shared	Total FTEs	Change
	2010	2010	FTEs 2011 Budget	FTEs ¹ 2011 Budget	2011 Budget	from 2010 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.50	0.50	1.00	0.50	1.50	0.00
Compliance and Organization Registration and Certification	14.00	17.25	17.25	0.00	17.25	3.25
Training and Education	0.00	0.00	0.00	0.50	0.50	0.50
Reliability Assessment and Performance Analysis	4.00	4.00	2.00	3.00	5.00	1.00
Situation Awareness and Infrastructure Security	0.75	0.25	0.00	0.25	0.25	-0.50
Total FTEs Operational Programs	20.25	22.00	20.25	4.25	24.50	4.25
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.00	3.00	3.00	0.00	3.00	-1.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.00	3.00	3.00	0.00	3.00	-1.00
Total FTEs	24.25	25.00	23.25	4.25	27.50	3.25

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

The additional 3.25 FTEs budgeted for 2011 as compared to 2010 increase direct Personnel Expenses by approximately \$420,000. The additional 3.25 FTEs are also the cause of approximately \$420,000 or 63% of the almost \$670,000 increase in the SPP, Inc. Indirect Expenses.

The remaining \$250,000 or 37% of the increase in the SPP, Inc. Indirect Expenses is caused by the approximately five dollar increase in the SPP, Inc. Indirect Expense rate (from the 2010 budgeted \$64/FTE to the estimated 2011 \$69/FTE). The SPP, Inc. Indirect Expense rate reflects overhead costs such as Human Resources, Information Technology, Accounting, and Fixed Assets. A table showing the derivation of the Indirect Expense Rate is presented in Section E.

Additional information regarding the proposed changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table below.

2010 Budget and Projection and 2011 Budget Comparisons

Statement of Activities and Capital Expenditures
2010 Budget & Projection, and 2011 Budget

STATUTORY

	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 6,755,854	\$ 6,867,917	\$ 112,063	\$ 9,301,033	\$ 2,545,179
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 6,755,854	\$ 6,867,917	\$ 112,063	\$ 9,301,033	\$ 2,545,179
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 6,755,854	\$ 6,867,917	\$ 112,063	\$ 9,301,033	\$ 2,545,179
Expenses					
Personnel Expenses					
Salaries	\$ 2,861,623	\$ 2,903,903	\$ 42,280	\$ 3,181,461	\$ 319,838
Payroll Taxes	194,700	221,753	27,053	242,948	48,248
Benefits	243,975	218,246	(25,729)	266,263	22,288
Retirement Costs	112,725	130,676	17,951	140,916	28,191
Total Personnel Expenses	\$ 3,413,023	\$ 3,474,577	\$ 61,554	\$ 3,831,587	\$ 418,564
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 43,750	\$ 18,750
Travel	318,000	308,000	(10,000)	420,300	102,300
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 343,000	\$ 333,000	\$ (10,000)	\$ 464,050	\$ 121,050
Operating Expenses					
Consultants & Contracts	\$ 1,175,000	\$ 1,047,250	\$ (127,750)	\$ 1,077,000	\$ (98,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	290,000	343,000	53,000	343,000	53,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,465,000	\$ 1,390,250	\$ (74,750)	\$ 1,420,000	\$ (45,000)
Total Direct Expenses	\$ 5,221,023	\$ 5,197,827	\$ (23,196)	\$ 5,715,637	\$ 494,614
SPP Inc. Indirect Expenses	\$ 2,917,760	\$ 3,053,018	\$ 135,258	\$ 3,585,396	\$ 667,636
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 2,917,760	\$ 3,053,018	\$ 135,258	\$ 3,585,396	\$ 667,636
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 8,138,783	\$ 8,250,845	\$ 112,062	\$ 9,301,033	\$ 1,162,250
Change in Assets	\$ (1,382,929)	\$ (1,382,928)	\$ 1	\$ -	\$ 1,382,929
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ (1,382,929)	\$ (1,382,928)	\$ 1	\$ -	\$ 1,382,929

(1) SPP RE Indirect Expenses which represent direct expenses for SPP RE Administrative Services, are included in direct expenses.

Section A – Statutory Programs 2011 Business Plan and Budget



Section A — 2011 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.50	1.50	-
Direct Expenses	\$ 202,950	\$ 220,834	\$ 17,884
Indirect Expenses- SPP Inc.	\$ 180,480	\$ 195,567	
Indirect Expenses- SPP RE	\$ 79,444	\$ 61,227	\$ (18,217)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 462,874	\$ 477,628	\$ (333)

Program Scope and Functional Description

The Reliability Standards Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 300. The SPP RE direct and shared staff members assigned to this program coordinates with NERC to develop and maintain technically sound, fair and balanced reliability standards that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators, and users. The staff members assigned to this program also participates in the development of regional standards. The regional standards are developed using the procedures outlined in the SPP RE Standards Development Process Manual, which has been approved by FERC and NERC.

2011 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in NERC's 2011 BP&B, **Exhibit X**. In addition to the assumptions that are shared among NERC and the Regional Entities, it is expected that the SPP RE will continue to utilize SPP Shared staff to assist SPP RE coordinate and facilitate the development of reliability standards.

2011 Goals and Key Deliverables

- 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;

-
- Develop and implement a under-frequency load shedding (UFLS) regional reliability standard (PRC-006); and
 - Initiate the development of a digital monitoring equipment (DME) regional reliability standard (PRC-001).

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- There are no planned changes in FTEs for this program. Changes in Personnel Expenses are the result of changes in salaries and benefits of the existing FTEs.

Meeting Expenses

- Meeting expenses are expected to increase by \$5,000 or 33% as a result of NERC's plan to increase the number of projects in its reliability standards development plan and the SPP RE's plan to develop and implement an UFLS regional reliability standard and to initiate the development of a DME regional reliability standard.

Operating Expenses

- There are no significant changes in operating expenses for this program.

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the higher projected 2011 indirect expense rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses, which are allocated among the operational programs based on the program's relative share of direct expenses) were reduced to reflect the reassignment of 1 FTE from the General Administrative program to the Compliance Enforcement and Organization Registration program.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Reliability Standards Program

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

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Reliability Standards					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 462,874	\$ 169,600	\$ (293,274)	\$ 477,628	\$ 14,754
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 462,874	\$ 169,600	\$ (293,274)	\$ 477,628	\$ 14,754
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 462,874	\$ 169,600	\$ (293,274)	\$ 477,628	\$ 14,754
Expenses					
Personnel Expenses					
Salaries	\$ 135,300	\$ 45,100	\$ (90,200)	\$ 146,500	\$ 11,200
Payroll Taxes	10,350	3,444	(6,906)	11,187	837
Benefits	12,900	3,903	(8,997)	11,554	(1,346)
Retirement Costs	5,400	2,030	(3,371)	6,593	1,193
Total Personnel Expenses	\$ 163,950	\$ 54,477	\$ (109,474)	\$ 175,834	\$ 11,884
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	15,000	5,000	(10,000)	20,000	5,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 15,000	\$ 5,000	\$ (10,000)	\$ 20,000	\$ 5,000
Operating Expenses					
Consultants & Contracts	\$ 24,000	\$ 24,000	\$ -	\$ 25,000	\$ 1,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 24,000	\$ 24,000	\$ -	\$ 25,000	\$ 1,000
Total Direct Expenses	\$ 202,950	\$ 83,477	\$ (119,474)	\$ 220,834	\$ 17,884
SPP Inc. Indirect Expenses	\$ 180,480	\$ 61,060	\$ (119,420)	\$ 195,567	\$ 15,087
SPP RE Indirect Expenses	79,444	25,064	(54,380)	61,227	(18,217)
Total Indirect Expenses	\$ 259,924	\$ 86,124	\$ (173,800)	\$ 256,794	\$ (3,130)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 462,874	\$ 169,600	\$ (293,274)	\$ 477,628	\$ 14,754
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	14.0	17.25	3.25
Direct Expenses	\$ 3,447,900	\$ 3,483,151	\$ 35,251
Indirect Expenses- SPP Inc.	\$ 1,684,480	\$ 2,249,021	\$ 564,541
Indirect Expenses- SPP RE	\$ 1,063,397	\$ 965,711	\$ (97,686)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 6,195,777	\$ 6,697,883	\$ 502,106

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. The SPP RE CMEP is administered by the SPP RE staff. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions.

During the fourth quarter of 2009, the SPP RE CMEP was reorganized into three distinct groups: Compliance Monitoring; Critical Infrastructure Protection (CIP); and Enforcement. The SPP RE Executive Director of Compliance is responsible for the oversight of the Compliance Monitoring and CIP groups (collectively referred to as Compliance groups), while the SPP RE Manager of Enforcement is responsible for the oversight of the Enforcement group.

Compliance

Including the Executive Director of Compliance, a total of nine FTEs are budgeted for the Compliance groups. Specifically, four FTEs, compliance specialist and engineers, have been budgeted for the Compliance Monitoring group and four FTEs, CIP compliance specialist, have been budgeted for the CIP group. Although there is no change in the number of budgeted FTEs for the CIP group when compared to the 2010 budget, compared to the 2009 staffing levels, the four FTEs positions budgeted for this group, all of which are currently filled, represent a 100% increase.

The FTEs assigned to the Compliance groups are responsible for registering owners, operators and users of the BPS and monitoring and assessing registered entities' compliance with NERC-approved reliability standards. The various activities performed by the staff members assigned to the Compliance groups include: 1) conducting compliance audits, spot checks, and self certifications of entities registered in the SPP RE footprint, 2) reviewing periodic data submittals and self-reports made by entities registered in the SPP RE footprint, and 3) participating in various SPP and NERC working groups and SPP RE workshops. The initial determination of a registered entity's compliance or non-compliance is made by the Compliance groups.

In addition to the SPP RE Staff, the SPP RE uses consultants to assist the SPP RE with compliance audits, CIP spot checks, and CIP technical feasibility exception requests (TFEs).

Enforcement

Including the Manager of Enforcement, a total of eight and one-quarter FTEs are budgeted for the this group. The 3.25 increase in 2011 budgeted FTEs above 2010 budgeted FTEs for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program are assigned to the Enforcement group. The 3.25 FTE increase in this program area reflects the impact of the 2009 reorganization, which resulted in the net transfer of 1 FTE from the SPP RE Administrative area and 1 open FTE repurposed from Reliability Standards program area into Enforcement. The remaining 1.25 FTE increase in budget is due to two part-time law clerks hired in late 2009 as an unbudgeted resource.

The FTEs assigned to the Enforcement group are responsible for reviewing the Compliance groups' findings of non-compliance, notifying registered entities and NERC of the alleged violations, reviewing and verifying the registered entities' mitigation plans, determining proposed monetary penalties and non-monetary sanctions, and participating in settlement negotiations. The various activities performed by the staff members assigned to the Enforcement group include: 1) conducting discovery, 2) preparing and issuing Preliminary Notice of Possible Violations, Notice of Alleged Violations and Penalties and Sanctions, and Confirmed Notice of Violation, 2) reviewing, accepting, and verifying completion of mitigation plans, 3) participating in settlement negotiations, 4) participating in hearing of contested violations, as necessary, and 5) participating in various SPP and NERC working groups and SPP RE workshops.

