



REGIONAL ENTITY TRUSTEES MEETING

APRIL 27, 2015

Tulsa, Oklahoma Hyatt Regency

A G E N D A

8:00 a.m. – 3:00 p.m.

- 1. Call to Order/Introductions..... John Meyer
- 2. Antitrust Guidelines John Meyer
- 3. Approval of Meeting Minutes – 1/26/15 and 2/17/15 John Meyer
- 4. Summer Reliability AssessmentLanny Nickell
- 5. Regional Delegation AgreementDebbie Currie
 - * *Action item - Approve changes to the Agreement*
- 6. Preliminary 2016 SPP RE Business Plan and Budget..... Debbie Currie
 - * *Action item - Approve Preliminary Business Plan and Budget*
- 7. Planning Committee Report Noman Williams
- 8. CIP Update.....Kevin Perry
- 9. Summary of Recent System EventsAlan Wahlstrom
- 10. Enforcement ReportJoe Gertsch
- 11. YTD Financial UpdateDebbie Currie
- 12. General Manager’s ReportRon Ciesiel
 - a. Compliance Report
 - b. Standards Going Into Effect
- 13. YTD Staff Performance Goals and Metrics.....Ron Ciesiel
 - a. Metric 17 – Continuous Improvement Objectives
- 14. Outreach Update Emily Pennel
- 15. NERC COMMITTEE REPORTS – Comments or Questions
 - a. Compliance and Certification Committee... ..Jennifer Flandermeyer



- b. Critical Infrastructure Protection.....Eric Ervin
- c. System Protection and ControlOPEN
- d. Interchange SubcommitteeJason Smith

16. New Action Items..... Emily Pennel

17. Future Meetings John Meyer

June 15 - Teleconference (budget meeting)

July 27, 2015 - Kansas City

October 26, 2015 - Little Rock

Closed executive session will follow to cover enforcement actions and personnel issues.

SPP Regional Entity Antitrust Guidelines

It is SPP RE's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or which might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

**REGIONAL ENTITY TRUSTEES MEETING
JANUARY 26, 2015
Dallas, Texas
A G E N D A
8:00 a.m. – 3:00 p.m.**

Background Material

- 1. Call to Order/Introductions John Meyer**
The Chairman called the meeting to order at 8:00 a.m.
- 2. Antitrust Guidelines.....Emily Pennel**
- 3. Approval of Meeting Minutes – 10/27/14 John Meyer**
The Trustees approved the minutes from the October meeting.
- 4. 2014 Year in Review..... Ron Ciesiel**
In 2014, the SPP RE staff’s weighted total metrics achievement was 121.8%. We performed 56 audits and improved audit processes such as enhancing the pre-audit review. RE staff helped develop the ERO-wide Auditor Handbook and began using it to verify consistency of audit documentation and work papers. FERC observers attended five SPP RE audits and provided positive feedback.

SPP RE’s Event Analysis staff engaged with the national NERC Event Analysis program and handled 30 reportable events, including 13 events that qualified for a category of one or higher. We responded to a FERC inquiry regarding regional follow-up actions in response to recent winter storms, worked with the RTO to publish three regional reliability assessments, and coordinated Facility Ratings Alert activity for the SPP RE region.

After the new Bulk Electric System definition went into effect in July, we processed 143 self-determined notifications for 154 elements and two local networks. SPP RE added four new Registered Entities, de-activated seven, and reduced the number of registered functions for 14.

In 2014, the SPP RE Enforcement group received the lowest number of incoming violations it has received since 2009. Of the 121 incoming violations, 66 or 55% were self-identified. Due to the reduced number of incoming violations and efficiency gains in the processing of minor risk violations, the Enforcement caseload at year’s end is down to 119, from 186 in 2013. There were 99 mitigation plans submitted in 2014 as compared to 200 in 2013.

We had excellent attendance at our regional workshops and webinars. We are enhancing the webCDMS compliance management tool to keep up with the compliance program changes.

5. **Accept 2014 Goals and Metrics Performance * Action item Ron Ciesiel**
The Trustees unanimously accepted the 2014 goals and metrics performance as presented.

6. **Approve 2015 Goals and Metrics * Action item..... Ron Ciesiel**
We developed new 2015 goals and metrics to support NERC’s metrics and goals, recent process changes, our changing workload, and our more experienced staff. The Trustees asked staff to review some of the metrics to make them more challenging. The Trustees will vote on the revised metrics during an upcoming call.

7. **CIP Update..... Kevin Perry**
Several CIP V5 lessons learned have been written; they do not have the force of regulatory law like the standards do. Mr. Perry encouraged Registered Entities to review the draft lessons learned and submit comments as needed. NERC expects to post the top 15 lessons by April 1, 2015. NERC is planning a website called “CIP University” with information from all regions. SPP is holding “CIP Week” in June with the SPP RE Workshop followed by the RTO Forum. We are holding CIP break-out sessions at the Spring Workshop. Staff is also planning one-on-one assistance visits at Registered Entities. We issued a survey to determine CIP educational needs.

