2012 Business Plan and Budget

Southwest Power Pool Regional Entity

June 21, 2011

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Introduction

TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	33.50			
Non-statutory FTEs	-			
Total FTEs	33.50			
Statutory Expenses	$ 11,410,642			
Non-Statutory Expenses	$ -			
Total Expenses	$ 11,410,642			
Statutory Inc(Dec) in Fixed Assets	$ -			
Non-Statutory Inc(Dec) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ -			
Statutory Working Capital Requirement Adjustment	$ (1,358,075)			
Non-Statutory Working Capital Requirement	$ -			
Total Working Capital Requirement	$ (1,358,075)			
Total Statutory Funding Requirement	$ 10,052,567			
Total Non-Statutory Funding Requirement	$ -			
Total Funding Requirement	$ 10,052,567			
Statutory Funding Assessments	$ 10,052,567	$ 10,052,567		
Non-Statutory Fees	$ -	$ -		
NEL	216,503,760	216,503,760		
NEL%	100%	100%		

Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941and 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 approximately 130 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 are not on the SPP, Inc. Board and operate separately from the SPP, Inc. Board. 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 direct staff of the SPP RE is independent of all users, owners, and operators of the bulk power system. The SPP RE's organizational chart is presented in Section F.

Additionally, in order to avoid the appearance of any conflicts of interest, the SPP RE has engaged SERC Reliability Corporation (SERC) to perform 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
- Situation Awareness and Infrastructure Security

2012 Key Assumptions

The key assumptions underlying the SPP RE 2012 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2012 BP&B. The assumptions that are of particular importance to the SPP RE's 2012 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 expected increases in workload being partially offset by expected efficiency gains and incremental process improvements;

4. Cyber and critical asset security will continue to be a priority in the United States, with significant oversight by applicable government authorities;

5. Through efficiency gains and limited additional resources, NERC and Regions will strive to achieve a 12-month total average processing time for alleged violations over the planning period.

6. It is assumed that a uniform BES definition will be implemented in 2012 and it will result in increased workload for the Regions as they deal with exclusion requests in 2012 and 2013.

7. NERC and the Regions will address and appropriately prioritize all fill-in-the-blank standards over the planning period. NERC standards development staff is expected to provide increased coordination of regional standards development by becoming more involved earlier in the regional standard development efforts to help assure consistency in regional and continent-wide standard technical content, format, and quality

8. 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:

1. SPP RE continues to operate as an independent and functionally separate division of SPP;

2. 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 program; and

3. SPP RE will continue to engage 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.

Goals and Key Deliverables

The Electric Reliability Organization Strategic Goals through 2015 (ERO Strategic Goals), which were prepared by NERC and the eight Regional Entities, are outlined in NERC's 2012 Business Plan and Budget. In addition to the ERO Strategic Goals, SPP RE-specific goals and deliverables include:

- Effectively and efficiently perform delegated functions registration, compliance monitoring and enforcement, reliability assessments, performance analysis, and situational awareness with independence, without conflict of interest, with objectivity and fairness;

- Conduct outreach activities, including compliance workshops, training seminars, and newsletters, that facilitate a learning environment and promote a strong culture of reliability excellence and compliance; and

- Identify current "gap" areas for reliability and grid security improvement and pursue implementation through new or revised reliability standards and other SPP RE or NERC processes.

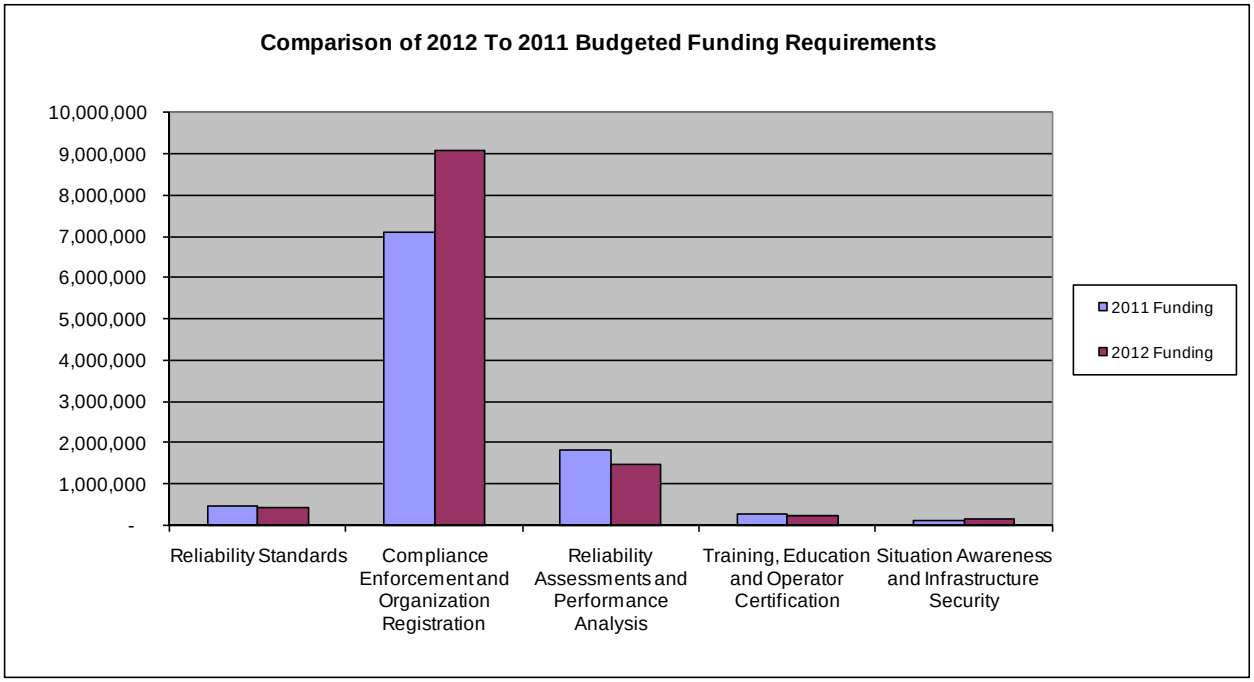
2012 Overview of Cost Impacts

SPP RE proposes to increase its operating budget from $9.8 million to $11.4 million, an increase of $1.6 million or 16%. Due to a budget under-run in 2011, funding assessments would increase by a lesser amount of $0.8 million or 8.3%, from $9.3 million to $10.0 million. The increase is composed of $1 million for direct RE expenses and $0.6 million increase for overhead expenses.

As shown in the table and chart that follow, the proposed $1.6 million increase in the 2012 budget as compared to 2011 results principally from a $1.96 million increase in the Compliance Enforcement and Organization Registration program.[1] The increase in this program is partially offset by decreases in the Reliability Standards ($47,121), Reliability Assessments and Performance Analysis ($338,278), and Training, Education and Operator Certification ($24,756) programs.

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	483,549	483,550	436,428	(47,121)	-9.7%
Compliance Enforcement and Organization Registration	7,108,227	7,108,227	9,066,177	1,957,950	27.5%
Reliability Assessments and Performance Analysis	1,826,995	1,826,995	1,488,717	(338,278)	-18.5%
Training, Education and Operator Certification	276,759	276,759	252,003	(24,756)	-8.9%
Situation Awareness and Infrastructure Security	101,706	101,706	167,317	65,611	64.5%

[1] To help maintain the confidentiality of employees' salaries, the personnel expenses for the Training and Education FTE are accounted for within the Compliance Enforcement and Organization Registration Area.



The principal driver for the cost increase is the additional FTEs budgeted for 2012 as compared to 2011. As shown in the table below, the net increase in proposed budgeted FTEs is 3.83, which results from a proposed increase of 4.83 FTEs in the Compliance Enforcement and Organization Registration program and 0.25 FTE in the Situation Awareness and Infrastructure Security program and proposes decreases of 0.25, 0.50, and 0.50 in Reliability Standards, Reliability Assessments and Performance Analysis, and General & Administrative programs, respectively.

Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	STATUTORY					
Operational Programs						
Reliability Standards	1.50	0.92	1.00	0.25	1.25	-0.25
Compliance and Organization Registration and Certification	17.92	19.13	22.75	0.00	22.75	4.83
Training and Education	1.00	0.67	1.00	0.00	1.00	0.00
Reliability Assessment and Performance Analysis	5.00	4.42	1.75	2.75	4.50	-0.50
Situation Awareness and Infrastructure Security	0.25	0.50	0.50	0.00	0.50	0.25
Total FTEs Operational Programs	**25.67**	**25.64**	**27.00**	**3.00**	**30.00**	**4.33**
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.00	3.46	3.50	0.00	3.50	-0.50
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**	**3.46**	**3.50**	**0.00**	**3.50**	**-0.50**
Total FTEs	**29.67**	**29.10**	**30.50**	**3.00**	**33.50**	**3.83**

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

The additional 3.83 FTEs budgeted for 2012 as compared to 2011 increased direct Personnel Expenses by approximately $478,238. The additional 3.83 FTEs are also the cause of approximately $512,000 or 84% of the $606,000 increase in the SPP, Inc. Indirect Expenses.

The principal cause of the remaining $95,000 or 16% of the increase in the SPP, Inc. Indirect Expenses is the one dollar and seventy cent increase in the SPP, Inc. Indirect Expense rate (from the 2011 budgeted $69.35/FTE to the 2012 $71.04/FTE, which is based on 2010 actual results). 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 on the next page.

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget Projection
STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 9,094,985	$ 9,094,985	$ -	$ 9,851,647	$ 756,662
Penalty Sanctions	187,500	187,500	-	200,920	13,420
Total SPP RE Funding	**$ 9,282,485**	**$ 9,282,485**	**$ -**	**$ 10,052,567**	**$ 770,082**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 9,282,485**	**$ 9,282,485**	**$ -**	**$ 10,052,567**	**$ 770,082**
Expenses					
Personnel Expenses					
Salaries	$ 3,301,544	$ 3,143,691	$ (157,853)	$ 3,820,690	$ 519,146
Payroll Taxes	252,118	189,917	(62,201)	241,364	(10,754)
Benefits	276,323	195,295	(81,028)	236,154	(40,169)
Retirement Costs	146,320	147,226	906	156,335	10,015
Total Personnel Expenses	**$ 3,976,305**	**$ 3,676,129**	**$ (300,176)**	**$ 4,454,543**	**$ 478,238**
Meeting Expenses					
Meetings	$ 68,750	$ 70,000	$ 1,250	$ 75,000	$ 6,250
Travel	444,300	522,000	77,700	640,000	195,700
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 513,050**	**$ 592,000**	**$ 78,950**	**$ 715,000**	**$ 201,950**
Operating Expenses					
Consultants & Contracts	$ 1,097,000	$ 1,077,000	$ (20,000)	$ 1,421,500	$ 324,500
Office Rent	-	-	-	-	-
Office Costs	-	2,500	2,500	2,500	2,500
Professional Services	343,000	343,000	-	343,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 1,440,000**	**$ 1,422,500**	**$ (17,500)**	**$ 1,767,000**	**$ 327,000**
Total Direct Expenses	**$ 5,929,355**	**$ 5,690,629**	**$ (238,726)**	**$ 6,936,543**	**$ 1,007,188**
SPP Inc. Indirect Expenses	$ 3,867,881	$ 3,886,457	$ 18,576	$ 4,474,099	$ 606,218
SPP RE Indirect Expenses (1)	-	-	-	-	-
Total Indirect Expenses	**$ 3,867,881**	**$ 3,886,457**	**$ 18,576**	**$ 4,474,099**	**$ 606,218**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 9,797,236**	**$ 9,577,086**	**$ (220,150)**	**$ 11,410,642**	**$ 1,613,406**
Change in Assets	**$ (514,751)**	**$ (294,601)**	**$ 220,150**	**$ (1,358,075)**	**$ (843,324)**
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	**$ (514,751)**	**$ (294,601)**	**$ 220,150**	**$ (1,358,075)**	**$ (843,324)**

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

Section A – Statutory Programs
2012 Business Plan and Budget

Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.50	1.25	(0.25)
Direct Expenses	$ 220,834	$ 215,000	$ (5,834)
Indirect Expenses- SPP Inc.	$ 195,567	$ 166,944	$ (28,623)
Indirect Expenses- SPP RE	$ 67,149	$ 54,484	$ (12,665)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 483,552	$ 436,430	$ (47,122)

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 coordinate 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 participate 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.

2012 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in ERO BP&B Assumptions. 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. These assumptions do not take into account the effects of a possible initiative to complete the development of <u>all</u> remaining regional fill-in-the-blank standards. If such an initiative is undertaken, the SPP RE will amend its BP&B to appropriately reflect this change in assumptions.

2012 Goals and Key Deliverables

- Meet directives of ERO governmental authorities regarding standards development and procedures;
- Participate in the NERC Regional Standards Working Group;
- Develop and implement regional reliability standards when appropriate;

- Communicate with stakeholders and regulators regarding standards development;

- Participate and represent SPP region on NERC's Standard Drafting Teams that may have significant influence on the planning and business practices of the entities registered with the SPP RE; and

- Continue the development and implementation of an under-frequency load shedding (UFLS) regional reliability standard (PRC-006).

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

- While the budgeted FTEs for direct SPP RE staff are unchanged, the budgeted SPP Shared staff FTEs were reduced to one-quarter FTE to better reflect actual hours billed to the SPP RE by SPP Shared staff in 2010. Although partially offset by the one-quarter reduction in FTEs, Personnel Expenses increased slightly as a result of increased expenses to reflect a budgeted merit increase of three percent.

Meeting Expenses

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

Operating Expenses

- There are no significant changes in operating expenses for this program.
- Consultants and Contracts costs were reduced from $25,000 to $0 because it is expected that all the studies related to the SPP UFLS Regional Standard will be completed prior to 2012.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been decreased to reflect the reduction in budgeted FTEs.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Standards

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 472,592	$ 472,592	$ -	$ 428,057	$ (44,535)
Penalty Sanctions	10,958	10,958	-	8,372	(2,586)
Total SPP RE Funding	**$ 483,549**	**$ 483,550**	**$ -**	**$ 436,428**	**$ (47,122)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 483,549**	**$ 483,550**	**$ -**	**$ 436,428**	**$ (47,122)**
Expenses					
Personnel Expenses					
Salaries	$ 146,500	$ 78,314	$ (68,186)	$ 158,652	$ 12,152
Payroll Taxes	11,187	4,925	(6,262)	10,019	(1,168)
Benefits	11,554	5,156	(6,398)	9,856	(1,698)
Retirement Costs	6,593	3,532	(3,061)	6,473	(120)
Total Personnel Expenses	**$ 175,834**	**$ 91,927**	**$ (83,907)**	**$ 185,000**	**$ 9,166**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	20,000	20,000	-	30,000	10,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 20,000**	**$ 20,000**	**$ -**	**$ 30,000**	**$ 10,000**
Operating Expenses					
Consultants & Contracts	$ 25,000	$ 25,000	$ -	$ -	$ (25,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 25,000**	**$ 25,000**	**$ -**	**$ -**	**$ (25,000)**
Total Direct Expenses	**$ 220,834**	**$ 136,927**	**$ (83,907)**	**$ 215,000**	**$ (5,834)**
SPP Inc. Indirect Expenses	$ 195,567	$ 122,871	$ (72,696)	$ 166,944	$ (28,623)
SPP RE Indirect Expenses	67,149	42,994	(24,155)	54,484	(12,665)
Total Indirect Expenses	**$ 262,716**	**$ 165,865**	**$ (96,851)**	**$ 221,428**	**$ (41,288)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 483,549**	**$ 302,791**	**$ (180,758)**	**$ 436,428**	**$ (47,122)**
Change in Assets	**$ -**	**$ 180,759**	**$ 180,758**	**$ -**	**$ -**
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	**$ -**	**$ 180,759**	**$ 180,758**	**$ -**	**$ -**

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	17.92	22.75	4.83
Direct Expenses	$ 3,659,538	$ 4,809,105	$ 1,149,567
Indirect Expenses- SPP Inc.	$ 2,335,939	$ 3,038,381	$ 702,442
Indirect Expenses- SPP RE	$ 1,112,749	$ 1,218,691	$ 105,942
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 7,108,226	$ 9,066,177	$ 1,957,951

* Includes Personnel Expenses of 1 FTE from Training and Education Program to maintain confidentiality

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.