In addition to the SPP RE Staff, the SPP RE uses consultants to assist the SPP RE with reviewing, accepting, and verifying completion of mitigation plans.

2011 Key Assumptions

The SPP RE's assumptions for this program are consistent with those contained in NERC's 2011 BP&B, **Exhibit X**.

2011 Goals and Key Deliverables

- Perform six to eight on-site FERC Order 693 compliance audits of registered RC, BA, and TOP entities (3-year cycle entities);
- Perform fifteen to eighteen off-site FERC Order 693 compliance audits of other registered entities (6-year cycle entities);
- Perform six to eight CIP compliance audits of registered entities;
- Perform spot check, self-certifications, exception reporting, and periodic data submittals of specified standards as dictated by NERC's 2011 Compliance Monitoring and Enforcement Program Annual Implementation Plan;
- Perform Compliance Investigations, as necessary;
- Perform independent review of initial findings of alleged violations;
- Calculate and impose monetary penalties and non-monetary sanctions for findings of non-compliance;

- Verify that findings of non-compliance are and/or have been appropriately mitigated; and
- Participate in Regional Hearing process, as necessary.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

There is a planned increase of 3.25 FTEs for this program (a 23% increase above 14 FTEs budgeted for 2010). The 3.25 FTE increase in this program area reflects the impact of the 2009 reorganization which resulted in the net transfer of 1 FTE from the SPP RE Administrative area and 1 open FTE repurposed from Reliability Standards program area into Enforcement. The remaining 1.25 FTE increase in budget is due to two part-time law clerks hired in late 2009 as an unbudgeted resource. Additional changes in Personnel Expenses are the result of changes in salaries and benefits of the existing FTEs.

Meeting Expenses

- There are no planned changes in the Meeting Expenses for this program.

Operating Expenses

- The Consultant Expenses are expected to decrease by \$137,500 or 13% for this program as a result of transitioning work from consultants to direct staff, specifically in the Critical Infrastructure Protection group.³

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the higher indirect expense rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses, which are allocated among the operational programs based on the program's relative share of direct expenses) were reduced to reflect the reassignment of 1 FTE from the General Administrative program to the Compliance Enforcement and Organization Registration program.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

³ The SPP RE's 2010 BP&B included \$700,000 for consultant costs to process the Technical Feasibility Studies (TFEs) requests. Barring an unexpected surge in TFE requests, it is expected that, in general, TFE requests will be review by SPP RE staff.

Compliance Enforcement and Organization Registration and Certification Program

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

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Compliance and Organization Registration and Certification					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 6,195,777	\$ 6,805,767	\$ 609,990	\$ 6,697,883	\$ 502,106
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 6,195,777	\$ 6,805,767	\$ 609,990	\$ 6,697,883	\$ 502,106
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 6,195,777	\$ 6,805,767	\$ 609,990	\$ 6,697,883	\$ 502,106
Expenses					
Personnel Expenses					
Salaries	\$ 1,794,100	\$ 2,029,329	\$ 235,229	\$ 1,907,348	\$ 113,248
Payroll Taxes	117,600	154,967	37,367	145,652	28,052
Benefits	146,200	146,200	-	164,070	17,870
Retirement Costs	70,000	91,320	21,320	83,581	13,581
Total Personnel Expenses	\$ 2,127,900	\$ 2,421,816	\$ 293,916	\$ 2,300,651	\$ 172,751
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	225,000	225,000	-	225,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 225,000	\$ 225,000	\$ -	\$ 225,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 1,095,000	\$ 967,250	\$ (127,750)	\$ 957,500	\$ (137,500)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,095,000	\$ 967,250	\$ (127,750)	\$ 957,500	\$ (137,500)
Total Direct Expenses	\$ 3,447,900	\$ 3,614,066	\$ 166,166	\$ 3,483,151	\$ 35,251
SPP Inc. Indirect Expenses	\$ 1,684,480	\$ 2,106,583	\$ 422,103	\$ 2,249,021	\$ 564,541
SPP RE Indirect Expenses	1,063,397	1,085,118	21,721	965,711	(97,686)
Total Indirect Expenses	\$ 2,747,877	\$ 3,191,701	\$ 443,824	\$ 3,214,732	\$ 466,855
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 6,195,777	\$ 6,805,767	\$ 609,990	\$ 6,697,883	\$ 502,106
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.0	5.0	1.0
Direct Expenses	\$ 523,200	\$ 901,107	\$ 377,907
Indirect Expenses- SPP Inc.	\$ 481,280	\$ 651,890	\$ 170,610
Indirect Expenses- SPP RE	\$ 208,122	\$ 249,834	\$ 41,712
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 1,212,602	\$ 1,802,831	\$ 590,229

Program Scope and Functional Description

The Reliability Assessments and Performance Analysis Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 800. The SPP RE direct and shared staff members assigned to this program support NERC's efforts in preparing three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports 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 Shared staff also conducts inter-regional studies and other planning studies to comply with NERC's various transmission planning (TPL) standards.

The SPP RE is responsible for conducting Event Analyses on 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 CMEP portion of this Business Plan.

2011 Key Assumptions

The SPP RE expects to continue to utilize SPP Shared staff to assist SPP RE in fulfilling its non-CMEP activities in this program. Key assumptions shared by NERC and the Regional Entities affecting the SPP RE budget in this program area include:

- NERC and the Regional Entities should prioritize and budget for two special reliability assessment initiatives per year.
- NERC and the Regional Entities will define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.
- NERC and the Regional Entities will work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues.
- NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations.

- NERC and the Regional Entities will refine the criteria and process to encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing.
- The number of events requiring review and analysis are expected to increase.

2011 Goals and Key Deliverables

- 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 the following NERC working groups/committees/task forces:
 - 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 Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- One additional FTE, a newly created position on the SPP RE direct staff, is budgeted for this program to address the increase in event analyses. Without the additional resource, the SPP RE expects it would have to refer some events analyses to NERC instead of conducting the analyses by the RE. Additional changes in Personnel Expenses are the result of changes in salaries and benefits of the existing FTEs.

Meeting Expenses

- Meeting Expenses, specifically travel expenses, are expected to increase by \$80,000 as a result of both the additional FTE as well as the expected increase activity in this program.

Operating Expenses

- Operating Expenses, specifically consultant expenses, are expected to increase by \$19,000 due to the expected increase activity in this program.

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the higher indirect expense rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses, which are allocated among the operational programs based on the program's relative share of direct expenses) were reduced to reflect the reassignment of 1 FTE from the General Administrative program to the Compliance Enforcement and Organization Registration program. This reduction partially offset additional expenses allocated as a result of the increase in budgeted FTEs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Reliability Assessment and Performance Analysis Program

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

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Reliability Assessment and Performance Analysis					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 1,212,602	\$ 1,166,968	\$ (45,634)	\$ 1,802,831	\$ 590,229
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 1,212,602	\$ 1,166,968	\$ (45,634)	\$ 1,802,831	\$ 590,229
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,212,602	\$ 1,166,968	\$ (45,634)	\$ 1,802,831	\$ 590,229
Expenses					
Personnel Expenses					
Salaries	\$ 360,800	\$ 360,800	\$ -	\$ 595,000	\$ 234,200
Payroll Taxes	27,600	27,552	(48)	45,436	17,836
Benefits	34,400	31,224	(3,176)	48,895	14,495
Retirement Costs	14,400	16,236	1,836	26,775	12,375
Total Personnel Expenses	\$ 437,200	\$ 435,812	\$ (1,388)	\$ 716,107	\$ 278,907
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	30,000	30,000	-	110,000	80,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 30,000	\$ 30,000	\$ -	\$ 110,000	\$ 80,000
Operating Expenses					
Consultants & Contracts	\$ 56,000	\$ 56,000	\$ -	\$ 75,000	\$ 19,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 56,000	\$ 56,000	\$ -	\$ 75,000	\$ 19,000
Total Direct Expenses	\$ 523,200	\$ 521,812	\$ (1,388)	\$ 901,107	\$ 377,907
SPP Inc. Indirect Expenses	\$ 481,280	\$ 488,483	\$ 7,203	\$ 651,890	\$ 170,610
SPP RE Indirect Expenses	208,122	156,673	(51,449)	249,834	41,712
Total Indirect Expenses	\$ 689,402	\$ 645,156	\$ (44,246)	\$ 901,724	\$ 212,322
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,212,602	\$ 1,166,968	\$ (45,634)	\$ 1,802,831	\$ 590,229
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	0.50	0.50
Direct Expenses	\$ 25,000	\$ 123,091	\$ 98,091
Indirect Expenses- SPP Inc.	\$ -	\$ 65,189	\$ 65,189
Indirect Expenses- SPP RE	\$ 5,180	\$ 34,127	\$ 28,947
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 30,180	\$ 222,407	\$ 192,227

Program Scope and Functional Description

The Training, Education, and Operator Certification Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 900. The SPP RE direct staff design, develop, and conduct training and education via compliance workshops, CIP workshops, webinars, and white papers.

Operator Certification Training is provided by SPP RTO staff, and as such, the expenses for this training continue to be excluded from the SPP RE budget and are alternatively included in the SPP, Inc. budget.

2011 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, due to increase emphasis on training, it is expected that the SPP RE will utilize SPP Shared staff and consultants to assist the SPP RE direct staff to design, develop, and conduct training and education. Specific training areas targeted for 2011 include: Critical Infrastructure Protection, Lessons Learned, Effective Compliance Cultures, Self Reports & Self Certifications, Currently Monitored Standards and Registration.

2011 Goals and Key Deliverables

- Host a minimum of two compliance workshops
- Host a minimum of one CIP workshops
- Participate in NERC and other Regional Entities training and educational programs, as necessary
- Publish Compliance Analysis Reports and/or Whitepapers detailing “lessons learned,” as necessary and appropriate
- Host a minimum of four compliance webinars.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- The increase in personnel expenses is due to the addition of one-half FTE for budgeted SPP Shared staff, which has been added due to the increase emphasis placed on this program.

Meeting Expenses

- Meeting Expenses are expected to increase by \$43,750 due to the expected increase activity in this program, in particular an increase in the number of SPP RE compliance webinars

Operating Expenses

- Operating Expenses, specifically consultant expenses, are expected to increase by \$19,500 due to the expected increase activity in this program. SPP RE expects that its consultants to assist the SPP RE with the design, develop, and deliver of its training and education programs.