NERC adopted some FERC-required revisions to CIP V5 standards in November. Additional revisions are in progress to address remaining FERC Order 791 directives. The ballot body approved the revisions; the final ballot will be open through February 2, 2015.

CIP-014, Physical Security, is enforceable after October 1, 2015. The SPP RTO Engineering Department will be able to perform the third-party assessment verification. A Standard Authorization Request for CIP-014 was posted to address FERC Order 802 directives.

8. **Compliance and Certification Committee.....Jennifer Flandermeyer**
The CCC made some charter changes to reflect what the CCC has been doing to support NERC and actual activities the CCC performs. The CC is serving on the Risk-Based Compliance Monitoring and Enforcement (formerly RAI) Advisory Group to support maturation of ERO processes. The CCC has been involved in the Risk-Based Registration effort and has supported a number of outreach events.

9. **Bulk Electric System Definition Activity Update..... Greg Sorenson**
A self-determined notification is for an element that did not meet the old BES definition but meets the new one, or vice versa. An exception request is for an element does not meet the new definition but is material to reliable BES operation (inclusion), or for an element that meets the new definition but is not

material to reliable operations (exclusion). SPP RE staff processed 134 exclusions and eight inclusions in an average of 8.5 days. We have had no changes to the list of Registered Entities.

After SPP RE issues a recommendation, Registered Entities have 30 days to respond prior to the NERC decision. NERC will evaluate the regional recommendation and issue a decision within 90 days of the regional recommendation. The NERC decision completes the decision process, but is subject to appeal.

For elements that are no longer part of the BES definition, the compliance obligation ends once the region is notified via a self-determined notification. New BES elements must be compliant with all Reliability Standards by July 1, 2016.

NERC has filed proposed changes to the NERC Rules of Procedure. If approved, Purchasing-Selling Entities, Interchange Authorities, and Load Serving Entities would no longer be registered functions. The registration load threshold for Distribution Providers would increase to 75 MW. SPP RE will make registration changes after FERC approval.

10. Inherent Risk Assessment /Internal Controls EvaluationMike Hughes

RAI (now called Risk Based Compliance Monitoring and Enforcement) was to move us from zero tolerance and historical compliance to future assurance of compliance. Risk Based Compliance Monitoring and Enforcement includes:

- Auditor Handbook and Checklist
- Inherent Risk Assessment (IRA) Guide
- Internal Control Evaluation (ICE) Guide
- Bulk Electric System Exception Process
- Multi-Regional Registered Entity Audit Process
- Regional Consistency Reporting Tool
- Risk Based Registration
- Enhanced Find, Fix, Track
- Compliance Exception
- Self-Logging of Minimal Risk Issues

We no longer have the Actively Monitored List. Now, annual risk elements are identified which drive the standards and requirements selected as the base scope. Each region identifies local risk elements to add to their regional base scope. Risk assessments are based on the Pre-Audit Questionnaire, previous audits, violation history, self-certifications, periodic data submittals, and information available to the general public. We expect to complete IRAs for all three-year audits scheduled in 2015. IRAs will help drive compliance monitoring plans for all entities.

The Internal Controls Evaluation (ICE) is optional. Every Registered Entity has internal controls that relate to people, processes, systems, tools, and management practices. ICE will take time in the initial phase; efficiencies will come over time. You can use ICE for just one or two standards.

11. Summary of Recent System Events.....Alan Wahlstrom

We had 30 system events in 2014. In the fourth quarter, we had one category 1h (*partial loss of monitoring or control at a control center for 30 min*), one category 1a (*an unexpected outage, contrary to design, of three or more BPS facilities*), and one category 2a (*complete loss of SCADA, control or monitoring for 30 min*). NERC has posted several new lessons learned on Control System Network Switch Failure, Bus Differential Power Supply Failure, and Loss of Generators Due to Control Air.

On the Facility Ratings Alert, 100% of the high priority lines are complete, 72% of the medium priority lines are complete, and 75% of the low priority lines are complete. Seven companies have extensions and are making progress on remediation.

12. Enforcement Report Joe Gertsch

In response to a stakeholder question: in 2014 we invoiced \$456,000, which was spread across 100 violations. We had 121 incoming enforcement issues in 2014; 62 were through the Find, Fix, Track (FFT) process. Eventually, minimal risk violations that have been processed through FFT will become Compliance Exceptions. The end of year caseload was 119; 83 are CIP and 36 are Operations & Planning. Violations are down significantly. We processed 188 violations in 2014. In 2014, we accepted 102 mitigation plans.

13. General Manager's Report/Compliance Report Ron Ciesiel

An SPP Director noted that having SPP RE under the SPP, Inc. organization is working very well and bringing dividends to stakeholders. This is the seventh quarter with no reportable vegetation contacts. In the third quarter of 2014, the region had 91.8% correct operations. Communication failures and incorrect settings/logic/design errors continue to be the leading cause of misoperations. At our request, the System Protection and Control Working Group wrote a white paper on communications failures. We have asked them to also analyze incorrect settings/logic/design errors. PRC-005 has dropped to the 9th most violated standard; this is good news. As noted previously, violations are down significantly.