SPP RE CMEP is 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 Groups

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.

A total of 11.33 FTEs are budgeted for the Compliance groups, which represents an increase of 2.33 FTEs: the addition of one compliance engineer in the Compliance Monitoring group; one CIP analyst in the CIP group (total of 1.83 FTEs assuming February hire dates); and the reassignment of one-half of the administrative assistant FTE currently assigned to the General and Administrative program.

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 Group

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.

A total of 11.42 FTEs are budgeted for this group, which represents an increase of 2.5: continuation of the 2011 budgeted compliance enforcement attorney (2011 budget assumed a May hire date or .67 FTE, therefore, the increase in FTEs for 2012 is 0.33); the addition of one mitigation plan engineer/analyst (0.92 FTE assuming a February hire date); and the addition of two part-time law clerks (1.25 FTEs) hired in late 2010 as an unbudgeted resource.

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.

2012 Key Assumptions

The assumptions for this program are consistent with those contained in ERO BP&B Assumptions. Specific to entity organization and registration, the numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration (MRRE) documents are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance. This expected increase will have a direct impact on the workload associated with registration and compliance monitoring within the SPP RE Region. With respect to compliance monitoring and enforcement, NERC and the Regional Entities will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two auditor workshops and monthly auditor calls will occur to provide auditors with updates on compliance policies, actions, and requirements in order to promote consistency of audit practices and procedures. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel, lodging, and labor) to participate and attend this training. The SPP RE has provided time for staff to maintain industry certifications, such as NERC System Operator Certification and Critical Infrastructure Protection (CIP) certifications, etc. Specifically, the SPP RE will engage a contractor to provide training in the application of generally acceptable government auditing standards (GAGAS) as well as the Government Accountability Office (GAO) standards for its compliance auditors. Lastly, consistent with NERC's stated goal for the discovered and/or reported possible violations to be managed through the enforcement process as notices of confirmed violations, settlements, or dismissals within 12 months, the SPP RE budget reflects the continuation of an initiative, which began in 2011, to significantly reduce the number of open enforcement violations.

2012 Goals and Key Deliverables

- Ensure that bulk power system owners, operators, and users are correctly registered through a more proactive review of registration status; seek to ensure that responsibilities are clearly understood by all registered entities and there are no material gaps or adverse impacts on bulk power system reliability;

- 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 on-site CIP compliance audits of registered entities;

- Perform ten to sixteen off-site 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 2012 Compliance Monitoring and Enforcement Program Annual Implementation Plan (based on past experience, it is assumed that three Quarterly self-certifications, one Annual self-certification, and five event driven spot checks will be performed);

- Perform Compliance Investigations, as necessary;

- Perform independent review of initial findings of possible violations;

- Create Notices of Alleged Violation (NAV) and Notices of Confirmed Violations (NOCV);

- Negotiate and develop settlements of violations;

- Verify that findings of non-compliance are and/or have been appropriately mitigated;

- SPP RE liaisons to SPP working groups attend approximately 30 SPP working group meetings in 2012; and

- Engage contractors to assist in the evaluation of whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System.

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 planned increase of 4.83 FTEs (a 27% increase above the 2011 budgeted FTEs) is the principal driver for the increase in Personnel Expenses for this program.

  The 4.83 FTE increase in this program area reflects: 1) the addition of one CIP analyst, one compliance engineer, one mitigation plan engineer/analyst, two part-time law clerks (1.25 FTEs), and 2) the reassignment of one-half of the administrative assistant FTE currently assigned to the General and Administrative program. Regarding the additional CIP analyst, with all forty-three requirements of the CIP standards now subject to being monitored, it is anticipated that each CIP audit may require as much as three weeks of dedicated activity with the registered entity and several more weeks of activity in both pre-audit and post-audit activities. The additional compliance engineer will provide the incremental resources to allow participation in compliance investigations and management of the workflow associated with the evaluation of whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System (BES). The mitigation plan engineer/analyst and law clerks are needed to process the anticipated number of incoming violations. SPP RE initially expected to record about fifty violations of reliability standards a year. However, in 2009 132 violations were recorded and 254 violations were recorded in 2010. With the resources included in the 2012 BP&B, the SPP RE projects to achieve a 12 month processing time by the end of 2013. In 2012 and beyond, emerging issues such as increased numbers of investigations, increased expectations from NERC and FERC for situational awareness and event analysis and the development implementation of a new BES definition with an exemption process are expected to add to the current demands of the SPP RE Compliance group. Lastly, the allocation of one-half of the administrative assistant FTE currently assigned to the General and Administrative program more accurately reflects the work performed by this staff member which includes managing compliance records for the compliance team.

Meeting Expenses

- The increase in the Meeting Expenses for this program results from the additional FTEs and the anticipated increase in traveling expenses.

Operating Expenses

- Although the 2012 budgeted Consultant Expenses for the CIP and Compliance monitoring activities compared to the amount budgeted for 2011 decreased, this decrease is more than offset by the additional $300,000 in contractor costs budgeted for the load flow, short-circuit and/or stability studies needed to evaluate whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System and $300,000 in contractor costs associated with the initiative to reduce the number of open enforcement violations. The net change in Consultant and Contract Expenses is an increase of $364,500 or 37%.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the additional FTEs and the higher indirect expense rate.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 6,977,342	$ 6,977,342	$ -	$ 8,913,812	$ 1,936,470
Penalty Sanctions	130,885	130,885	-	152,364	21,479
Total SPP RE Funding	**$ 7,108,227**	**$ 7,108,227**	**$ -**	**$ 9,066,177**	**$ 1,957,950**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 7,108,227**	**$ 7,108,227**	**$ -**	**$ 9,066,177**	**$ 1,957,950**
Expenses					
Personnel Expenses					
Salaries	$ 2,037,181	$ 2,097,696	$ 60,515	$ 2,652,414	$ 615,233
Payroll Taxes	155,567	125,862	(29,705)	164,450	8,883
Benefits	174,867	125,862	(49,005)	156,492	(18,375)
Retirement Costs	89,423	99,641	10,218	108,749	19,326
Total Personnel Expenses	**$ 2,457,038**	**$ 2,449,060**	**$ (7,978)**	**$ 3,082,105**	**$ 625,067**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	225,000	303,000	78,000	385,000	160,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 225,000**	**$ 303,000**	**$ 78,000**	**$ 385,000**	**$ 160,000**
Operating Expenses					
Consultants & Contracts	$ 977,500	$ 972,500	$ (5,000)	$ 1,342,000	$ 364,500
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 977,500**	**$ 972,500**	**$ (5,000)**	**$ 1,342,000**	**$ 364,500**
Total Direct Expenses	**$ 3,659,538**	**$ 3,724,560**	**$ 65,022**	**$ 4,809,105**	**$ 1,149,567**
SPP Inc. Indirect Expenses	$ 2,335,939	$ 2,554,911	$ 218,972	$ 3,038,381	$ 702,442
SPP RE Indirect Expenses	1,112,749	1,169,473	56,724	1,218,691	105,942
Total Indirect Expenses	**$ 3,448,688**	**$ 3,724,384**	**$ 275,696**	**$ 4,257,072**	**$ 808,384**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 7,108,226**	**$ 7,448,944**	**$ 340,718**	**$ 9,066,177**	**$ 1,957,951**
Change in Assets	**$ -**	**$ (340,717)**	**$ (340,718)**	**$ -**	**$ -**
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	**$ -**	**$ (340,717)**	**$ (340,718)**	**$ -**	**$ -**

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	5.0	4.5	(0.5)
Direct Expenses	$ 901,107	$ 708,242	$ (192,865)
Indirect Expenses- SPP Inc.	$ 651,890	$ 600,998	$ (50,892)
Indirect Expenses- SPP RE	$ 273,998	$ 179,478	$ (94,520)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 1,826,995	$ 1,488,717	$ (338,278)

Program Scope and Functional Description

The Reliability Assessment 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 five reliability assessments each year: a long-term reliability assessment report, a summer assessment report, a winter assessment report, and two post-seasonal assessments. 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.