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. The increase in the SPP, Inc. Indirect Expenses are result of the addition of one-half budgeted FTE.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses, which are allocated among the operational programs based on the program's relative share of direct expenses) were reduced to reflect the reassignment of 1 FTE from the General Administrative program to the Compliance Enforcement and Organization Registration program. This reduction partially offset the increase in expenses caused by the addition of one-half budgeted FTE and consultant expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Training, Education, and Operator Certification Program

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

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Training and Education					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 30,180	\$ 32,506	\$ 2,326	\$ 222,407	\$ 192,227
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	<u>\$ 30,180</u>	<u>\$ 32,506</u>	<u>\$ 2,326</u>	<u>\$ 222,407</u>	<u>\$ 192,227</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ 30,180</u>	<u>\$ 32,506</u>	<u>\$ 2,326</u>	<u>\$ 222,407</u>	<u>\$ 192,227</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Payroll Taxes	-	-	-	3,818	3,818
Benefits	-	-	-	3,773	3,773
Retirement Costs	-	-	-	2,250	2,250
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,841</u>	<u>\$ 59,841</u>
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 43,750	\$ 18,750
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 43,750</u>	<u>\$ 18,750</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 19,500	\$ 19,500
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,500</u>	<u>\$ 19,500</u>
Total Direct Expenses	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 123,091</u>	<u>\$ 98,091</u>
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ 65,189	\$ 65,189
SPP RE Indirect Expenses	5,180	7,506	-	34,127	28,947
Total Indirect Expenses	<u>\$ 5,180</u>	<u>\$ 7,506</u>	<u>\$ 2,326</u>	<u>\$ 99,316</u>	<u>\$ 94,136</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 30,180</u>	<u>\$ 32,506</u>	<u>\$ 2,326</u>	<u>\$ 222,407</u>	<u>\$ 192,227</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 NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	0.75	0.25	(0.50)
Direct Expenses	\$ 106,373	\$ 52,996	\$ (53,377)
Indirect Expenses- SPP Inc.	\$ 90,240	\$ 32,595	\$ (57,645)
Indirect Expenses- SPP RE	\$ 40,737	\$ 14,693	\$ (26,044)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 237,350	\$ 100,285	\$ (137,065)

Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 1000.

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 Reliability Coordinator actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members. These activities are non-statutory. SPP also sponsors a Critical Infrastructure Protection Working Group (CIPWG), which:

- 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;
- Provides general guidance to SPP members on CIP Standards and related compliance efforts; and
- 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

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.

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

CIP compliance monitoring and enforcement is included in Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

2011 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, the SPP RE expects the continued support of the SPP CIPWG, and continued support for CIPC participation from designated SPP member representatives.

2011 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 registered entities about CIP Standards
 - Provide general recommendations on appropriate security best practices
 - Provide opportunities for technical and compliance-related training
 - Provide registered entities-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)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- Budgeted FTEs, which represent SPP Shared staff, were reduced to one-quarter FTE to better reflect actual hours billed to the SPP RE by SPP Shared staff in 2009 and 2010 to date.

Meeting Expenses

- Meeting Expenses are expected to increase by \$5,300 due to the expected increase activity in this program.

Operating Expenses

- There are no changes in the budgeted Operating Expenses for this program, i.e., the budgeted amount remains at zero.

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses is due to the reduction in budgeted FTE.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses, which are allocated among the operational programs based on the program's relative share of direct expenses) were reduced to reflect the reassignment of 1 FTE from the General Administrative program to the Compliance Enforcement and Organization Registration program. SPP RE Indirect Expenses were further reduced as a result the reduction in budgeted FTE for this program.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Situation Awareness and Infrastructure Security Program

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

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Situation Awareness and Infrastructure Security					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 237,349	\$ 76,003	\$ (161,346)	\$ 100,285	\$ (137,064)
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 237,349	\$ 76,003	\$ (161,346)	\$ 100,285	\$ (137,064)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 237,349	\$ 76,003	\$ (161,346)	\$ 100,285	\$ (137,064)
Expenses					
Personnel Expenses					
Salaries	\$ 72,623	\$ 24,208	\$ (48,415)	\$ 24,813	\$ (47,810)
Payroll Taxes	5,550	1,849	(3,701)	1,895	(3,655)
Benefits	7,275	1,827	(5,448)	1,872	(5,403)
Retirement Costs	2,925	1,089	(1,836)	1,117	(1,808)
Total Personnel Expenses	\$ 88,373	\$ 28,972	\$ (59,401)	\$ 29,696	\$ (58,677)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	18,000	6,000	(12,000)	23,300	5,300
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 18,000	\$ 6,000	\$ (12,000)	\$ 23,300	\$ 5,300
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 106,373	\$ 34,972	\$ (71,401)	\$ 52,996	\$ (53,377)
SPP Inc. Indirect Expenses	\$ 90,240	\$ 30,530	-	\$ 32,595	\$ (57,645)
SPP RE Indirect Expenses	40,737	10,500	-	14,693	(26,044)
Total Indirect Expenses	\$ 130,977	\$ 41,030	\$ (89,947)	\$ 47,288	\$ (83,689)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 237,349	\$ 76,003	\$ (161,346)	\$ 100,285	\$ (137,064)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Administrative Services

Administrative Services (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.0	3.0	(1.0)
Expenses	\$ 1,396,880	\$ 1,325,592	\$ (71,288)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Methodology for Allocation of Administrative Services Expenses to Programs

The expenses for finance and accounting, information technology, and human resources administrative support services that are provided to the SPP RE by SPP (SPP, Inc. Indirect Expenses) are assessed to the SPP RE based on a fixed rate per hour per FTE. The SPP Indirect Expense rate is calculated by dividing the total costs for these support functions (excluding certain IT costs that are specific to SPP's RTO functions) by the total hours worked by non-support personnel. The indirect expense rate is then multiplied by each hour directly charged to the SPP RE by SPP Shared staff and for designated number of hours for SPP RE direct staff. A table showing the derivation of the SPP, Inc. Indirect Expense rate is presented in Section E of this BP&B.

SPP RE Administrative Services Expenses, which are limited to expenses incurred for SPP RE General and Administrative and Legal and Regulatory programs, are allocated among the five operational programs based on the program's pro rata share of the total direct operational program expense. The reduction in budgeted FTEs and expenses for the SPP RE Administrative Services is due to the reassignment of a net 1 FTE from the General Administrative program to the Compliance Enforcement and Organization Registration program.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

SPP RE 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 expenses incurred by the SPP RE for these forums are included in the direct expenses of the applicable program.

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. These expenses are included in the Training, Education, and Operator Certification Program.

2011 Key Assumptions

- SPP RE liaisons to SPP working groups attend approximately 14 SPP working group meetings in 2011.

2011 Goals and Key Deliverables

- 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 Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- N/A

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

General and Administrative

General and Administrative (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.0	3.0	(1.0)
Expenses	\$ 1,246,880	\$ 1,175,592	\$ (71,288)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Finance and Process Improvement, the RE Administrative Assistant, and three independent Regional Entity Trustees.

The RE Trustees, who are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group, 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.

The RE General Manager provides executive level support through, among other means, 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 Manager of Finance and Process Improvement is responsible for coordinating and developing the SPP RE annual BP&B, reviewing the RE monthly Statement of Activities, performing process improvement activities for the RE operational program functions and coordinating outreach activities such as compliance workshops and the quarterly newsletters for registered entities. The RE Manager of Finance and Process Improvement also provides support to the SPP RE CMEP activities by coordinating and facilitating the development of compliance plans, policies, procedures.

The RE Administrative Assistant provides support to all SPP RE programs and SPP RE direct staff members.

2011 Key Assumptions

- SPP RE continues to operate as an independent and functionally separate division of SPP

2011 Goals and Key Deliverables

- Ensure that the SPP RE fulfills the responsibilities of the Regional Delegation Agreement between SPP and NERC
- Ensure that the SPP RE is adequately staffed and has the resources needed to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC

-
- Implement recommendations resulting from the 2010 NERC audit of the SPP RE
 - Continue to explore opportunities to enhance the effectiveness and efficiency of the SPP RE in promoting and improving the reliability of the bulk power system

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The General and Administrative costs are allocated to the five operational programs resulting in zero funding requirements.

Personnel Expenses

- The reduction in budgeted FTEs and expenses for the SPP RE Administrative Services results from the reassignment of a net 1 FTE from the General Administrative program to the Compliance Enforcement and Organization Registration program. Additional changes in Personnel Expenses are the result of changes in salaries and benefits of the existing FTEs.

Meeting Expenses

- Meeting Expenses are expected to increase by \$12,000 due to the expected increase participation in NERC forums and working groups, as well as an expected increase in SPP RE's outreach activities, including increase participation in SPP member forums and SPP RE training and education activities.

Operating Expenses

- The \$53,000 increase in Operating Expenses is primarily due to an increase in professional services fees for personnel recruiting services.

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses is due to the reduction in budgeted FTEs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

General and Administrative

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

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
General and Administrative					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 498,800	\$ 444,466	\$ (54,334)	\$ 457,800	\$ (41,000)
Payroll Taxes	33,600	33,941	341	34,959	1,359
Benefits	43,200	35,092	(8,108)	36,098	(7,102)
Retirement Costs	20,000	20,001	1	20,601	601
Total Personnel Expenses	<u>\$ 595,600</u>	<u>\$ 533,500</u>	<u>\$ (62,100)</u>	<u>\$ 549,458</u>	<u>\$ (46,142)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	30,000	42,000	12,000	42,000	12,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 30,000</u>	<u>\$ 42,000</u>	<u>\$ 12,000</u>	<u>\$ 42,000</u>	<u>\$ 12,000</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	140,000	193,000	53,000	193,000	53,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 140,000</u>	<u>\$ 193,000</u>	<u>\$ 53,000</u>	<u>\$ 193,000</u>	<u>\$ 53,000</u>
Total Direct Expenses	<u>\$ 765,600</u>	<u>\$ 768,500</u>	<u>\$ 2,900</u>	<u>\$ 784,458</u>	<u>\$ 18,858</u>
SPP Inc. Indirect Expenses	<u>\$ 481,280</u>	<u>\$ 366,362</u>		<u>\$ 391,134</u>	<u>\$ (90,146)</u>
SPP RE Indirect Expenses	<u>\$ (1,246,880)</u>	<u>\$ (1,134,862)</u>		<u>\$ (1,175,592)</u>	<u>\$ 71,288</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ 150,000	\$ 150,000	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The SPP RE has an RE Counsel that provides exclusive legal support to the SPP RE.⁴ If SPP RE is required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers may be utilized.

2011 Key Assumptions

- Estimated hearing costs are included to support three hearings in 2011.

2011 Goals and Key Deliverables

- Provide hearing officer if SPP RE is required to convene hearings

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The Legal and Regulatory costs are allocated to the five operational programs resulting in zero funding requirements.

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

⁴ SPP RE General Counsel is accounted for in the Compliance Enforcement and Organization Registration program, Enforcement group.

Legal and Regulatory

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

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Legal and Regulatory					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	150,000	150,000	-	150,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 150,000	\$ 150,000	\$ -	\$ 150,000	\$ -
Total Direct Expenses	\$ 150,000	\$ 150,000	\$ -	\$ 150,000	\$ -
SPP Inc. Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
SPP RE Indirect Expenses	\$ (150,000)	\$ (150,000)	\$ -	\$ (150,000)	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Information Technology

Information Technology (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

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

2011 Key Assumptions

- The SPP Information Technology department continues to provide resources for the SPP RE.

2011 Goals and Key Deliverables

- To provide adequate information technology support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for IT services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

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

Human Resources

Human Resources (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The SPP Human Resource department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2011 Key Assumptions

- The SPP Human Resource department continues to provide resources for the SPP RE.