14. Electric Infrastructure Protection Discussion.....Dave Christiano

Trustee Christiano expressed his concern about the possibility of armed attacks on our facilities. How would we act in such a situation? An SPP Director noted that a chief concern needs to be our ability to deal with workplace violence and sabotage. Are there things SPP RE could do to help in this area, other than enforce the CIP standards?

15. Year-to-Date Financial Statement.....Debbie Currie

We ended the year with four open staff positions, which impacts personnel, travel, and the SPP, Inc. overhead charge. Moving forward, we are going to not going to budget for contingencies such as hearings. We have a relatively flat budget from 2014 to 2015. We expect to underrun the budget in 2015 as well. We begin the budget cycle very early – up to 18 months in advance. Any overbudgeted dollars will be ultimately be refunded to Registered Entities.

16. Outreach ActivityEmily Pennel

The 2015 workshops will be March 10-11 in Little Rock, June 2-3 in Kansas City, and Sept. 29-30 in Dallas.

17. NERC COMMITTEE REPORTS – Comments or Questions

17a. Planning CommitteeNoman Williams

Noman noted that NERC - with Regional Entities, relay vendors, and industry participants - will coordinate the development of white papers on misoperations. An industry workshop is planned for 2015 to develop, approve, and reinforce protection system best practices.

17b. Critical Infrastructure Protection..... Eric Ervin

17c. System Protection and ControlLynn Schroeder

17d. Interchange SubcommitteeJason Smith

17e. Operating Committee Report.....Jim Useldinger

18. New Action ItemsEmily Pennel

- Modify 2015 staff goals/metrics and bring them back for approval
- Recognize Robert McClanahan at the next meeting in recognition of his terms as the SPP CIPWG and NERC CIPC committee representative
- At the next relevant NERC meeting, the Trustees will discuss the timing of the NERC budget cycle

The Trustees adjourned the regular meeting at 2:31 and went into a closed session to discuss personnel and compensation issues.

19. Future Meetings..... John Meyer

- April 27, 2015 - Tulsa
- July 27, 2015 - Kansas City
- October 26, 2015 - Little Rock

**REGIONAL ENTITY TRUSTEE MEETING
JANUARY 26, 2015**

ATTENDANCE LIST

NAME	ORGANIZATION
Sheila Scott	SPP RE
Emily Lane	SPP RE
Greg Sorenson	SPP RE
TOM HESIERMANN	Sunflower Electric
CHIP KOLOINI	GSEC
John Rhea	OKPE
Darrell Piatt	FERC
Trent Griesed	South Central MCA
Beth Emery	South Central MCA
Joe Gertsch	SPP RE
Debbie Currie	SPP RE
Alan Wahlstrom	SPP RE
Kevin P. Ray	SPP RE
Norman Williams	Southcentral MCA
Phyllis Bernard	SPP Director
Dave Christiano	RE Trustee
John Meyer	RE Trustee
GERRY BURROWS	RE TRUSTEE
Tim Jacoby	AEP
Mike Hughes	SPP RE

RON CASIEL	SPPRE
HARRY SKILTON	SPP Director
BRENT BAKER	EMPIRE DISTRICT ELEC
BARY WARREN	Empire District ELEC
BO JONES	Westar Energy
M. Wagner	ITC
KWALTERS	EDIE

TELECONFERENCE ATTENDEES

Terri Pyle

OGE

Jennifer Flandermeyer

ICPL

Bob Wittmeyer

Fred Meyer

EDE

John Allen

SPRM

Kim Van Brimer

SPP

Rens Losh

SPP

Alison Hayer

SPP

Jason Fix

**REGIONAL ENTITY TRUSTEES MEETING
FEBRUARY 17, 2015
Teleconference
A G E N D A
9:00 a.m. – 11:00 a.m.**

Background Material

1. **Call to Order/Introductions** **John Meyer**
The Chairman called the meeting to order at 9:11 a.m.
2. **Antitrust Guidelines**..... **John Meyer**
The Chairman reviewed the antitrust guidelines.
3. **Approval of Meeting Minutes – 1/26/15**..... **John Meyer**
The Trustees approved the minutes from the January meeting.
4. **Approve 2015 Staff Goals and Metrics**..... **Ron Ciesiel**
At the January meeting, the Trustees asked staff to adjust some of the proposed 2015 staff performance goals and metrics to make them more challenging.
Changes made since the January meeting:
 - Reduced to 5% the weight of *Encourage Registered Entities to mitigate High Impact violations as soon as possible*.
 - For *Complete Mitigation Plan completion reviews*, reduced the average days associated with the 50%, 100% and 150% performance contribution to 30, 20 and 10 average days.
 - For *Complete incoming possible violation triage*, reduced the average days associated with the 80%, 100% and 150% performance contribution to 60, 45 and 30 respectively.
 - For *Publish non- public off-site audit report to NERC*, eliminated the use of average days for the 80% and 100% performance contribution. The performance contribution is now based on the percent reports published in <= 45 days.
 - For *Publish non-public on-site audit report to NERC*, eliminated the use of average days for the 80% and 100% performance contribution. The performance contribution is now based on the percent reports published in <= 65 days.
 - For *Process incoming possible violations to NERC through webCDMS in 5 business days or less*, the performance contribution is now based on the percent violations process in <= 5 business days.
 - For *Continuous Improvement Project Goals*, increased the weighting by 2.5% to 12.5%.