The SPP RE is responsible for overseeing and conducting Event Analyses on reliability events within the SPP RE footprint. The 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 reportable event. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

2012 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:

- The ERO will revise the definition of adequate level of reliability ("ALR") of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee, and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustees for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate level of reliability related metrics used in reliability assessments.

- NERC and the Regional Entities will prioritize and budget for two special reliability assessment initiatives per year.

- SPP RE will continue to support the NERC Reliability Assessment Subcommittee;
- NERC and the Regional Entities will continue to define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.
- NERC and the Regional Entities will continue to 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 continue to 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.

2012 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, including participation in the Eastern Interconnection Reliability Assessment Group (ERAG);
- 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; and
- 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

- The 0.50 reduction in FTEs reflects the allocation of time spent by the FTEs assigned to this program performing Situation Awareness and Infrastructure Security (SAIS) Program activities and an expected reduction in the Shared Staff billed hours. Approximately 35% of the decrease in Personnel Expenses is related to allocation of 0.50 FTEs to the SAIS Program area and expected reduction in the Shared Staff billed hours, while the remaining 65% is due to a calculation error discovered in the 2011 budgeted Personnel Expenses.

Meeting Expenses

- Meeting Expenses, specifically travel expenses, are expected to increase by $5,000 as a result of the expected increase in the number of event analyses.

Operating Expenses

- Operating Expenses, specifically budgeted consultant expenses, are expected to decrease by $15,000 to reflect the revised cost estimates of the modeling studies for the NERC reliability assessments.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been decreased to reflect the reduction in FTEs.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 1,790,469	$ 1,790,469	$ -	$ 1,458,579	$ (331,890)
Penalty Sanctions	36,526	36,526	-	30,138	(6,388)
Total SPP RE Funding	**$ 1,826,995**	**$ 1,826,995**	**$ -**	**$ 1,488,717**	**$ (338,278)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 1,826,995**	**$ 1,826,995**	**$ -**	**$ 1,488,717**	**$ (338,278)**
Expenses					
Personnel Expenses					
Salaries	$ 595,000	$ 429,078	$ (165,922)	$ 446,633	$ (148,367)
Payroll Taxes	45,436	29,958	(15,478)	31,989	(13,447)
Benefits	48,895	35,105	(13,790)	36,589	(12,306)
Retirement Costs	26,775	18,470	(8,305)	18,030	(8,745)
Total Personnel Expenses	**$ 716,107**	**$ 512,611**	**$ (203,495)**	**$ 533,242**	**$ (182,864)**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	110,000	93,000	(17,000)	115,000	5,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 110,000**	**$ 93,000**	**$ (17,000)**	**$ 115,000**	**$ 5,000**
Operating Expenses					
Consultants & Contracts	$ 75,000	$ 60,000	$ (15,000)	$ 60,000	$ (15,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 75,000**	**$ 60,000**	**$ (15,000)**	**$ 60,000**	**$ (15,000)**
Total Direct Expenses	**$ 901,107**	**$ 665,611**	**$ (235,495)**	**$ 708,242**	**$ (192,864)**
SPP Inc. Indirect Expenses	$ 651,890	$ 590,314	$ (61,576)	$ 600,998	$ (50,892)
SPP RE Indirect Expenses	273,998	208,995	(65,003)	179,478	(94,520)
Total Indirect Expenses	**$ 925,888**	**$ 799,309**	**$ (126,579)**	**$ 780,476**	**$ (145,412)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,826,995**	**$ 1,464,919**	**$ (362,076)**	**$ 1,488,717**	**$ (338,277)**
Change in Assets	**$ -**	**$ 362,076**	**$ 362,076**	**$ -**	**$ -**
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	**$ -**	**$ 362,076**	**$ 362,076**	**$ -**	**$ -**

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	-
Direct Expenses	$ 112,250	$ 94,500	$ (17,750)
Indirect Expenses- SPP Inc.	$ 130,378	$ 133,555	$ 3,177
Indirect Expenses- SPP RE	$ 34,132	$ 23,948	$ (10,184)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 276,760	$ 252,003	$ (24,757)

* To maintain confidentiality, Personnel Expenses are included in the CMEP program area.

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 included in the SPP, Inc. budget.

2012 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, due to increased emphasis on training, it is expected that the SPP RE will utilize consultants to assist the SPP RE direct staff to design, develop, and conduct training and education. Specific training areas targeted for 2012 include: Lessons Learned, Effective Compliance Cultures, Critical Infrastructure Protection, Self Reports & Self Certifications, and Currently Monitored Standards.

2011 Goals and Key Deliverables

- Host a minimum of two compliance workshops;
- Host a minimum of one CIP workshop;
- Participate in NERC and other Regional Entities training and educational programs, as necessary;
- Publish monthly news bulletins and quarterly newsletter for registered entities;
- Publish Compliance Analysis Reports and/or Whitepapers detailing “lessons learned,” as necessary and appropriate; and
- Host a minimum of twelve 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

- There are no changes in the budgeted FTEs for this program. Consistent with the 2011 budget and to help maintain the confidentiality of employees' salaries, the personnel expenses for the Training and Education FTE are accounted for within the Compliance Enforcement and Organization Registration Area.

Meeting Expenses

- Meeting Expenses are expected to decrease by $17,750 to better reflect actual 2010 and 2011 year-to-date costs.

Operating Expenses

- There are no changes in the budgeted Operating Expenses for this program.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. The increase in the SPP, Inc. Indirect Expenses are the result of the higher fixed rate.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect 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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Training and Education

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2011 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 269,454	$ 269,454	$ -	$ 245,305	$ (24,149)
Penalty Sanctions	7,305	7,305	-	6,697	(608)
Total SPP RE Funding	**$ 276,759**	**$ 276,759**	**$ -**	**$ 252,003**	**$ (24,756)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 276,759**	**$ 276,759**	**$ -**	**$ 252,003**	**$ (24,756)**
Expenses					
Personnel Expenses					
Salaries	$ -	$ -	$ -	$ -	$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Meeting Expenses					
Meetings	$ 68,750	$ 50,000	$ (18,750)	$ 50,000	$ (18,750)
Travel	24,000	24,000	-	25,000	1,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 92,750**	**$ 74,000**	**$ (18,750)**	**$ 75,000**	**$ (17,750)**
Operating Expenses					
Consultants & Contracts	$ 19,500	$ 19,500	$ -	$ 19,500	$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 19,500**	**$ 19,500**	**$ -**	**$ 19,500**	**$ -**
Total Direct Expenses	**$ 112,250**	**$ 93,500**	**$ (18,750)**	**$ 94,500**	**$ (17,750)**
SPP Inc. Indirect Expenses	$ 130,378	$ 89,482		$ 133,555	$ 3,177
SPP RE Indirect Expenses	34,132	29,358		23,948	(10,184)
Total Indirect Expenses	**$ 164,510**	**$ 118,840**	**$ (45,670)**	**$ 157,503**	**$ (7,007)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 276,760**	**$ 212,340**	**$ (64,420)**	**$ 252,003**	**$ (24,757)**
Change in Assets	**$ -**	**$ 64,419**	**$ 64,420**	**$ -**	**$ (1)**
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	**$ -**	**$ 64,419**	**$ 64,420**	**$ -**	**$ (1)**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.25	0.50	0.25
Direct Expenses	$ 52,996	$ 80,212	$ 27,216
Indirect Expenses- SPP Inc.	$ 32,595	$ 66,778	$ 34,183
Indirect Expenses- SPP RE	$ 16,115	$ 20,327	$ 4,212
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 101,706	$ 167,317	$ 65,611

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. As stated in ERO BP&B Assumptions, specifically item four on page 14, during 2012, NERC will continue to undertake significant activities and funding to facilitate third party development and management of North American Phasor Concentration System (NASCON) software and regional node communication integration.

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.

2012 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.

2012 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 for this program are expected to increase by 0.25 FTEs for this program area. The increase reflects the allocation of time spent by the FTEs assigned to the Reliability Assessment and Performance Analysis Program area performing Situation Awareness and Infrastructure Security activities. All FTEs represent SPP RE direct staff rather than SPP Shared staff as in previous years.