2011 Goals and Key Deliverables

- To provide adequate human resource support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for human resource services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

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

Finance and Accounting

Accounting and Finance			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The SPP Accounting department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2011 Key Assumptions

- The SPP Accounting department continues to provide resources for the SPP RE.

2011 Goals and Key Deliverables

- To provide adequate accounting and finance support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for accounting and finance services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

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

Section B – Supplemental Financial Information
2011 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2010-2011	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2009	\$ 1,719,602
Less: Penalty sanctions to be used as offset to 2011 assessments ¹	0
Plus: 2010 SPP RE Funding (from LSEs or designees)	6,755,854
Plus: 2010 Other funding sources	0
Less: 2010 Projected expenses & capital expenditures	(8,250,845)
Projected Working Capital Reserve (Deficit), December 31, 2010	224,611
Desired Working Capital Reserve, December 31, 2011	² \$ -
Less: Projected Working Capital Reserve, December 31, 2010	(224,611)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(224,611)
2011 Expenses and Capital Expenditures	9,301,033
Less: Penalty Sanctions ¹	0
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(224,611)
2011 SPP RE Assessment	9,076,422

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

² The SPP RE does not require a working capital reserve in that on a cash basis SPP, Inc. 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

Explanation of Changes in Reserve Policy from Prior Years

There have not been any changes in the SPP RE Reserve Policy. SPP RE does not require 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.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 9 of the 2011 RE Business Plan and Budget. All significant variances have been disclosed by program in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2010 are detailed below, including Company, the amount, and date received.

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

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2010		Amount Received
Name of Entity	Date Received	Amount Received
		\$ -

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
Reliability Standards	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative 0	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

N/A

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Salaries					
Salaries	\$ 2,861,623	2,903,903	\$ 3,181,461	\$ 319,838	11.2%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 2,861,623	\$ 2,903,903	\$ 3,181,461	\$ 319,838	11.2%
Total Payroll Taxes	\$ 194,700	\$ 221,753	\$ 242,948	\$ 48,248	24.8%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	202,075	208,215	222,049	19,974	9.9%
Life-LTD-LTC Insurance	11,900	3,975	14,234	2,334	19.6%
Education	30,000	6,055	29,980	(20)	-0.1%
Relocation	-	-	-	-	
Total Benefits	\$ 243,975	\$ 218,246	\$ 266,263	\$ 22,288	9.1%
Retirement					
Discretionary 401k Contribution Savings Plan	\$ 112,725	\$ 130,676	\$ 140,916	\$ 28,191	25.0%
Total Retirement	\$ 112,725	\$ 130,676	\$ 140,916	\$ 28,191	25.0%
Total Personnel Costs	\$ 3,413,023	\$ 3,474,577	\$ 3,831,587	\$ 418,564	12.3%
FTEs	24.25	25.00	27.50	2.50	13.4%
Cost per FTE					
Salaries	\$ 118,005	\$ 116,156	\$ 115,689	(2,316)	-2.0%
Payroll Taxes	8,029	8,870	8,834	806	10.0%
Benefits	10,061	8,730	9,682	(379)	-3.8%
Retirement	4,648	5,227	5,124	476	10.2%
Total Cost per FTE	\$ 140,743	\$ 138,983	\$ 139,330	\$ (1,413)	-1.0%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The variances are principally due to the additional 3.25 budgeted FTEs.

Consultants and Contracts

Table B-5

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	-	\$ -	
Compliance and Organization Registration and Certification	1,025,000	865,750	856,000	(169,000)	-16%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	56,000	56,000	75,000	19,000	34%
Training and Education	-	-	19,500	19,500	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,081,000	\$ 921,750	\$ 950,500	\$ (130,500)	-12%
Contracts					
Reliability Standards	\$ 24,000	\$ 24,000	\$ 25,000	\$ 1,000	4%
Compliance and Organization Registration and Certification	70,000	101,500	101,500	31,500	45%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 94,000	\$ 125,500	\$ 126,500	\$ 32,500	35%
Total Consulting and Contracts	\$ 1,175,000	\$ 1,047,250	\$ 1,077,000	\$ (98,000)	-8%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The \$98,000 reduction in consultant costs is due to the expectation that the SPP RE's reliance on consultants will be reduced as a result of increased staffing in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

Table B-6

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
Total Office Rent	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

This cost included in the SPP, Inc. Indirect Expense rate.

Table B-7

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	-
Internet	-	-	-	-	-
Office Supplies	-	-	-	-	-
Computer Supplies and Maintenance	-	-	-	-	-
Publications & Subscriptions	-	-	-	-	-
Dues	-	-	-	-	-
Postage	-	-	-	-	-
Express Shipping	-	-	-	-	-
Copying	-	-	-	-	-
Reports	-	-	-	-	-
Equipment Repair/Service Contracts	-	-	-	-	-
Bank Charges	-	-	-	-	-
Taxes	-	-	-	-	-
Merchant Card Fees	-	-	-	-	-
Presentation & Publicity	-	-	-	-	-
Total Office Costs	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

This cost included in the SPP, Inc. Indirect Expense rate.

Table B-8

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ 140,000	\$ 143,000	\$ 143,000	\$ 3,000	0.00%
Outside Legal	150,000	150,000	150,000	-	0.00%
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	-	50,000	50,000	50,000	0.00%
Total Services	\$ 290,000	\$ 343,000	\$ 343,000	\$ 53,000	0.00%

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The \$53,000 increase in Operating Expenses is primarily due to an increase in professional services fees for personnel recruiting services.

Table B-9

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

N/A

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



Section C — 2010 Non-Statutory Business Plan and Budget

Non-Statutory Functional Scope

As discussed in the Introduction, SPP is one of nine FERC-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs). As an RTO, SPP helps 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 below.

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: SPP provide Independent administration of the Open Access Transmission Tariff that offers 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.

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.⁵

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 2011 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.

⁵ 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).



**SOUTHWEST POWER POOL
NET REVENUE REQUIREMENT GROWTH**

(000's)	2010 Budget	2009 Forecast
Income		
Tariff Administration Service	\$65,304	\$56,070
Fees & Assessments	21,222	17,235
Contract Services Revenue	22,400	21,495
Miscellaneous Income	<u>7,706</u>	<u>5,183</u>
Total Income	<u>116,632</u>	<u>99,981</u>
Expense		
Salary & Benefits	58,958	51,162
Employee Travel	1,228	1,373
Administrative	2,936	2,949
Assessments & Fees	12,759	12,152
Meetings	736	852
Communications	3,119	2,993
Leases	1,678	1,520
Maintenance	6,678	5,153
Services	18,685	18,824
Regional State Committee	490	228
Depreciation & Amortization	16,798	19,727
Other Expense	<u>3,486</u>	<u>2,793</u>
Total Expense	<u>127,549</u>	<u>119,723</u>
Net Income (Loss)	<u>(\$10,917)</u>	<u>(\$19,741)</u>
Debt Repayment	9,206	8,206
MW/h Forecast	333,458	328,175
Net Revenue Requirement	68,358	65,385
Calculated Admin Fee / MWh	\$0.205	\$0.199
Recommended Admin Fee / MWh	\$0.195	\$0.170
Capital Expense	73,301	24,043
Headcount	476	434

Section D – Additional Consolidated Financial
Statements
2011 Business Plan and Budget



SOUTHWEST POWER POOL
STATEMENT OF ACTIVITIES
2010 MARCH YTD DRAFT (UNAUDITED)

<i>(In Whole Dollars)</i>	2010 MAR YTD ACTUAL	2010 MAR YTD BUDGET	VARIANCE	2010 FULL YEAR PROJECTION	2010 FULL YEAR BUDGET	VARIANCE
Funding						
ERO Funding	1,688,964	1,688,964	-	6,755,854	6,755,854	-
Testing Fees					-	-
Workshops					-	-
Interest					-	-
Miscellaneous					-	-
Total Funding	1,688,964	1,688,964	-	6,755,854	6,755,854	-
Expenses						
Personnel Expenses						
Salaries	529,594	715,406	(185,812)	2,903,903	2,861,623	42,280
Payroll Taxes	49,796	48,675	1,121	221,753	194,700	27,053
Benefits	9,299	60,994	(51,695)	218,246	243,975	(25,729)
Retirement Costs	29,371	28,181	1,190	130,676	112,725	17,951
Total Personnel Expenses	618,061	853,256	(235,195)	3,474,578	3,413,023	61,555
Meeting Expenses						
Meetings	7,639	6,250	1,389	25,000	25,000	-
Travel	48,239	79,500	(31,261)	308,000	318,000	(10,000)
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	55,878	85,750	(29,872)	333,000	343,000	(10,000)
Operating Expenses						
Contracts & Consultants	39,621	293,750	(254,129)	1,047,250	1,175,000	(127,750)
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Administrative Costs	927	-	927	-	-	-
Professional Services	52,691	37,500	15,191	200,000	150,000	50,000
RE Trustee Fees	63,916	68,750	(4,834)	143,000	140,000	3,000
Computer Purchase & Maint.	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous/ Cotingency	-	-	-	-	-	-
Total Operating Expenses	157,155	400,000	(242,845)	1,390,250	1,465,000	(74,750)
Total Direct Costs	831,093	1,339,006	(507,912)	5,197,828	5,221,023	(23,195)
Total Indirect Costs	479,556	729,440	(249,884)	3,053,018	2,917,760	135,258
Total Costs	1,310,649	2,068,446	(757,797)	8,250,846	8,138,783	112,063
Change in Assets	378,314	(379,482)	757,797	(1,494,992)	(1,382,929)	(112,063)



**Southwest Power Pool Regional Entity
Actual to Budget Comparison as of March 31, 2010**

EXPENSES

- **Personnel Expenses** (Actual - \$235K under YTD budget) – Personnel expenses trailed YTD budget primarily due to the timing of hiring additional budgeted staff and lower than expected activity in the Situation Awareness and Infrastructure and Security program area. While the SPP RE expects the activity in the Situation Awareness and Infrastructure program area to continue to be lower than budget for the full year, the SPP RE expects to hire additional direct staff during in 2010. As a result, SPP RE projects full year expenses to be slightly greater than 2010 budget.
- **Travel and Meeting Expenses** (Actual - \$30K under YTD budget) –Travel expenses trailed YTD budget due to the timing of hiring additional budgeted staff. SPP RE projects full year travel expenses to be less than 2010 budget.
- **Other Operating Expenses** (Actual - \$243K under YTD budget) – Other Operating Expenses trailed YTD budget primarily due to the timing of consulting and contracting resources utilized for compliance audits as well as lower than expected consulting activity related to TFEs. Although additional resources are expected to be engaged throughout the remainder of 2010, SPP RE projects full year expenses to be less than 2010 budget.
- **Indirect Costs** (Actual - \$250K under YTD budget) - Indirect costs include identifiable infrastructure and overhead resources associated with SPP's business model. These shared services and costs are allocated to the regional entity based on direct resources engaged to perform specific statutory functions. These costs are intended to replace budgeted overhead items such as office rent, depreciation, communications, technology support, etc. YTD indirect costs trail budgeted costs due to the timing of hiring additional budgeted staff and lower than expected activity in the Situation Awareness and Infrastructure and Security program area. However, the SPP RE also expects the actual hourly overhead rate to be greater than the budgeted overhead rate. As a result, SPP RE projects full year costs to be greater than 2010 budget.