The Trustees approved the goals and metrics as presented on February 17, 2015.

5. **Enforcement Report** **Joe Gertsch**
At the end of January, we had 17 violations awaiting approval at NERC. The caseload of active violations is 121. The Enforcement group has a lot of administrative work during the first quarter to ensure our processes are up to speed. NERC will be conducting spot checks of SPP RE regarding the new risk-based and “Find, Fix, Track” processes.
6. **General Manager’s Report** **Ron Ciesiel**
CIP standards still dominate the Top 10 Most Violated Standards list. PRC-005 has moved down in the Top 10 list. It is good news that relay performance and maintenance is improving.
7. **Year-to-Date Financial Statement**.....**Debbie Currie**
At the end of January, we are carrying the four open positions with which we ended the year. We ended the month down \$295,000 from what was budgeted. January is a slow month for travel and consulting dollars.

Trustee Christiano noted that the NERC Finance Committee said most REs are under budget. We have a very long budget cycle. We need to tighten up the budget next year.
8. **Outreach Activity****Emily Pennel**
The 2015 workshops will be March 10-11 in Little Rock, June 2-3 in Kansas City, and Sept. 29-30 in Dallas.
9. **New Action Items****Emily Pennel**
No new action items were recorded.
10. **Future Meetings** **John Meyer**

April 27, 2015 – Tulsa
June 15, Teleconference (budget meeting)
July 27, 2015 - Kansas City
October 26, 2015 - Little Rock

Meeting adjourned at 10:23 am CST.