Meeting Expenses

- Meeting Expenses are expected to decrease by $13,300 to better reflect the actual amount expended in 2010 for reimbursement of the member representatives for travel expenses incurred while performing CIPC responsibilities.

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, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. The increase in the SPP, Inc. Indirect Expenses is due to the higher fixed rate.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 99,880	$ 99,880	$ -	$ 163,968	$ 64,088
Penalty Sanctions	1,826	1,826	-	3,349	1,523
Total SPP RE Funding	**$ 101,706**	**$ 101,706**	**$ -**	**$ 167,317**	**$ 65,611**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 101,706**	**$ 101,706**	**$ -**	**$ 167,317**	**$ 65,611**
Expenses					
Personnel Expenses					
Salaries	$ 24,813	$ 52,394	$ 27,581	$ 60,424	$ 35,611
Payroll Taxes	1,895	-	(1,895)	3,746	1,851
Benefits	1,872	-	(1,872)	3,565	1,693
Retirement Costs	1,117	2,489	1,372	2,477	1,360
Total Personnel Expenses	**$ 29,696**	**$ 54,882**	**$ 25,185**	**$ 70,212**	**$ 40,515**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	23,300	7,000	(16,300)	10,000	(13,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 23,300**	**$ 7,000**	**$ (16,300)**	**$ 10,000**	**$ (13,300)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Direct Expenses	**$ 52,996**	**$ 61,882**	**$ 8,885**	**$ 80,212**	**$ 27,215**
SPP Inc. Indirect Expenses	$ 32,595	$ 66,778		$ 66,778	$ 34,183
SPP RE Indirect Expenses	16,115	19,430		20,327	4,212
Total Indirect Expenses	**$ 48,710**	**$ 86,208**	**$ 37,498**	**$ 87,105**	**$ 38,395**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 101,705**	**$ 148,091**	**$ 46,386**	**$ 167,317**	**$ 65,611**
Change in Assets	**$ -**	**$ (46,385)**	**$ (46,386)**	**$ -**	**$ -**
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	**$ -**	**$ (46,385)**	**$ (46,386)**	**$ -**	**$ -**

Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.0	3.5	(0.5)
Total Direct Expenses	$ 1,504,142	$ 1,496,927	$ (7,215)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ 1,504,142	$ 1,496,927	$ (7,215)
Funding Requirement for Working Capital Requirement	$ (514,752)	$ (1,358,075)	$ (843,323)

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), which are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors, 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.

Technical Committees and Member Forums

Technical Committes and Member Forums (in whole dollars)	2011 Budget	2012 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.

2012 Key Assumptions

- SPP RE liaisons to SPP working groups attend approximately 30 SPP working group meetings in 2012.

2012 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)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.0	3.5	(0.5)
Expenses	$ 1,354,142	$ 1,346,927	$ (7,215)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ (514,752)	$ (1,358,075)	$ (843,323)

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Finance and Process Improvement, two RE Administrative Assistants (0.5 FTE is allocated to CMEP program area), 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 serves as the RE Trustee Secretary and provides support to the SPP RE CMEP activities by coordinating and facilitating the development of compliance plans, policies, and procedures.

The RE Administrative Assistants provide support to all SPP RE programs and SPP RE direct staff members.

2012 Key Assumptions

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

2012 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 2011 FERC audit of the SPP RE; and

- 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. The negative Funding amount shown for SPP RE Assessment in the Statement of Activities is the activity relating to the Working Capital Reserve – see Table B-1.

Personnel Expenses

- One-half administrative assistant FTE was reassigned to the CMEP program to better reflect the work performed by this individual. The lower Personnel Expenses resulting from the allocation of 0.5 FTE to the CMEP program was partially offset by increased expenses to reflect a budgeted merit increase of three percent.

Meeting Expenses

- Meeting Expenses are expected to increase by $58,000, which includes the addition of $25,000 for RE Trustee meetings (which were inadvertently omitted from previous budgets) and an increase of $33,000 in travel cost due to the expected increase in 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 $2,500 increase in Operating Expenses is to reflect the costs of miscellaneous office supplies.

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ (514,752)	$ (514,752)	$ -	$ (1,358,075)	$ (843,323)
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**
Expenses					
Personnel Expenses					
Salaries	$ 498,050	$ 486,209	$ (11,841)	$ 502,568	$ 4,518
Payroll Taxes	38,033	29,173	(8,860)	31,159	(6,874)
Benefits	39,135	29,173	(9,962)	29,652	(9,483)
Retirement Costs	22,412	23,095	683	20,605	(1,807)
Total Personnel Expenses	**$ 597,630**	**$ 567,649**	**$ (29,981)**	**$ 583,984**	**$ (13,646)**
Meeting Expenses					
Meetings	$ -	$ 20,000	$ 20,000	$ 25,000	$ 25,000
Travel	42,000	75,000	33,000	75,000	33,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 42,000**	**$ 95,000**	**$ 53,000**	**$ 100,000**	**$ 58,000**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	2,500	2,500	2,500	2,500
Professional Services	193,000	193,000	-	193,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 193,000**	**$ 195,500**	**$ 2,500**	**$ 195,500**	**$ 2,500**
Total Direct Expenses	**$ 832,630**	**$ 858,149**	**$ 25,519**	**$ 879,484**	**$ 46,854**
SPP Inc. Indirect Expenses	**$ 521,512**	**$ 462,101**		**$ 467,443**	**$ (54,069)**
SPP RE Indirect Expenses	**$ (1,354,142)**	**$ (1,320,250)**		**$ (1,346,927)**	**$ 7,215**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**
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	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**

Legal and Regulatory

Legal and Regulatory (in whole dollars)	2011 Budget	2012 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 a Manager of Enforcement and Legal who provides exclusive legal support to the SPP RE. The expenses related to the Manager of Enforcement and Legal are included in the Compliance Enforcement and Organization Registration Program area. If SPP RE is required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers may be utilized.

2012 Key Assumptions

- Estimated hearing costs are included to support three hearings in 2012.

2012 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

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Legal and Regulatory

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2011 Budget	Variance 2012 Budget v 2011 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)	2011 Budget	2012 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.

2012 Key Assumptions

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

2012 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)	2011 Budget	2012 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.

2012 Key Assumptions

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

2012 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)	2011 Budget	2012 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.

2012 Key Assumptions

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

2012 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

2012 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010	$	1,840,176
Plus: 2011 SPP RE Funding (from LSEs or designees)		9,094,985
Plus: 2011 Other funding sources		0
Less: 2011 Projected expenses & capital expenditures		(9,577,086)
Projected Working Capital Reserve (Deficit), December 31, 2011		**1,358,075**
Desired Working Capital Reserve, December 31, 2012 [2]	$	-
Less: Projected Working Capital Reserve, December 31, 2010		(1,358,075)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		(1,358,075)
2012 Expenses and Capital Expenditures		11,410,642
Less: Penalty sanctions to be used as offset to 2012 assessments [1]		(200,920)
Less: Other Funding Sources		0
Adjustment to achieve desired Working Capital Reserve		(1,358,075)
2012 SPP RE Assessment		9,851,647

[1] Represents collections on or prior to June 30, 2011. See page 47 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 2012 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, 2011 are to be used to offset assessments in the 2012 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, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to June 30, 2011 are detailed below, including the amount and date received.