SPP 2010 NERC Summer Assessment

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Executive Summary

SPP RE's Demand for the 2010 summer is projected to be higher than the 2009 actual summer demand. Existing Capacity resources in the SPP RE footprint are expected to be 55,387 MW, and out of those 49,777 MW are Existing, Certain resources. There have been no new Existing, Certain resources added since the 2009 Summer Assessment in the SPP RE footprint. Future Planned resources that are expected to be in service during the assessment timeframe total to 266 MW.

SPP RE's minimum required capacity margin requirement is 12%, which translates to a reserve margin of 13.6%¹. The reserve margin for the SPP RE Region, based on the Existing, Certain and Net Firm Transactions is 19.2%, and the reserve margin based on the Anticipated Capacity Resources is 20.4% for the upcoming 2010 summer. This is well above the SPP RE's minimum required capacity margin. Overall, there are no known reliability concerns identified for the upcoming summer.

There have been no significant transmission line additions since the previous reporting year. However, five bulk power transformers with 345 kV high voltage side are projected to be added to the SPP RTO grid. There are no known transmission reliability concerns identified during the assessment timeframe.

In anticipation of surge in renewable resources on the western part of the grid, SPP RTO has conducted Wind Integration Task Force (WITF) study. This study reinforced the criticality of coordinating transmission expansion plans with plans for building infrastructure to accommodate wind energy. Recommendations made in the study will allow SPP to prepare for continued growth in our region's renewable wind resources. The study results recommended significant Bulk EHV transmission additions (230 kV, 345 kV and 765 kV) for 10% wind scenario and 20% wind scenarios. For the near term, the study identified a need to develop a sophisticated process for determining what generating units are utilized throughout the region, explicitly addressing the uncertainty associated with wind forecast errors. The implementation of a centralized wind energy forecasting system was also recommended.

Demand

The projected non-coincident total internal demand forecast for the 2010 summer peak is 43,426 MW, which is 5% percent higher than the 2009 actual summer peak non-coincident total internal demand. The actual 2009 summer demand of 41,209 MW was 7 percent lower than the 44,342 MW summer forecasted projection for 2009. Last year, SPP RE experienced a decrease in demand from the forecast due to mild temperatures in the summer and the economic downturn. Since SPP RTO footprint was not significantly impacted by the recent economic downturn, the lower demand was a mainly result of wet and mild 2009 summer conditions. The 2010 summer forecast is based on 2009 actual demand adjusted for normal weather.

Forecast data is collected from each reporting member² as monthly non-coincident values and then summed up to produce the total forecast for SPP RE footprint. The summer peak is the system condition upon which the SPP RE Region bases its resource evaluations. SPP RE's reporting members review and adjust their forecast based on the actual demand for the previous year.

Although actual demand is very dependent upon weather conditions and typically includes interruptible loads, forecasted net internal demands are based on 10 year average summer weather,

¹ SPP Criteria 2.1.9 <http://www.spp.org/publications/Criteria02042010-with%20AppendicesCurrent.pdf>

² Currently, SPP reporting members consist of mainly Balancing Areas and some Load Serving Entities

or 50/50 weather. Some SPP RE members determine peak forecast based on 50 percent confidence level as approved by their respective state commission(s). This means that the actual weather on the peak summer day is expected to have a 50 percent likelihood of being hotter and a 50 percent likelihood of being cooler than the weather assumed in deriving the load forecast. SPP RTO does not develop load forecasts based on 90/10 weather scenario but has a 13.6 percent reserve margin requirement to address this. In addition, SPP RTO's Bandwidth working group performed a study in the past³ to cover the 2010 summer timeframe which determined that 13.6 percent reserve margin is adequate to cover any extreme load forecast for SPP RE footprint.

Each SPP RE reporting member also provides their demand response programs and then subtracts those values from their load forecasts to report the net load forecast. Based on these inputs, currently 442 MW of interruptible demand, 15 MW of load management, 9 MW of critical peak pricing and 160 MW of load as a capacity resource are reported in SPP RE footprint. SPP RE does not have in place a means to measure or verify the programs in place for demand response due to the minimal amount of MWs contained in the demand response programs. The percentage of the demand response programs (voluntary by individual member company) that can reduce peak demand against the Total Internal Demand is 1.6%. At this time, SPP RTO does not have a system wide demand response program.

Generation

SPP RE expects to have 55,292 MW of total internal capacity for the upcoming summer season. This consists of Existing, Certain Capacity of 49,777 MW, Existing, Other Capacity of 5,092 MW, Existing, Inoperable Capacity of 517 MW, and Future, Planned Capacity of 266 MW.

The expected on peak capacity reported from the variable generation plant (mostly wind) is 52 MW of the 3,485 MWs connected to the SPP RTO footprint. SPP has developed detailed criteria to establish the net capability rating of the wind generation based on a 5-year history of peak load data. The biomass portion that is reported consists of 2 MW. The biomass portion consists of landfill gas. The hydro capacity within SPP region represents a small fraction of the total resources (Approximately 1 percent). SPP monitors potential fuel supply limitations for hydro and gas resources by consulting with its generation owning/controlling members at the beginning of each year.

Hydro capacity is only a small fraction of SPP RE resources and therefore reservoir levels do not materially impact the SPP RE reserve margins. Additionally, there are no anticipated issues concerning the reservoir levels being sufficient that would impact meeting the peak and daily energy demands during the summer season. SPP RE region is experiencing above average rainfall and is not anticipating drought conditions during for the upcoming summer season. There are no other conditions that the SPP RE Region is experiencing that would reduce capacity within the Region. There are no significant generating units anticipated to be out of service during or retired prior to the upcoming summer.

Capacity Transactions on Peak

SPP has a total of 4,742 MW of projected purchases within and external to SPP RE region. The 4,266 MW is backed by firm contracts and 425 MW is backed by Expected or non-firm contracts. About 133 MW is firm contract from WECC, administered under Xcel Energy's OATT. None of the purchase contracts are a Liquidated Damages Contract. All firm power contracts are backed by transmission and generation.

³ <http://www.spp.org/section.asp?group=320&pageID=27>

SPP RE has a total of 3,041 MW backed by firm sales for the 2010 summer within and external to the SPP RE region. None of the sales contracts are a Liquidated Damages Contract. All firm power contracts are backed by transmission and generation.

SPP RTO members along with some members of the SERC region have formed a Reserve Sharing Group. The members of this group receive contingency reserve assistance from other SPP Reserve Sharing Group members. However, it does not require support from generation resources outside the SPP RTO Region. The SPP’s Operating Reliability Working Group (ORWG) sets the Minimum Daily Contingency Reserve Requirement for the SPP Reserve Sharing Group. The SPP Reserve Sharing Group maintains a minimum first Contingency Reserve equal to the generating capacity of the largest unit scheduled to be on-line.

Transmission

SPP RTO currently has two projects that are either under construction or are scheduled to be in service before the current assessment timeframe is over. These projects include a 120 mile 345 kV line from Northwest to Woodward District EHV in Northern Oklahoma. There are also several new transformers scheduled to go in service. The details of these projects are in the table below.

Transmission Project Name	Voltage (kV)	Length (miles)	In-Service Date	Description/ Status
Northwest to Woodward District EHV	345	120	03/30/10	New 345 kV line

Transformer Project Name	Voltage (kV)	In-Service Date	Description / Status
New (2 nd) Stranger Creek	345/115	09/15/09	New transformer
Reno County (2 nd)	345/115	09/21/09	New transformer
Hitchland	345/230	06/01/10	New transformer
Yoakum County Interchange (2 nd)	230/115	10/16/09	Complete-new transformer
Seminole (upgrade)	230/115	11/20/09	Complete- upgrade 2 transformers

All the projects listed above are projected to be in-service before as planned. If there are any delays, SPP Reliability Coordinator will coordinate with transmission owners to ensure a mitigation plan is in place to address any reliability issues.

SPP RTO is not aware of any transmission constraints that have not been addressed by mitigation plans or with local operating guides for the upcoming summer. However, SPP will continue to monitor

western part of the grid as described in the previous reports as this area has experienced some reliability issues and challenges in the recent past.

There are no known significant transmission facilities scheduled to be out of service during the upcoming summer months.

SPP RTO staff participates in the Eastern Interconnection Reliability Assessment Group's (ERAG) inter-regional study effort. This study is conducted to examine the potential constraints on the SPP RTO region as a result of simulated import and export with neighboring regions. The preliminary results of the study indicate that the SPP imports are limited due to the 161 kV facilities across the Arkansas-Oklahoma border. This has been a known issue for last couple of years and SPP RTO is working with SERC members on mitigating this in the near future. In the meantime, SPP RTO do not expect any reliability issues for the upcoming summer as it does not rely on the incremental transfer capability from the neighboring regions to meet the projected demand.

There is a new 345/161 kV sub projected to be built at Iatan near Kansas City, MO during the first quarter of 2010.

Operational Issues (Known or Emerging)

SPP RTO has recently completed Wind Integration Task Force⁴ study in January 2010. It was determined through this study's results that SPP RTO would need significant transmission addition to accommodate 10% or higher wind capacity. Since for the upcoming summer, SPP RE projects to have approximately 4% of installed wind capacity on the grid, the grid operators will continue to monitor any operating challenges for this assessment period.

SPP RTO operations staff does not anticipate any environmental and/or regulatory restrictions that could potentially impact reliability. As a result of Flowgate assessment analysis, there are no unusual operating conditions expected for the upcoming summer months. There are no known reliability concerns resulting from high levels of demand response resources as demand response resources in the SPP RE Region are minimal at this time.

There are no anticipated transmission and generation outages or temporary operating measures that are foreseen during this summer. There are no new coordinated Smart Grid programs that have been fully implemented within the past year that will have any influence on reliability of the region. There are no known unusual operating conditions that could impact the reliability of the Region for the upcoming assessment timeframe.

Reliability Assessment Analysis

Currently, a SPP RTO criterion requires that its members maintain a minimum capacity margin of 12 percent (13.6 percent Reserve Margin). SPP RTO members, by meeting this requirement, adequately cover a 90/10 weather scenario. The SPP reserve margin based on Certain resources is expected to be 19.2 percent for 2010 summer, which is higher than the 2009 summer reserve margin of 13.1 percent. The 19.2 percent reserve margin is based on projected data for August 2010 with Existing Certain and

⁴ Wind Integration final study: <http://www.spp.org/section.asp?group=1385&pageID=27>

net firm transactions. On an anticipated capacity resource basis, SPP has sustained around a 20.4 percent reserve margin. The reserve margin with prospective capacity resources for the same month is 31.5 percent.

SPP RTO is currently performing Loss-of-Load Expectation and Expected Unserved Energy study for the 2016 time period. The results of these studies are expected sometime during Summer 2010. The result of this study will evaluate the need to adjust SPP's 12 percent regional capacity margin or 13.6 reserve margin. The study estimates the reserve margin required to achieve an LOLE of no more than 1 occurrence in 10 years. Based on the LOLE study performed by SPP RTO staff last year for the current summer, the capacity or reserve margin requirement for SPP RTO remained unchanged. Additionally, the 12 percent capacity margin or 13.6 reserve margin requirements is also checked annually in the EIA-411 reporting as well as through supply adequacy audits of regional members conducted every five years by SPP RTO. The last supply adequacy audit was conducted in 2007.