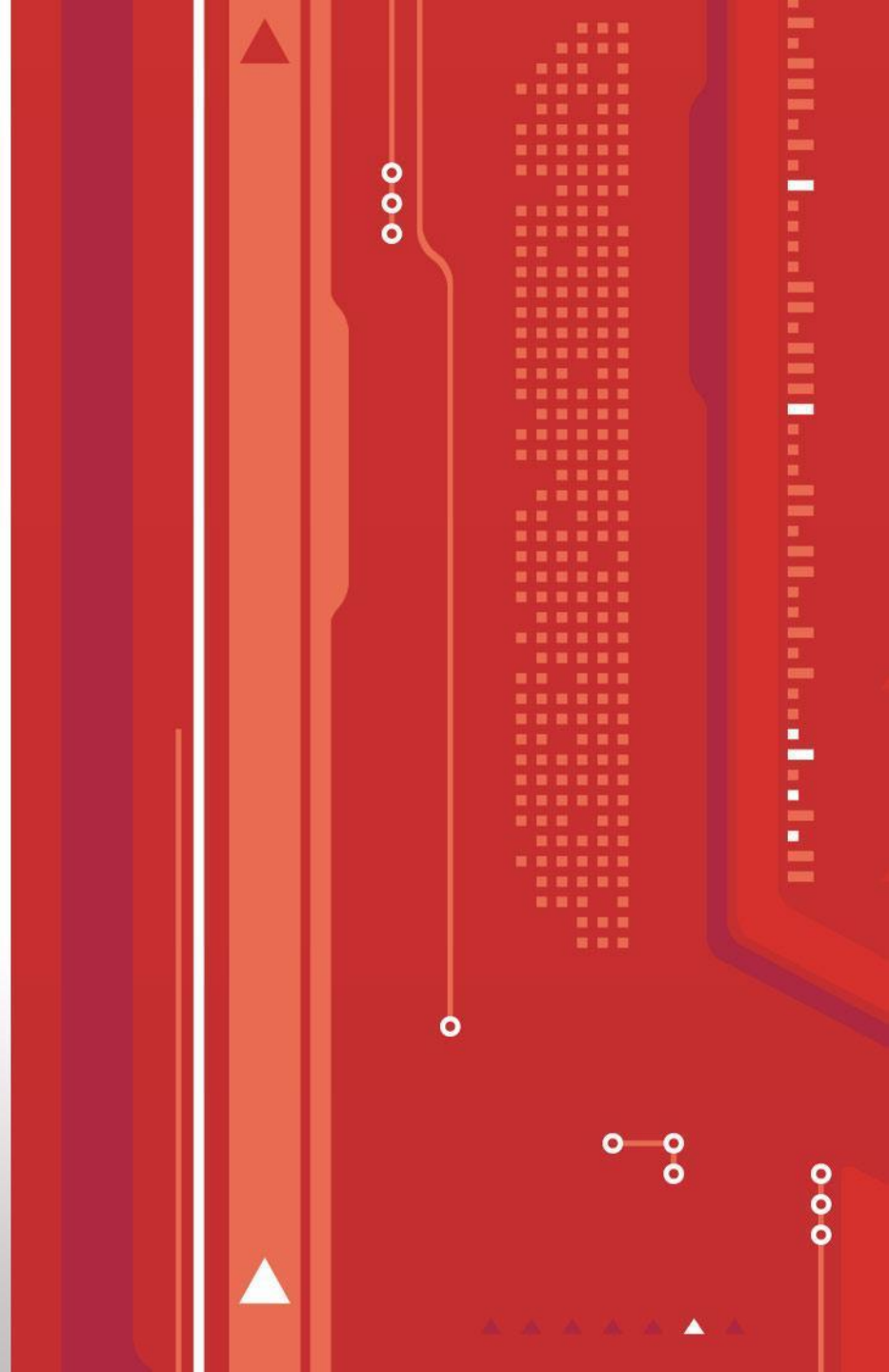
TELECONFERENCE ATTENDEES

Bo Jones	Westar Energy
Dave Charles	North Dakota PSC
Debbie Currie	SPP RE
Ron Ciesiel	SPP RE
John Meyer	RE Trustee
Fred Meyer	Empire District
Greg Sorenson	SPP RE
John Rhea	Oklahoma Gas and Electric
Emily Pennel	SPP RE
Sheila Scott	SPP RE
Kim VanBrimer	SPP RTO
Gerry Burrows	RE Trustee
Dave Christiano	RE Trustee
Bary Warren	Empire District
Joe Gertsch	SPP RE

SPP RE 2015 Summer Reliability Assessment

RE BOT

April 27, 2015



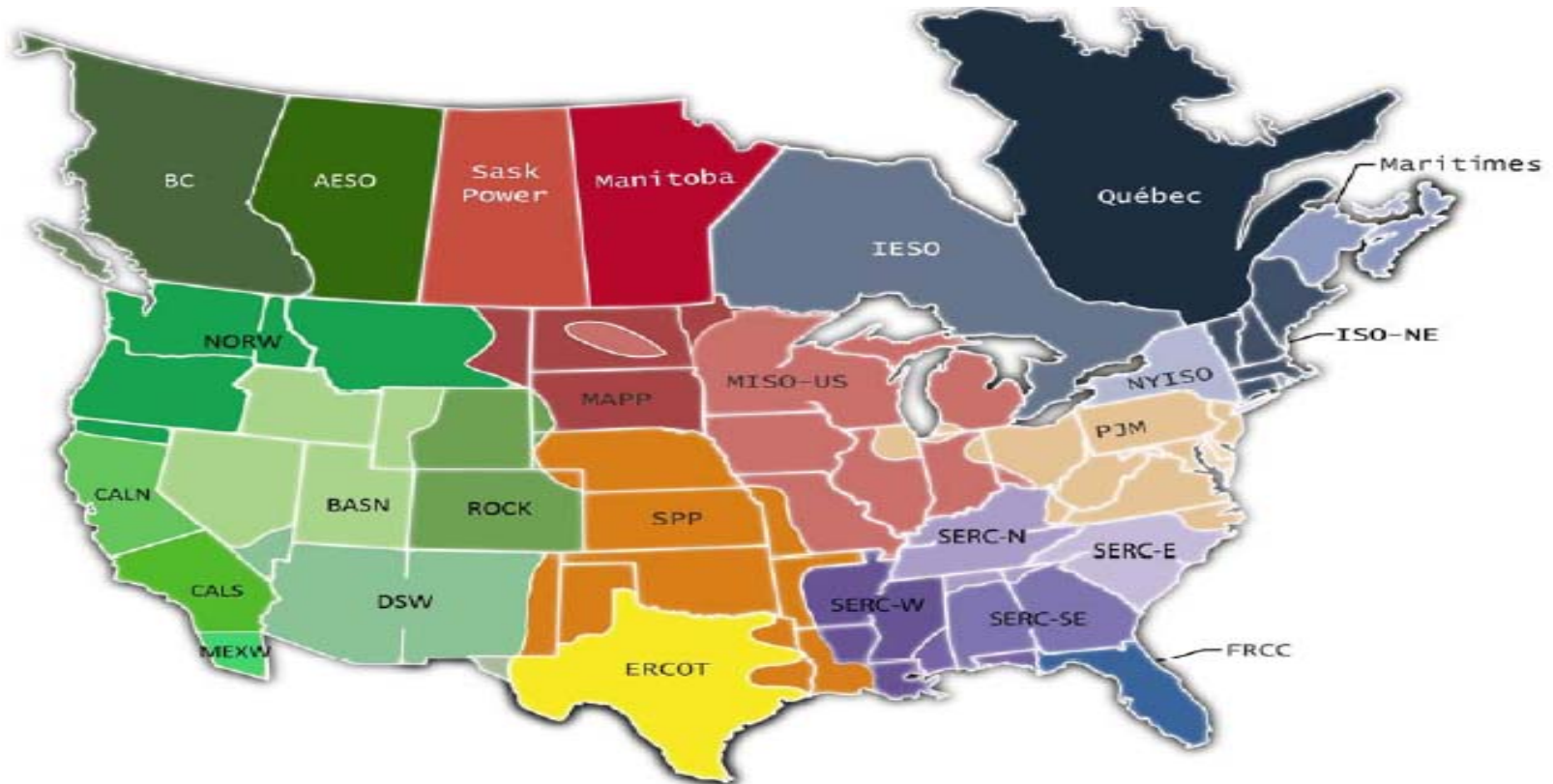
Summer Reliability Assessment

- **Projected seasonal outlook for summer 2015**
 - **Focus on Reporting Area peak (August)**
- **The report addresses:**
 - **Reliability concerns**
 - **Recommendations for mitigations/actions as needed**
- **Provides high-level overview of summer reliability assessment for SPP Planning Coordinator footprint**
 - **Demand growth**
 - **Capacity adequacy**
 - **Operational reliability**