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

Table B-2

Penalty Sanctions Received After June 30, 2010 and On or Prior to June 30, 2011	Date Received		Amount Received
Name of Entity			
Entity 1	09/17/10	$	4,000
Entity 2	11/22/10	$	15,000
Entity 3	01/26/11	$	5,000
Entity 4	02/02/11	$	25,000
Entity 5	02/10/11	$	9,000
Entity 6	02/10/11	$	1,350
Entity 7	02/11/11	$	2,000
Entity 8	02/14/11	$	5,000
Entity 9	02/14/11	$	3,000
Entity 10	03/04/11	$	17,000
Entity 11	03/17/11	$	15,000
Entity 12	04/06/11	$	30,000
Entity 13	04/18/11	$	4,500
Entity 14	04/28/11	$	12,000
Entity 15	04/28/11	$	4,300
Entity 16	06/07/11	$	48,770
Entity 17			
Entity 18			
Entity 19			
Entity 20			
Total Penalties Received		$	200,920

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 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 – 2012 Budget versus 2011 Budget

The SPP RE has not projected any interest income for 2012 because at the current market interest rate any interest income would be minimal.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salaries	$ 3,301,544	3,230,224	$ 3,820,690	$ 519,146	15.7%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	$ 3,301,544	$ 3,230,224	$ 3,820,690	$ 519,146	15.7%
Total Payroll Taxes	$ 252,118	$ 195,109	$ 241,364	$ (10,754)	-4.3%
Benefits					
Workers Compensation	$ -	$ -	$ -	$ -	
Medical Insurance	230,564	166,404	196,008	(34,556)	-15.0%
Life-LTD-LTC Insurance	14,780	12,029	14,169	(611)	-4.1%
Education	30,980	22,054	25,977	(5,003)	-16.1%
Relocation	-	-	-	-	
Total Benefits	$ 276,324	$ 200,487	$ 236,154	$ (40,170)	-14.5%
Retirement					
Discretionary 401k Contribution	$ 146,319	$ 151,337	$ 156,335	$ 10,016	6.8%
Savings Plan	-	-	-	-	
Total Retirement	$ 146,319	$ 151,337	$ 156,335	$ 10,016	6.8%
Total Personnel Costs	$ 3,976,305	$ 3,777,157	$ 4,454,543	$ 478,238	12.0%
FTEs	29.67	29.10	33.50	3.83	12.9%
Cost per FTE					
Salaries	$ 111,275	$ 111,004	$ 114,050	2,775	2.5%
Payroll Taxes	8,497	6,705	7,205	(1,293)	-15.2%
Benefits	9,313	6,890	7,049	(2,264)	-24.3%
Retirement	4,932	5,201	4,667	(265)	-5.4%
Total Cost per FTE	**$ 134,018**	**$ 129,799**	**$ 132,971**	**$ (1,046)**	**-0.8%**

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The salaries variance is principally due to the additional 3.83 budgeted FTEs. The variances in benefits and retirement are due to the continued refinement in the ratios used to develop these cost estimates. For example, the payroll taxes included in 2011 budget represented 7.6% of salaries (the standard composite rate for the employer's portion of Medicare and Social Security taxes). The payroll taxes included in 2012 budget were reduced to 6.2% of salaries in recognition that certain items such as non-taxable 401k contributions are included in salaries. Moreover, the payroll taxes, benefits and retirement ratios used to develop the 2012 budget were all revised to better reflect the actual 2010 results.

Consultants and Contracts

Table B-5

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	$ -	$ -	$ -	$ -	
Compliance and Organization Registration and Certification	856,000	857,500	1,217,000	361,000	42%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	75,000	60,000	60,000	(15,000)	-20%
Training and Education	19,500	19,500	19,500	-	0%
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	$ 950,500	$ 937,000	$ 1,296,500	$ 346,000	36%
				-	

Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Contracts					
Reliability Standards	$ 25,000	$ 25,000	$ -	$ (25,000)	-100%
Compliance and Organization Registration and Certification	121,500	115,000	125,000	3,500	3%
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	$ 146,500	$ 140,000	$ 125,000	$ (21,500)	-15%
Total Consulting and Contracts	**$ 1,097,000**	**$ 1,077,000**	**$ 1,421,500**	**$ 324,500**	30%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

The $324,500 increase in consultant and contracts costs is primarily due the addition of $300,000 budgeted for the load flow, short-circuit and/or stability studies needed to evaluate whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System and additional $300,000 in contractor costs associated with the initiative to reduce the number of open enforcement violations. These additions are partially offset by an expected reduction in Consultant Expenses for the CIP and Compliance monitoring activities.

Table B-6

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ -	$ -	$ -	$ -	
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	**$ -**	**$ -**	**$ -**	**$ -**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

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

Table B-7

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	$ -	$ -	$ -	$ -	
Internet	-	-	-	-	
Office Supplies	-	2,500	2,500	2,500	
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	**$ -**	**$ 2,500**	**$ 2,500**	**$ 2,500**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Office Costs are included in the SPP, Inc. Indirect Expense rate. The $2,500 variance reflects the costs for miscellaneous office supplies such as supplies needed for RE workshops and RE Trustee meetings.

Table B-8

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Independent Trustee Fees	$ 143,000	$ 143,000	$ 143,000	$ -	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	**$ 343,000**	**$ 343,000**	**$ 343,000**	**$ -**	**0.00%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

There is no change in the budgeted professional service fees and expenses.

Table B-9

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
	$ -	$ -		$ -	
	$ -	$ -		$ -	
	$ -	$ -		$ -	
Total Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

N/A

2013 and 2014 Projections

Table B-10

Statement of Activities and Capital Expenditures

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
ERO Assessments	$10,001,444	$ 11,664,181	$ 1,662,736	16.62%	$ 12,014,106	$ 349,925	2.9%
Penalty Sanctions	152,150	-	(152,150)	-100.00%	-	-	
Total ERO Funding	**$10,153,594**	**$ 11,664,181**	**$ 1,510,586**	**14.9%**	**$ 12,014,106**	**$ 349,925**	**2.9%**
Membership Dues	-	-	-		-	-	
Testing Fees	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	-	-	-		-	-	
Miscellaneous	-	-	-		-	-	
Total Funding	**$10,153,594**	**$ 11,664,181**	**$ 1,510,586**	**14.9%**	**$ 12,014,106**	**$ 349,925**	**3.0%**
Expenses							
Personnel Expenses							
Salaries	$ 3,820,690	$ 4,043,990	$ 223,300	5.8%	$ 4,165,310	$ 121,320	3.0%
Payroll Taxes	241,364	255,209	13,845	5.7%	262,865	7,656	3.0%
Benefits	236,154	249,328	13,175	5.6%	256,808	7,480	3.0%
Retirement Costs	156,335	165,490	9,155	5.9%	170,455	4,965	3.0%
Total Personnel Expenses	**$ 4,454,543**	**$ 4,714,017**	**$ 259,475**	**5.8%**	**$ 4,855,438**	**$ 141,421**	**3.0%**
Meeting Expenses							
Meetings	$ 75,000	$ 77,250	$ 2,250	3.0%	$ 79,568	2,318	3.0%
Travel	640,000	684,800	44,800	7.0%	705,344	20,544	3.0%
Conference Calls	-	-	-		-	-	
Total Meeting Expenses	**$ 715,000**	**$ 762,050**	**$ 47,050**	**6.6%**	**$ 784,912**	**$ 22,862**	**3.0%**
Operating Expenses							
Consultants & Contracts	$ 1,421,500	$ 1,155,145	(266,355)	-18.7%	$ 1,189,799	34,654	3.0%
Office Rent	-	-	-		-	-	
Office Costs	2,500	2,575	75	3.0%	2,652	77	3.0%
Professional Services	343,000	353,290	10,290	3.0%	363,889	10,599	3.0%
Miscellaneous	-	-	-		-	-	
Depreciation	-	-	-		-	-	
Total Operating Expenses	**$ 1,767,000**	**$ 1,511,010**	**$ (255,990)**	**-14.5%**	**$ 1,556,340**	**$ 45,330**	**3.0%**
Total Direct Expenses	**$ 6,936,543**	**$ 6,987,077**	**$ 50,535**	**0.7%**	**$ 7,196,690**	**$ 209,612**	**3.0%**
Indirect Expenses	**$ 4,474,099**	**$ 4,677,103**	**$ 203,004**	**4.5%**	**$ 4,817,416**	**$ 140,313**	**3.0%**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**		**$ -**	**-**	
Total Expenses	**$11,410,642**	**$ 11,664,181**	**$ 253,539**	**2.2%**	**$ 12,014,106**	**349,925**	**3.0%**
Change in Assets	**$ (1,257,048)**	**$ -**	**$ 1,257,048**	**-100.0%**	**$ -**	**$ -**	
Fixed Assets							
Depreciation	$ -	$ -	$ -		$ -	$ -	
Computer & Software CapEx	-	-	-		-	-	
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	-	-		-	-	
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
TOTAL CHANGE IN NET ASSETS	**$ (1,257,048)**	**$ -**	**$ 1,257,048**	**-100.0%**	**$ -**	**$ -**	**0.0%**
FTEs	**33.50**	**35.50**	**2.00**	**6.0%**	**35.50**	**0.00**	**0.0%**

Explanation of 2013 and 2014 Projections

In addition to the expected inflationary costs increases, the SPP RE 2013 and 2014 projections reflect the addition of two RE Direct Staff positions in 2013. One position will be assigned to the Compliance Enforcement and Registration Program area to assist with enforcement activities. It is expected that the person filling the second position will share his or her time equally performing Situation Awareness and Infrastructure Security and Reliability Assessment activities. The 2013 forecast also reflects the removal of $300,000 in consulting costs related to enforcement caseload backlog project. SPP RE is currently projecting that it will achieve NERC's stated goal for the discovered and/or reported possible violations to be managed through the enforcement process as notices of confirmed violations, settlements, or dismissals within 12 months in early 2013.