Due to the diverse generation portfolio in SPP, there is no concern of the fuel supply being affected by the extremes of summer weather during peak conditions. If there is to be a fuel shortage, it is communicated to SPP operations staff, in advance, so that they can take the appropriate measures SPP would assess if capacity or reserves would become insufficient due to the unavailable generation. If so, SPP would declare either EEA (Energy Emergency Alert) or OEC (Other Extreme Contingency) and post as needed on the RCIS (Reliability Coordinator Information System). SPP does not expect any immediate impact on the reliability of the region due to the current economic conditions.

SPP RTO conducted a 2009 SPP Stability Study for 2010 seasonal light load model. SPP RTO believes that the 2010 light load model represents the worst case scenario from a stability point of view for the entire 2010 timeframe. This assessment provides findings on potential events that could lead to instability within the SPP RTO footprint for NERC defined categories (A, B, C and D) of events submitted by SPP RTO Members. Six of the fifty-two events (1 category B, 2 category C and 3 category D) required to have mitigations plans before they found to be stable. SPP RTO also conducted a transient stability screening of the SPP RTO footprint on the previously mentioned case. These events were mitigated by applying the proper fault clearing times and/or system generation re-dispatch in order to maintain system stability.

In addition, SPP RTO has conducted Power-Voltage (P-V) analysis study for the nine potential load pockets within the SPP RTO footprint based on a 2014 summer peak load condition. SPP staff will coordinate any potential reactive reserve issues and the mitigation plans associated with it during their annual reliability assessment effort.

SPP's Reliability Coordinator will continue to monitor the Acadiana area load pocket in Southwest Louisiana due to the fact that this area has experienced some reliability issues in the recent past.

Other region-specific issues that were not mentioned above?

There are no known "other" reliability issues at this time in the SPP Region.

Region Description

Southwest Power Pool (SPP) RTO region covers a geographic area of 370,000 square miles and has members in nine⁵ states: Arkansas, Kansas, Louisiana, Missouri, Mississippi, Nebraska, New Mexico, Oklahoma, and Texas. SPP manages transmission in eight of those states. SPP's footprint includes 26 balancing authorities and 47,000 miles of transmission lines. SPP has 54 members that serve over 5 million customers. SPP's membership consists of 12 investor-owned utilities, 11 generation and transmission cooperatives, 11 power marketers, 9 municipal systems, 5 independent power producers, 4 state authorities, and 2 independent transmission companies. SPP typically experiences the peak demand of the Region in the summer months. Additional information can be found on the SPP Web site. (<http://www.spp.org>).

⁵ SPP RE footprint does not include Nebraska state at this time



**Helping our members work together
to keep the lights on...
today & in the future**



SPP Summer Assessment
Regional UFLS Standard Update

SPP RE Trustee Meeting

April, 2010



SPP RE Summer Assessment





Background

- **Each year, SPP RE is required to provide following assessments through NERC's Reliability Assessment Sub-committee (RAS)**
 - **Summer Assessment**
 - **Long Term Reliability Assessment**
 - **Winter Assessment**
 - **Post Winter Reliability Assessment (New!)**





Summer 2010 Assessment – Key Topics

- **Demand**
- **Generation**
- **Capacity Transactions on Peak**
- **Transmission**
- **Operational Issues**
- **Reliability Assessment**



Demand/Supply Equation

- **Each Region is expected to meet this equation for the study period**

$$\text{Demand} + \text{Losses} = \text{Generation} \pm \text{Transactions}$$

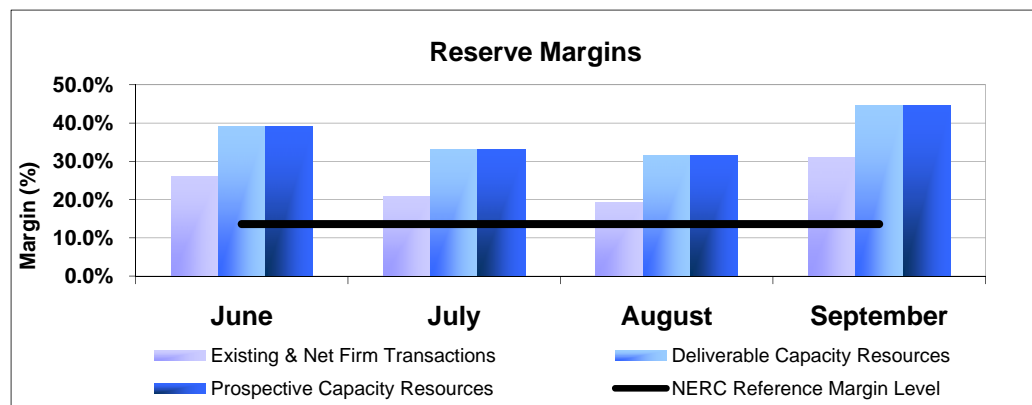
- **In addition, each region has a responsibility to maintain a specific reserve margin to cover uncertainty**
 - **SPP members required to maintain 13.6 % reserve margin according to their criteria**

SPP's Projection for Summer 2010

	2009 Forecast	2009 Actual	2010 Forecast
Net Demand*	43,575 MW	41,209 MW	42,800 MW
Net Supply**	49,298 MW	-	51,002 MW
Reserve Margin	13.1%	-	19.2%

* Net Demand is Total Internal Demand – Demand Response Program load

**Net Supply is Existing Certain capacity + Net Firm purchases





Transmission Addition and Reliability Assessment

- **Five transformers and a 120 mile 345 kV line are scheduled to be in service in the next few months**
- **Planning and compliance studies performed for the summer do not indicate any concerns**
- **No fuel shortage or any operational issues are anticipated**
- **SPP will continue to monitor the western part of the grid and SW Louisiana load pocket (Acadiana area)**

Overall, SPP is expecting no major reliability issues for the upcoming summer



SPP UFLS Standard





SPP UFLS Standard (PRC-006-SPP-01)

- **Current Status**

- **Draft 3 of the standard posted for comments on March 29 for 30 days**
 - **Response to comments on Draft 2 also posted**
- **SPP RE members have submitted relay data for the detailed UFLS study**
- **Consultant (PowerTech Labs) is in a process of conducting the detailed study based on requirements stated in the latest standard**



Key areas modified/added in the Latest Draft

- **Applicability Section**
 - **Added “UFLS Participating Transmission Owner and Distribution Provider”**
- **Technical Requirements**
 - **Added less stringent requirement (one UFLS step vs three steps) for entities less than 100 MW**
 - **Specific Generation trip requirement set-points**
 - **Added Violation Severity Level (VSL) table**
- **Modified format and removed specific definitions based on FERC’s recommendation**



Next Steps

- **SDT will reconvene after the comment period is over**
 - **Option 1 : Send the standard for voting after incorporating any comments**
 - **Option 2 : Revised standard and post Draft 4 for comments**

- **Estimated Time Line**
 - **SDT meeting : May 2010**
 - **Option # 1 (Send for voting) : July 2010 **OR****
 - **Option # 2 (Draft 4 for posting): TBD**
 - **Powertech Study completion: July 2010**





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Compliance Analysis Report
Critical Infrastructure Protection Standards
CIP-002 through CIP-009

By: Ron Ciesiel
Executive Director of Compliance
Southwest Power Pool Regional Entity

Prepared for April 26, 2010 SPP RE Trustee Meeting



SPP RE

CIP-002 through CIP-009

Violation Statistics

Year Reported and/or Discovered	Total Number of Enforceable Violations		Number of CIP-002 through CIP-009 Violations		Percent of CIP-002 through CIP-009 Violations*	
	All		All		All	
	SPP RE	Regions	SPP RE	Regions	SPP RE	Regions
2008	16	1025	4	86	25%	8%
2009	128	1197	49	303	38%	25%
2010	64	292	36	<u>149</u>	56%	51%
Total	208	2514	89	538	43%	21%

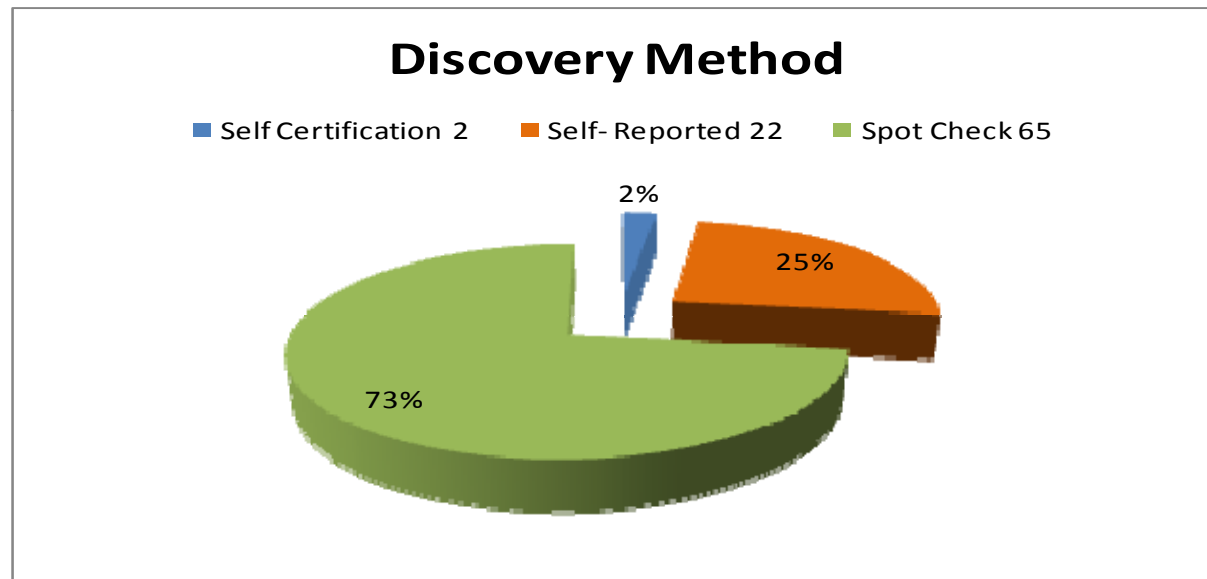
Notes:

¹ CIP-002 through CIP-009 Standards became enforceable July 1, 2008

² Number of Violations through April 1, 2010



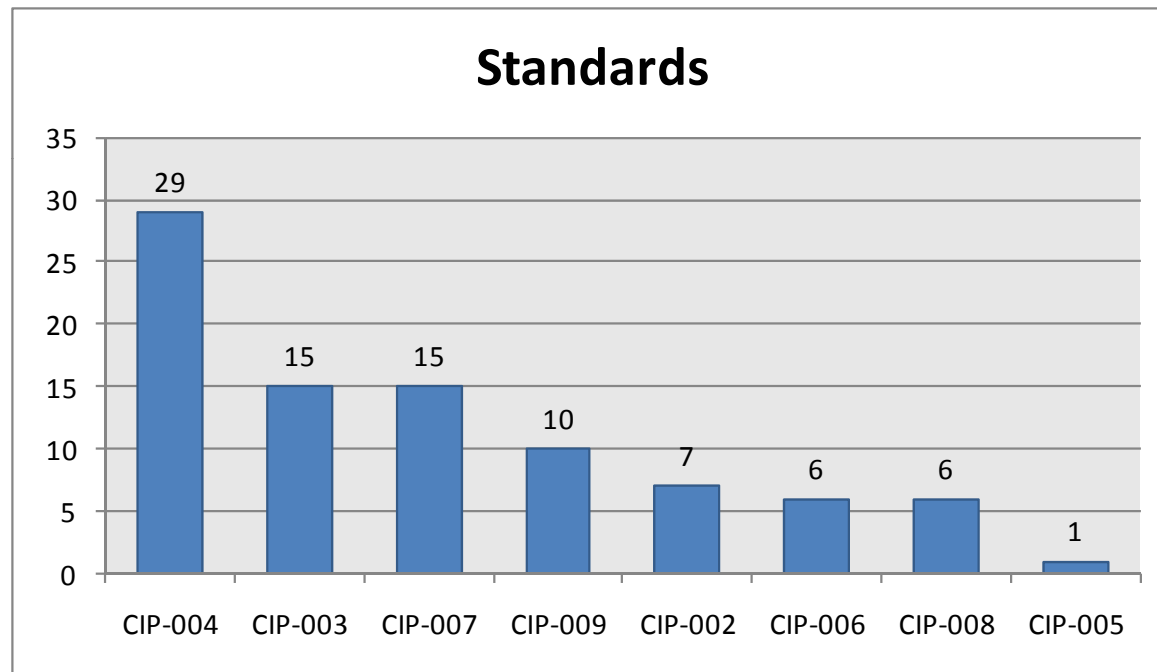
SPP RE CIP-002 through CIP-009 Violation Statistics



Number of CIP 2 through CIP 9 violations reported to and/or discovered by SPP RE through April 1, 2010



SPP RE CIP-002 through CIP-009 Violation Statistics



Number of CIP 2 through CIP 9 violations reported to and/or discovered by SPP RE through April 1, 2010



SPP RE

CIP-002 through CIP-009

Compliance Analysis

CIP-004: Cyber Security – Personnel & Training

- **Purpose:** Requires that personnel having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, including contractors and service vendors, have an appropriate level of personnel risk assessment, training, and security awareness
- **Common Reasons for non-compliance finding:** See Compliance Analysis Reports published by NERC and Regional Entities, December 9, 2009 (http://www.nerc.com/files/CIP-004_Combined_FINAL.pdf)
 - Training program does not include all of the required elements.
 - Not all personnel with access trained.
 - PRA not performed for all personnel with access.
 - Access list does not include specific access rights.
 - Quarterly access review does not check all personnel with access.
 - Quarterly access review does not include specific access rights.



SPP RE

CIP-002 through CIP-009

Compliance Analysis

CIP-003: Cyber Security — Security Management Controls

- **Purpose:** Requires that Responsible Entities have minimum security management controls in place to protect Critical Cyber Assets
- **Common Reasons for non-compliance finding:**
 - Cyber Security Policy failed to address all of the requirements of CIP-002 through CIP-009 (R1.1)
 - Entity failed to assign a single senior manager with overall responsibility and authority for leading and managing the entity's implementation of, and adherence to, CIP-002 through CIP-009 (R2)



SPP RE

CIP-002 through CIP-009

Compliance Analysis

CIP-007: Cyber Security — Systems Security Management

- **Purpose:** Requires Responsible Entities to define methods, processes, and procedures for securing those systems determined to be Critical Cyber Assets, as well as the other (non-critical) Cyber Assets within the Electronic Security Perimeter(s) (ESPs)
- **Common Reasons for non-compliance finding:**
 - Entity failed ensure that new Cyber Assets and significant changes to existing Cyber Assets within the ESP do not adversely affect existing cyber security controls, i.e., the entity tested the functionality of the application, but failed to test the functionality of the security controls, verified that update/patch works properly, but failed to verify the security controls have not been jeopardized (R1)
(In the context of this standard, Cyber Assets such as laptop computers that are moved into and out of the Electronic Security Perimeter must be treated as “new” Cyber Assets and be subjected to the security controls testing prescribed by the standard when connecting inside the ESP.)



SPP RE

CIP-002 through CIP-009

Compliance Analysis

CIP-009: Cyber Security — Recovery Plans for Critical Cyber Assets

- **Purpose:** Ensures that recovery plan(s) are put in place for Critical Cyber Assets and that these plans follow established business continuity and disaster recovery techniques and practices.
- **Common Reasons for non-compliance finding:**
 - Entity's Recovery Plans for Critical Cyber Assets failed to include specific recovery plans for Critical Cyber Assets, i.e., the recovery plan did not include a recovery phase to reconstitute affected facilities or assets after a disaster (R1.1)
 - Entity's Recovery Plans for Critical Cyber Assets failed to clearly define roles and responsibilities (R1.2)
 - Entity failed to provide documentation demonstrating that its recovery plans have been exercised/tested at least annually. The exercise must involve Critical Cyber Assets in the exercise scenario and demonstrate the recovery plans for those Cyber Assets were followed. (R2)



SPP RE CIP-002 through CIP-009 Compliance Analysis

CIP-002: Cyber Security — Critical Cyber Asset Identification

- **Purpose:** Requires the identification and documentation of the Critical Cyber Assets associated with the Critical Assets that support the reliable operation of the Bulk Electric System (Critical Assets are to be identified through the application of a risk-based assessment)
- **Common Reasons for non-compliance finding:** See SPP RE Assessment Monitoring and Implementation of Reliability Standard CIP-002-1, January 18, 2010 ([http://www.spp.org/publications/CIP-002-1\(R1\)-Analysis.pdf](http://www.spp.org/publications/CIP-002-1(R1)-Analysis.pdf) and CIP-002 Spot Check Results and Whitepaper, January 25, 2010 (<http://www.spp.org/publications/1.25.10%20RE%20Trustee%20Meeting%20Minutes.pdf> – Attachment 5)
 - Not all Critical Assets identified through application of the methodology
 - Methodology does not include procedure
 - Methodology does not include measurable criteria.
 - Not all Critical Cyber Assets identified
 - ICCP nodes
 - Operator consoles
 - Redundant systems



SPP RE

CIP-002 through CIP-009

Compliance Analysis

CIP-006: Cyber Security — Physical Security of Critical Cyber Assets

- **Purpose:** Ensures the implementation of a physical security program for the protection of Critical Cyber Assets
- **Common Reasons for non-compliance finding:**
 - Entity's physical security plan failed to address one or more of the eight items referenced in Requirement 1, (R1)
(e.g., the entity's physical security plan did not include adequate processes to ensure and document that all Cyber Assets within an Electronic Security Perimeter also reside within an identified Physical Security Perimeter (R1.1))



SPP RE

CIP-002 through CIP-009

Compliance Analysis

CIP-008: Cyber Security — Incident Reporting and Response Planning

- **Purpose:** Ensures the identification, classification, response, and reporting of Cyber Security Incidents related to Critical Cyber Assets
- **Most Often Reason(s) for Findings of Non-Compliance:**
 - Entity's Cyber Security Incident response plan failed to address one or more of the six items referenced in Requirement 1, (R1)

(e.g., the entity's incident response plan failed to include procedures to characterize and classify incidents as being reportable, incident handling procedures, clearly defined roles and responsibilities or instruction for reporting to ES-ISAC (R1.1, 1.2, & 1.3)



SPP RE

CIP-002 through CIP-009 Compliance Analysis

Lessons Learned

- **Treat as a Group:** CIP-002 through CIP-009 Standards should be read comprehensively as a single group of standards due to the interrelated nature of the standards .
- **Pay Attention to Detail:** Entities should be very attentive to details when addressing the CIP standards in their policies, procedures, and plans, i.e., entities should ensure that their policies, procedures, and plans address all the elements of the standards.
- **Ensure Adequate Training:** Entities should ensure responsible personnel are identified and provided adequate training regarding the entity's cyber security policies, procedures, and plans.
- **Test and Document Results:** Entities should establish and adhere to a specified testing schedule in accordance with the standard requirements. Document sufficient to demonstrate compliance should be maintained.



Questions





SPP Regional Entity Compliance Report

April 26, 2010

Ronald W. Ciesiel
Executive Director of Compliance



Enforceable Violations Reported as of April 1, 2010

- **Post June 18, 2007**
 - **259 total [Increase of 65 since December 2009]**
 1. **75 – Self Report [+11]**
 2. **128 – Compliance Audit/Spot Check [+44]**
 3. **55 – Self Certification [+11]**
 4. **1 – Periodic Data Submittal [+0]**
 5. **0 – Investigation [-1]**



MOST VIOLATED STANDARDS
 [BASED ON ROLLING 12 MONTHS THRU APRIL 1, 2010]

<u>Standard</u>	<u>Description</u>	<u>#</u>	<u>NERC Top 10</u>	<u>Risk Factor</u>
PRC-005 *	Protection System Maintenance	28	1	High
CIP-004 *	Personnel & Training	25	2	Lower
FAC-001*	Facilities Connection Requirements	17	6T	Medium
CIP-003*	Security Management Controls	15	6T	Lower/Medium
CIP-007*	Systems Security Management	15	3T	Medium/Lower
CIP-009	Recovery Plans for Critical Assets	10	NR	Medium/Lower
FAC-008 *	Facility Rating Methodology	10	5T	Medium
FAC-009	Establish Facility Ratings	9	NR	Medium
PRC-008	UFLS Relay Maintenance	7	NR	Medium
CIP-002	Critical Cyber Asset Identification	7	NR	High/Lower

* In the NERC Top 10



SPP RE Performance Metrics

- **Audit Reports**

- **7 Reports issued in 2010**

1. **Average time to publication - 101 days**
2. **2010 Performance Metric - 90 days**

- **Spot Check Reports**

- **16 Reports issued in 2010**

1. **Average time to publication – 140 days**
2. **2010 Performance metric - 90 days**



Upcoming Activities

- **On-Site Activities**

- **Audits**

1. **CLECO [incl. CIP] – Week of April 26th**
2. **Yazoo City/MS. Delta/Clarksdale – Week of June 21st**
3. **Springfield [incl. CIP] – Week of September 13th**
4. **Westar – Week of October 4th**
5. **SPS – Week of November 8th**



Upcoming Activities [cont.]

- **On-Site Spot Checks [CIP Related]**
 1. **SECI/MKEC – Week of May 4th**
 2. **MIDW – Week of May 25th**
 3. **LEPA – Week of June 2nd**
 4. **LAFA – Week of June 7th**
 5. **Westar – Week of June 22nd**
 6. **BPU [KC,KS] – Week of June 28th**



Upcoming Activities [cont.]