Assessment Area

The Summer Assessment did not include the Integrated System (IS) due to the timing of integrating the Planning Coordinator (PC) functions. The IS becomes a PC member October 2015; SPP plans to include the IS in the 2015 NERC winter assessment.



Assessment Process

- Report is created with a combination of projected data submitted by SPP Reporting Entities and SPP historical actuals
- SPP staff:
 - Validates and cross-checks data to verify consistency
 - Aggregates information into one dataset
 - Uses internal staff review to validate data and respond to NERC's narrative "template"
 - Holds webinar for stakeholder input
- Assessment then undergoes peer-review process at NERC prior to finalization

2015 Summer – Non-Coincident Demand & Capacity*

- **50,529 MW projected 2015 peak demand**
- **63,605 MW Existing Capacity resources**
 - **Includes 1,326 MW of Available Wind**
 - **Includes 33 MW of Available Solar**
 - **Includes 2,157 MW of Available Hydro**

* Capacity numbers shown as net capability values, i.e., “accredited”

Major Transmission Additions

- **31 mile Iatan - Nashua 345 kV line to be added during summer assessment timeframe**
- **Several transformer additions and substation re-configurations are expected to be in service by end of summer timeframe**

Reserve Margin Adequacy

- **Regional reserve margin adequate**
 - **Per SPP Criteria, load serving members are required to maintain 12% capacity margin - translates to a 13.6% reserve margin**
 - **Forecasted reserve margin is 32% for summer 2015**

Reliability Concerns

- **Operations has no ongoing identified concerns**
- **Coal supplies could potentially be reduced/delayed due to railroad congestion**
- **Wind integration continues to be an active issue**
 - **1,868 MW of new nameplate wind is expected to be in-service by end of summer 2015**
 - **Total nameplate wind will be approximately 10.5 GWs**
- **SPP Assessment Area is experiencing increase in oil & gas drilling, causing load growth in OK, KS, TX, and NM**
 - **SPP staff reviews growth quarterly to verify projects are still needed**

Demand Response

- Demand response programs in SPP Assessment Area are voluntary and primarily targeted for summer peak
- SPP Assessment Area members include their own demand response and Energy Efficiency programs as load forecast reductions

Next Steps / Summary

- **SPP has sent finalized draft assessment to NERC**
- **NERC publishes in May**
- **Assessment area has sufficient capacity to meet forecasted demand during 2015 summer assessment period**

2015 Summer Reliability Assessment

Narrative Guide

General Instructions

Please adhere to the following guidelines when addressing the narrative questions below:

- Provide complete and accurate information in response to each question.
- The narrative section at the end of this request should include information used to respond to each question, as well as additional assessment area information regarding seasonal resource adequacy and reliability.
- Do not modify the questions. The last two questions require each Region to ask for additional information from the respective Assessment Areas.
- Do not include any charts or tables in the responses.
- Please contact [NERC staff](#) with any questions regarding this request.

Assessment Area Dashboard

Please update the dashboard below as requested.

Assessment Area Overview

(1) Optional; provide updated Assessment Area description if changes have occurred since prior year (including footprint changes). Otherwise, 2014 LTRA description will be used.

Summary of Methods and Assumptions

Reference Margin Level

Optional; provide updated Reference Margin Level for the Assessment Area if it has changed since the prior year. If yes, explain the change. Otherwise, 2014 LTRA text will be used.

Load Forecast Method

Provided by NERC Staff; only modify if change has occurred since the 2014 LTRA

Peak Season

Provided by NERC Staff; only modify if change has occurred since the 2014 LTRA

Planning Considerations for Wind Resources

Provided by NERC Staff; only modify if change has occurred since the 2014 LTRA

Planning Considerations for Solar Resources

Provided by NERC Staff; only modify if change has occurred since the 2014 LTRA

Footprint Changes

Provided by NERC Staff; only modify if change has occurred since the 2014 LTRA

Assessment Area Footprint

Provided by NERC Staff

Peak Season Demand, Resources, and Reserve Margins

Demand (MW)	2015 Summer
Total Internal Demand	50,529 MW
Demand Response	1,284 MW
Net Internal Demand	49,245 MW
Resources (MW)	2015 Summer
Anticipated	65,138 MW
Prospective	66,431 MW
Adjusted-Potential	66,431 MW
Reserve Margins (%)	2015 Summer
Anticipated	32%
Prospective	35%
Adjusted-Potential	35%
Reference Margin Level	13.6%
Excess/Shortfall (MW)	2015 Summer
Anticipated	9,195 MW
Prospective	10,488 MW
Adjusted-Potential	10,488 MW

Planning Reserve Margins

(1) If the Anticipated Reserve Margin is below the Reference Margin Level for the upcoming summer, list the contributing factors that resulted in this deficit and explain actions to be taken to address potential resource adequacy issues.