Section C – Non-Statutory Activities
2012 Business Plan and Budget

Section C — 2012 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 provides 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. [2]

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 2012 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.

[2] 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)	2011 Budget	2010 Actual
Tariff Administration Service	72,030	64,277
Fees and Assessments	24,264	22,285
Contract Services Revenue	28,032	23,252
Miscellaneous Income	5,074	6,275
Total Revenue	**129,400**	**116,089**
Salary & Benefits	65,168	56,896
Employee Travel	1,896	1,424
Administrative	3,468	2,899
Assessments and Fees	14,119	14,101
Meetings	1,051	775
Communications	3,409	3,079
Maintenance	1,876	1,707
Leases	7,922	6,354
Outside Services	17,500	14,188
Regional State Committee	266	178
Depreciation & Amortization	15,853	14,243
Other Expense	6,126	1,321
Total Expenses	**138,654**	**117,165**
Net Income	**(9,254)**	**(1,076)**
Debt Repayment	13,206	9,206
MW/h Forecast	343,000	328,241
Net Revenue Requirement	78,637	60,316
Calculated Admin Fee / MWh	$0.229	$0.184
Recommended Admin Fee / MWh	$0.210	$0.195
Capital Expense	91,872	21,737
Headcount	541	453

2010 actual data corresponds to SPP's annual Accountants' Report. For footnote information and other statements and schedules, please refer to the report located at:
http://www.spp.org/publications/2010_SPP_Accountants'_Report_Financial Statements.pdf
Statistical data presented have not been subjected to audit.

Section D – Additional Consolidated Financial Statements

2012 Business Plan and Budget

Section D 2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

				Functions in Delegation Agreement												Non-Statutory Functions
Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding																
SPP RE Funding																
SPP RE Assessments	9,851,647	9,851,647	-	9,851,647	428,057	8,913,812	1,458,579	245,305	163,968	-	(1,358,075)	-	-	-	-	-
Penalty Sanctions	200,920	200,920	-	200,920	8,372	152,364	30,138	6,697	3,349	-	-	-	-	-	-	-
Total SPP RE Funding	**10,052,567**	**10,052,567**	**-**	**10,052,567**	**436,428**	**9,066,177**	**1,488,717**	**252,003**	**167,317**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	**10,052,567**	**10,052,567**	**-**	**10,052,567**	**436,428**	**9,066,177**	**1,488,717**	**252,003**	**167,317**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**
Expenses																
Personnel Expenses																
Salaries	3,820,690	3,820,690	-	3,820,690	158,652	2,652,414	446,633	-	60,424	-	502,568	-	-	-	-	-
Payroll Taxes	241,364	241,364	-	241,364	10,019	164,450	31,989	-	3,746	-	31,159	-	-	-	-	-
Benefits	236,154	236,154	-	236,154	9,856	156,492	36,589	-	3,565	-	29,652	-	-	-	-	-
Retirement Costs	156,335	156,335	-	156,335	6,473	108,749	18,030	-	2,477	-	20,605	-	-	-	-	-
Total Personnel Expenses	4,454,543	4,454,543	-	4,454,543	185,000	3,082,105	533,242	-	70,212	-	583,984	-	-	-	-	-
Meeting Expenses																
Meetings	75,000	75,000	-	75,000	-	-	-	50,000	-	-	25,000	-	-	-	-	-
Travel	640,000	640,000	-	640,000	30,000	385,000	115,000	25,000	10,000	-	75,000	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	715,000	715,000	-	715,000	30,000	385,000	115,000	75,000	10,000	-	100,000	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	1,421,500	1,421,500	-	1,421,500	-	1,342,000	60,000	19,500	-	-	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	2,500	2,500	-	2,500	-	-	-	-	-	-	2,500	-	-	-	-	-
Professional Services	343,000	343,000	-	343,000	-	-	-	-	-	-	193,000	150,000	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,767,000	1,767,000	-	1,767,000	-	1,342,000	60,000	19,500	-	-	195,500	150,000	-	-	-	-
Total Direct Expenses	**6,936,543**	**6,936,543**	**-**	**6,936,543**	**215,000**	**4,809,105**	**708,242**	**94,500**	**80,212**	**-**	**879,484**	**150,000**	**-**	**-**	**-**	**-**
SPP Inc. Indirect Expenses	4,474,099	4,474,099	-	4,474,099	166,944	3,038,381	600,998	133,555	66,778	-	467,443	-	-	-	-	-
SPP RE Indirect Expenses	-	-	-	-	54,484	1,218,691	179,478	23,948	20,327	-	(1,346,927)	(150,000)	-	-	-	-
Total Indirect Expenses	4,474,099	4,474,099	-	4,474,099	221,428	4,257,072	780,476	157,503	87,105	-	(879,484)	(150,000)	-	-	-	-
Other Non-Operating Expenses	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**11,410,642**	**11,410,642**	**-**	**11,410,642**	**436,428**	**9,066,177**	**1,488,717**	**252,003**	**167,317**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in Assets	**(1,358,075)**	**(1,358,075)**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	-
Fixed Assets																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**(1,358,075)**	**(1,358,075)**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**

Section E – Calculation of SPP, Inc. Indirect Expense Rate

2012 Business Plan and Budget

Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE RATE[1]

Support Groups[2]		Overhead Costs to Allocate	
Administration	$	14,049,031	*
Officers		3,681,391	**
Accounting		1,097,503	
Human Resources		1,925,400	
Customer Services		463,959	
Legal		959,540	
Communications		245,914	
Information Technology		11,766,946	
Total Costs	**$**	**34,189,684**	**A**