- **Off-site Audits**
 - **Minden**
 - **Eastman Cogeneration**
 - **BP Energy**
 - **Kansas Energy**
 - **NewCorp Electric Resources Cooperative**
 - **Rayburn Country**



2010 Workshop Activity

Compliance Workshops

May 26 Minneapolis, MN [CDMS rollout – Joint with MRO]

September 21-22 Little Rock, Arkansas

SPP RTO Compliance Forums

September 22 Little Rock, Arkansas

Critical Infrastructure Protection Workshop

May 20-21 Dallas, Texas

Webinars

CDMS Rollout Webinars -- TBD

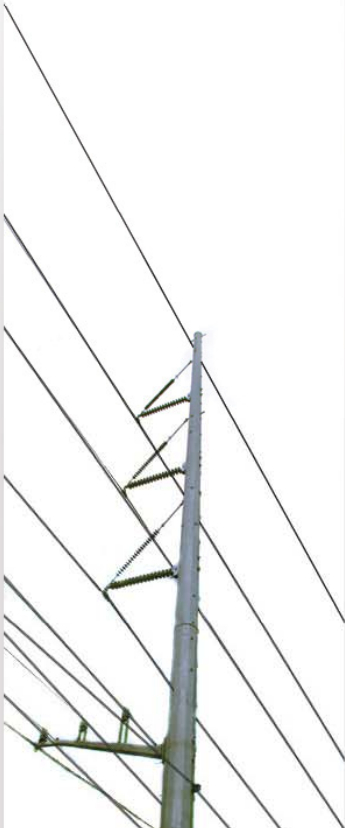


QUESTIONS



SPP Southwest
Power Pool
Regional Entity

**Helping our members work together
to keep the lights on...
today & in the future**



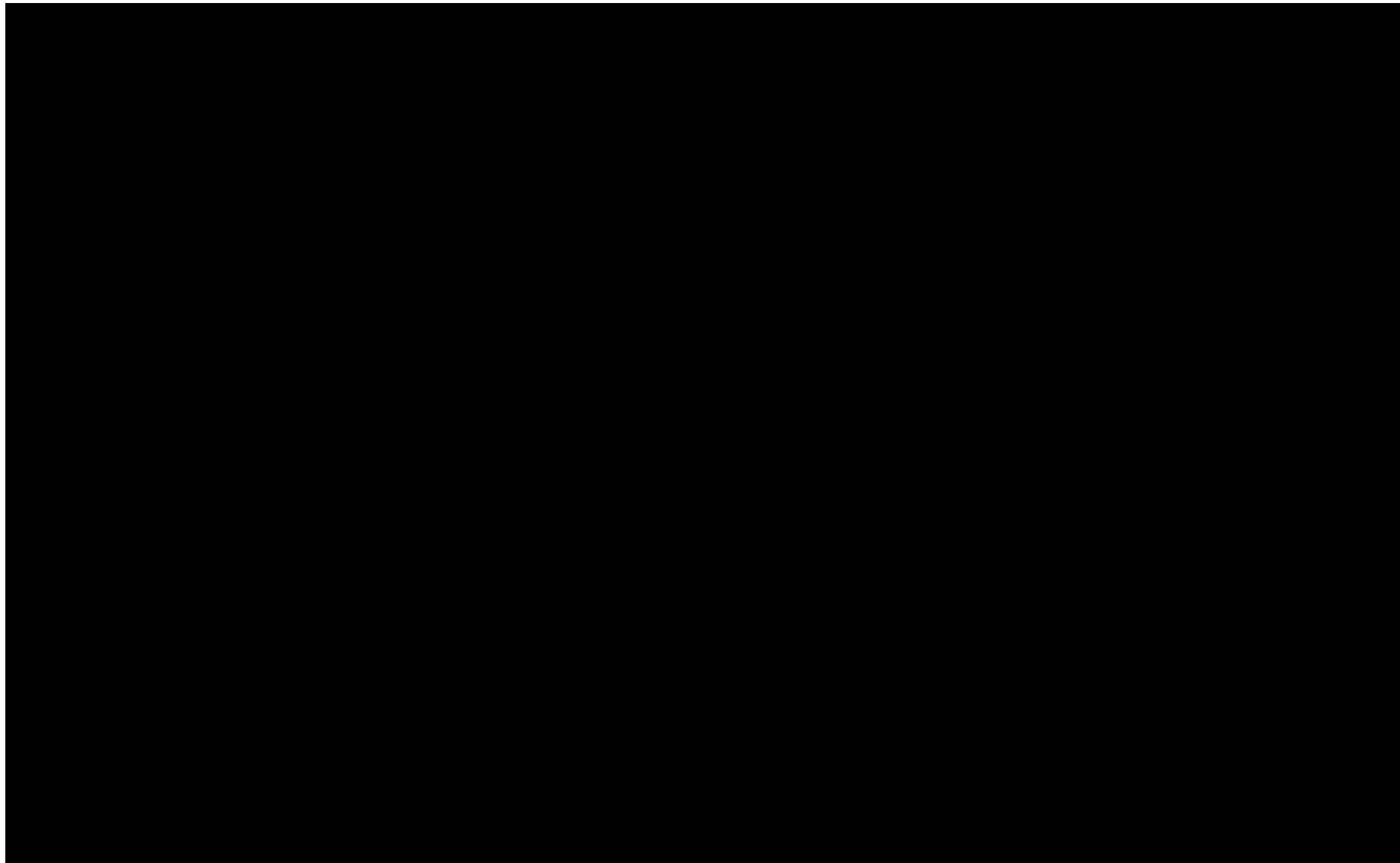


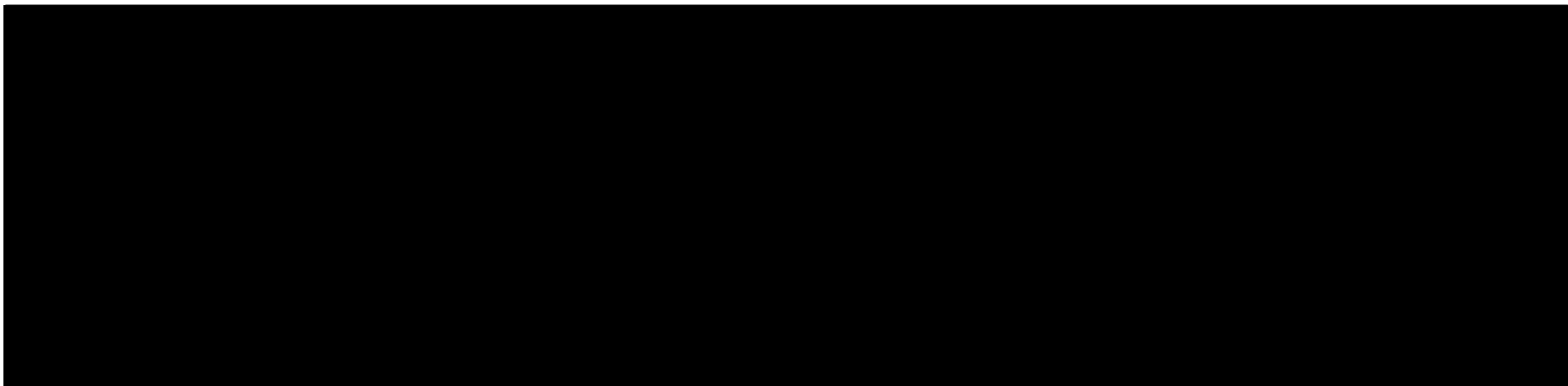
SPP

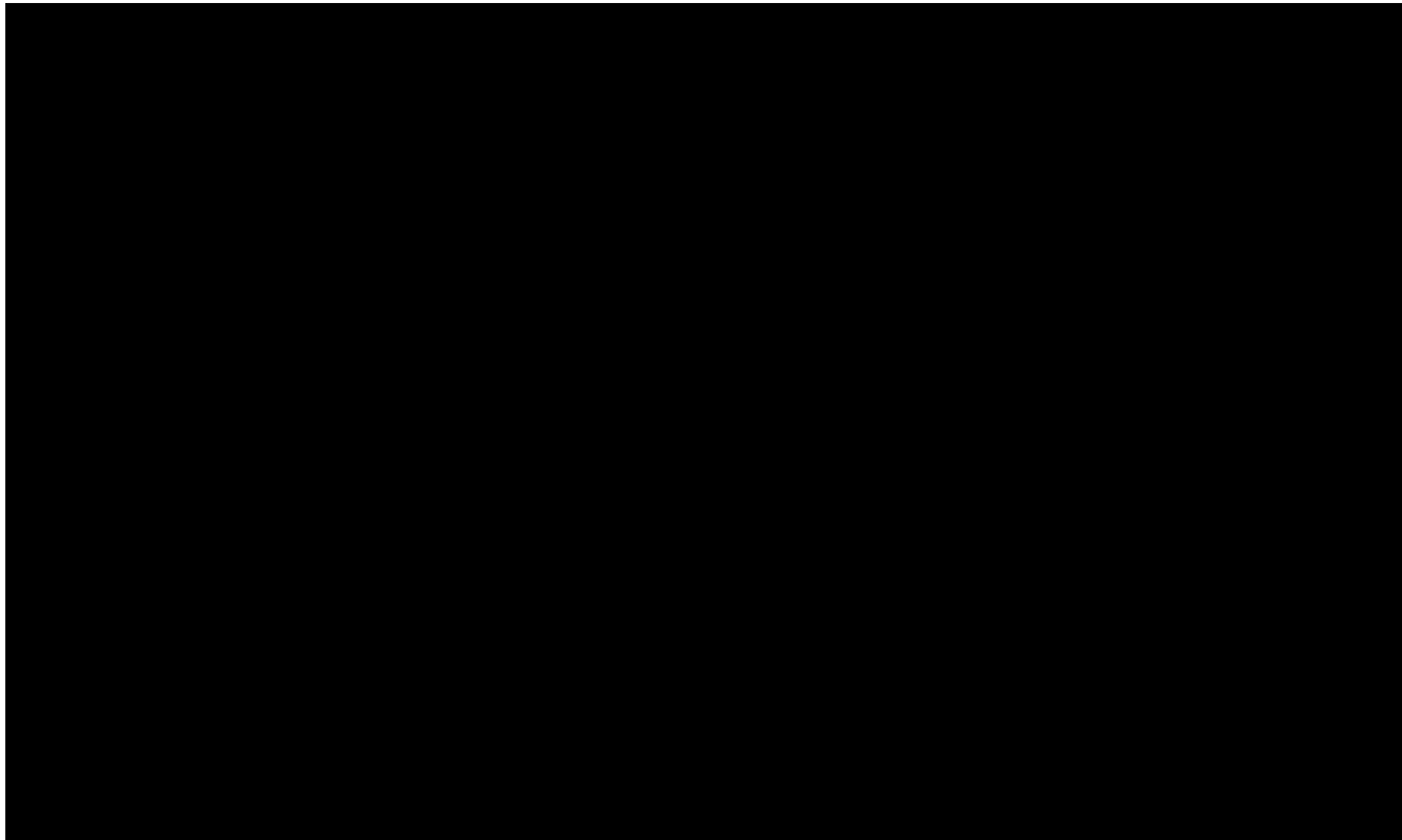
*Southwest
Power Pool
Regional Entity*

Enforcement Update
April 26, 2010

By: Joe Gertsch
Southwest Power Pool Regional Entity







Questions?