N/A

Demand

(2) Provide a brief overview of the summer demand forecast. Describe any notable increases or decreases in the demand forecast since the prior year, including contributing factors (e.g., footprint changes, economic outlook, long-term weather outlook, demand-side management, distributed resources, behind-the-meter generation, or changes to the load forecasting method used)

The SPP Assessment Area reported a 2014 coincident Total Internal Demand of 49,614 MW. SPP is reporting a non-coincident Total Internal Demand forecast for the 2015 summer of 50,529 MW. The reason for switching back to a non-coincident demand was to better align the demand number reported to NERC with the models that SPP uses to perform planning studies, reserve margin studies, and the NERC Probabilistic assessment.

(3) Describe any cases where projected demand growth in a localized area is significantly above or below the average for the rest of the Assessment Area. Discuss the expected duration as well as any reliability impacts.

The High-Priority Incremental Load Studyⁱ showed that the SPP Assessment Area is experiencing an increase in oil and gas drilling causing substantial load growth in northern Oklahoma, southwestern Kansas, Texas, and New Mexico. This localized growth has created the need for new transmission projects and generation in specific areas. SPP is working with Members to make sure that reliability needs are being addressed. SPP staff provides a quarterly report to Markets and Operations Policy Committee update them on any load changes.

(4) Explain how the extreme weather demand forecast (e.g., 90/10 demand) is conducted by the Assessment Area, Region or subregion for the upcoming summer season.

SPP Assessment Area does not forecast a 90/10 scenario, but does conduct planning studies using an SPP non-coincident model. SPP incorporates a 5% load uncertainty into the non-coincident model used to validate the SPP Capacity Margin.

Demand-Side Management

(5) Describe existing and recently introduced Demand Response programs in the Assessment Area.

The majority of the Demand Response (DR) programs in the SPP Assessment Area are used for peak shaving. Irrigation and air conditioner programs that are considered interruptible account for the vast majority of Demand Response. Interruptible Load in accordance with contractual arrangements can be interrupted at the time of peak by action of the customer as directed by the system operator. There have been no new DR programs added since the prior summer assessment timeframe.

(6) Explain the impacts of Demand Response programs and how these programs will contribute to maintaining reliability during the upcoming summer.

DR programs in the SPP Assessment Area are voluntary and are primarily targeted for summer peak load reduction use. For the most part, SPP Assessment Area members include their own DR and Energy Efficiency programs as reductions in their load forecasts. SPP Assessment Area members are expecting to expand DR and energy efficiency programs.

Generation

(7) Summarize new capacity additions in the Assessment Area since the prior summer assessment, as well as those expected to occur during the upcoming summer season. (Responses should be provided for notable capacity additions and summarized for all applicable generation types (Coal, Petroleum, Natural Gas, Nuclear, Hydro, Pumped Storage, Geothermal, Biomass, Wind, Solar, and Other)).

The SPP Assessment Area expects to integrate 2,173 MW of Nameplate Capacity by the end of the 2015 summer timeframe. The expected contributions are based on 305 MW from Natural Gas, and 1,868 MW from Wind.

(8) Describe any known concerns (fuel supply, fuel delivery, cooling water, etc.) that could impact generator availability during the upcoming summer season. Explain any resulting reliability impacts and explain how these impacts will be managed.

SPP does not expect any issues that will impact generator availability but has noted that coal supplies could potentially be reduced/delayed due to railroad congestion. The SPP Assessment Area is continuing to monitor this situation.

(9) Regarding variable resources, briefly describe any changes to how expected on-peak capacity values are calculated for wind, solar, and hydro (provide answers for all that apply within the Assessment Area's resource mix). Further, explain any enhancements that have been made to how these values are calculated. Additional detail should be provided in the Methods and Assumptions document.

The SPP Assessment Area has made no changes to the way on-peak capacity values for wind, solar, and hydro are

calculated since the previous summer assessment. The expected on-peak capacity values for variable generation are determined by guidelines established in SPP Criteria section 12.1.5.3(g)¹

Capacity Transfers

(10) Briefly explain the capacity transfers (imports/exports) in the Assessment Area for the upcoming summer; include mention of any new Firm capacity contracts for the upcoming summer. If applicable, summarize projected subregional transfers for the upcoming summer.

SPP Assessment Area members forecasted 2,547 MW of Firm Imports and 1,014 MW of Firm Exports for the 2015 summer. All of these capacity transactions have firm transmission service.

(11) Describe capacity transfer coordination between neighboring Assessment Areas.

The SPP Assessment Area coordinates with neighboring areas to ensure that adequate transfer capabilities will be available for capacity transfers.