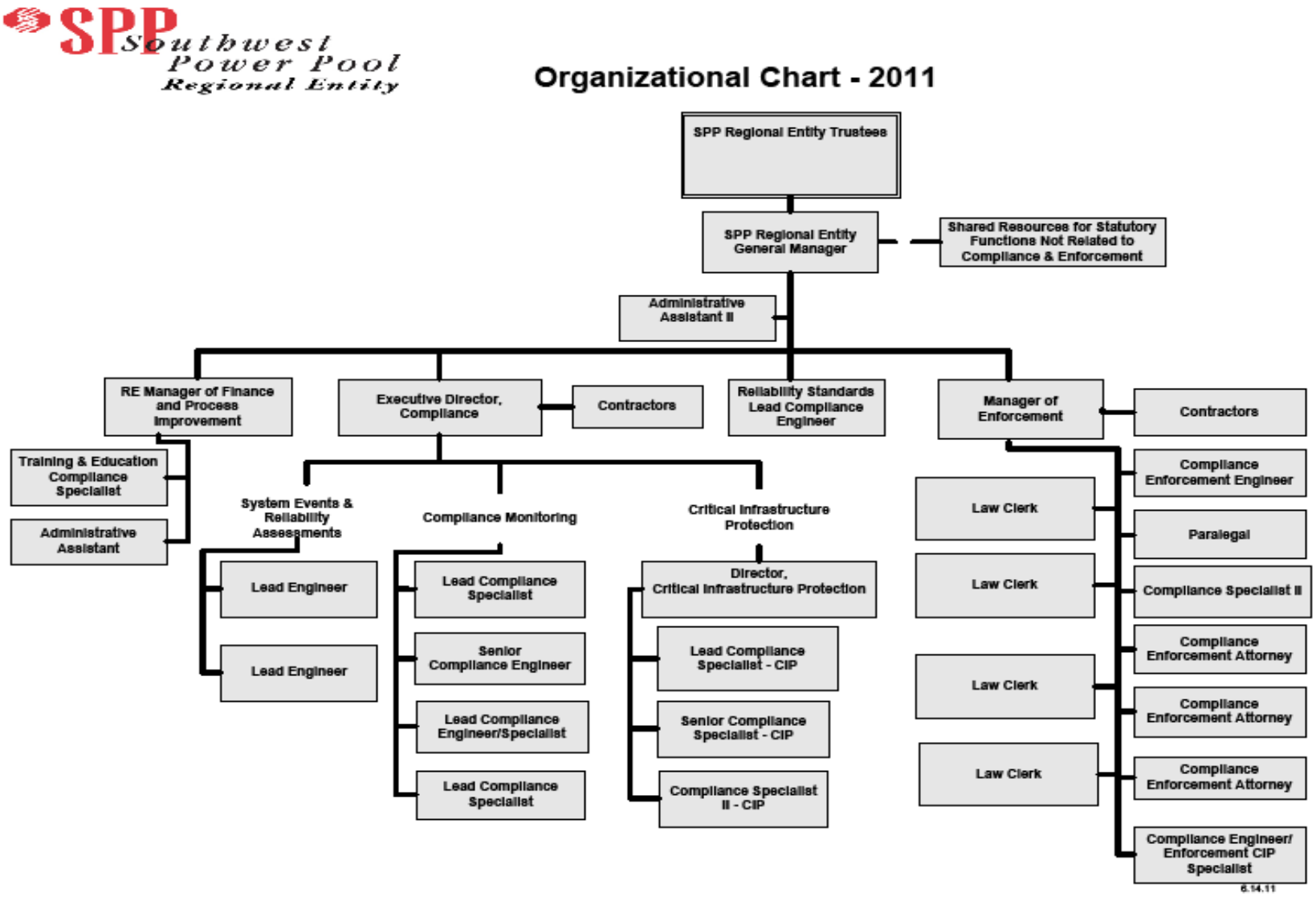
Non-Support Resource Groups			
Ending 2010 Headcounts		256	
Average Work Hours/FTE in 2010		1880	
# of Work Hours in 2010		**481,280**	**B**
2010 Indirect Overhead Expense Rate Rate (A/B)	**$**	**71.04**	
Times Budgeted SPP RE FTEs		**33.50**	
Times Average Work Hours/FTE		**1,880**	
Budgeted SPP Inc. Indirect Costs	**$**	**4,474,099**	

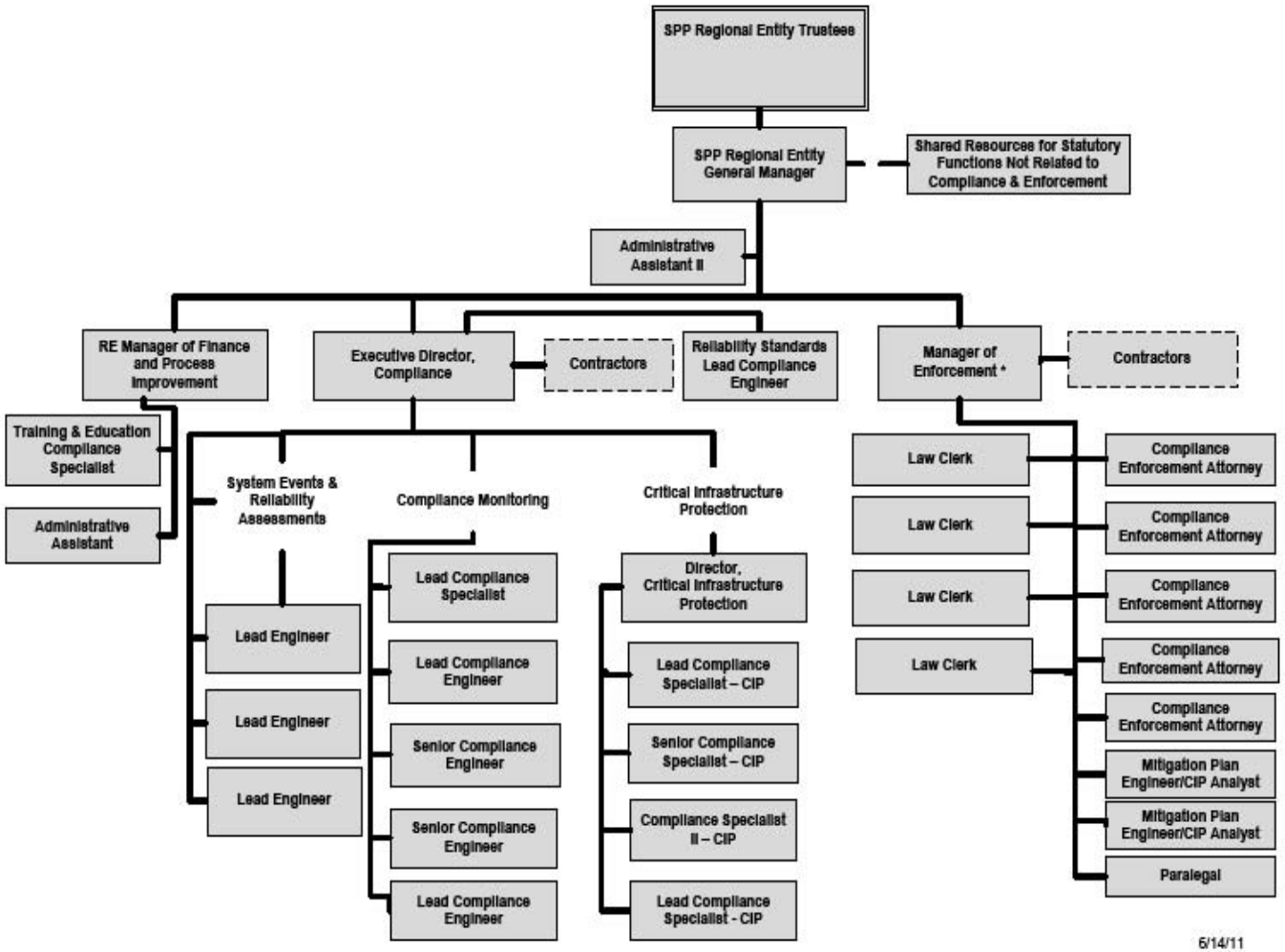
[1]Due to the timing of the budget process/schedule, the estimated overhead rate for 2012 is based on actual 2010 costs. Any variance between the estimated overhead rate and the actual 2012 overhead rate will be included in the annual 2012 Business Plan and Budget true-up filing.

[2] The services provided by these support groups are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors.

* Does not include FERC Pass-Thru Fees and depreciation of market and transmission assets.
** Does not include costs for executives performing delegated functions.

Section F– Organizational Chart
2012 Business Plan and Budget


SPP Southwest Power Pool Regional Entity
Organizational Chart - 2011
SPP Regional Entity Trustees
SPP Regional Entity General Manager
Shared Resources for Statutory Functions Not Related to Compliance & Enforcement
Administrative Assistant II
RE Manager of Finance and Process Improvement
Training & Education Compliance Specialist
Administrative Assistant
Executive Director, Compliance
Contractors
Reliability Standards Lead Compliance Engineer
Manager of Enforcement
Contractors
Compliance Enforcement Engineer
Paralegal
Compliance Specialist II
Compliance Enforcement Attorney
Compliance Enforcement Attorney
Compliance Enforcement Attorney
Compliance Engineer/ Enforcement CIP Specialist
Law Clerk
Law Clerk
Law Clerk
Law Clerk
System Events & Reliability Assessments
Lead Engineer
Lead Engineer
Compliance Monitoring
Lead Compliance Specialist
Senior Compliance Engineer
Lead Compliance Engineer/Specialist
Lead Compliance Specialist
Critical Infrastructure Protection
Director, Critical Infrastructure Protection
Lead Compliance Specialist - CIP
Senior Compliance Specialist - CIP
Compliance Specialist II - CIP
6.14.11

SPP Southwest Power Pool Regional Entity

2012 Proposed Organizational Chart