¹ [Section 12](#)

Transmission and System Enhancements

(12) Discuss any transmission constraints and corresponding impacts on system reliability. Also describe any project delays for any transmission facilities (lines or transformers) expected to impact reliability during the assessment period and measures that will be taken to address them.

The SPP Assessment Area has identified several flowgates as being constraints on the transmission system. These constraints can be mitigated by redispatching generation, and no reliability issues are expected.

(13) Describe any dynamic and/or steady state reactive power limited areas in the Assessment Area and the mitigation plans to address them prior to the upcoming summer.

The SPP Assessment Area has identified a few areas across Kansas and Nebraska that require must run generation for voltage support during times of heavy load, loss of equipment, or unavailability of local peaker units responding. Operating guides have been put into place to provide mitigation.

(14) Describe any significant new transmission facilities (i.e., lines, transformers, etc.), equipment, upgrades, or technologies planned for implementation within the Assessment Area during the assessment period. Examples include: SVC, FACTS controllers, HVdc, synchrophasors, etc.

The SPP Assessment Area has identified several transmission reliability upgrades. The following list identifies the top reliability projects scheduled for completion by the end of the 2015 summer timeframe:

- Iatan - Nashua 345 kV new 31 mile line
- Install new 345/161 kV transformer at Nashua
- Upgrade Eddy County 230/115 kV transformer Ckt 1 to 250 MVA.
- Upgrade Grassland 230/115 kV transformer Ckt 1 to 250 MVA.
- Accelerate installation of third 345/138 kV bus tie in Northwest Sub.
- Upgrade 230/115 kV transformer at Potash Junction to 250 MVA.

(15) Describe any new Under Voltage Load-Shedding (UVLS) schemes (including how much load (MW) is targeted) expected to be implemented during the upcoming summer. For existing UVLS schemes, describe any change in how the device(s) will be used in the Assessment Area (including any change in how much load (MW) is targeted). Also, provide a brief summary of the overall UVLS in the assessment area.

SPP Assessment Area does not currently have a UVLS scheme.

(16) Discuss any Special Protection Systems (SPS) or Remedial Action Schemes (RAS) planned, or that have recently been added in the Assessment Area. Explain their application (e.g., generation reductions, transmission line trips, load curtailment, etc.). Also, identify whether each SPS/RAS is permanent or temporary. If an SPS/RAS will be removed during the assessment period, describe any system upgrades, enhancements, or operating procedures that may be necessary to replace it.

SPP Assessment Area has not recently added nor anticipates adding any new SPS for the assessment area in the 2015 summer timeframe. None of the current SPS's are expected to be removed during the upcoming summer.

(17) Are UFLS schedules expected to be met for the upcoming summer? If not, explain what mitigation efforts are planned.

The SPP Assessment Area Under frequency Load Shedding Plans (UFLS) are expected to perform consistent with SPP's UFLS requirements.

Seasonal Reliability Issues

(18) Describe any special operating studies (including any extreme weather conditions, drought studies, etc.) performed for the upcoming summer season. Also, explain any unique operational challenges recently observed and how they were mitigated.

SPP Assessment Area has not identified any unique operating challenges that would require a special summer seasonal study. As challenges arise then operational studies will be performed.

(19) Describe any new operating procedures resulting from integration of variable resources (i.e. wind, solar, etc.).

No operating procedures are required as a result of the integration of variable resources.

(20) Describe any availability concerns or other constraints regarding the use of Demand Response programs. Responses should be in terms of availability and performance. (If DR is deployed, what is the expectation that some of these resources will not perform?) Include any restrictions on how many times Demand Response resources can be deployed.

DR programs in the SPP Assessment Area are voluntary and are primarily targeted for summer peak load reduction use. For the most part, SPP Assessment Area members include their own DR and Energy Efficiency programs as reductions in their load forecasts. The utilization of DR resources is not vital for meeting the energy and capacity obligations of the SPP Region.

(21) Explain any environmental and/or regulatory restrictions (e.g., emissions, water levels, local ordinances, etc.) that could adversely impact reliability during the summer season. Have these considerations been reflected in the summer assessment? If these considerations have not been reflected in the assessment, explain how these potential risks are being addressed.

SPP Assessment Area has not identified any restrictions that would impact the reliability of the region for the upcoming summer. Restrictions of any sort will be evaluated and studied if reliability of the region is potentially impacted.

(22) At a high level, describe any significant issues (e.g., extended transmission or generation outages, modification to existing operational procedures, increased dependency on transfers, or identification of critical units for seasonal reliability) identified in neighboring Assessment Areas, subregions, or across any other inter- and intraregional areas that have the potential to impact operations. Additionally, identify the means in which these issues are coordinated and communicated between the neighboring areas.

The SPP Assessment Area is not aware of any significant issues in neighboring areas that are expected to affect the reliability of the system. SPP Assessment Area operators have daily calls with neighboring areas to discuss potential issues and their impacts on SPP. If an issue is determined to impact reliability then proper mitigation actions are deployed.

The Operations Reliability Coordination Agreement (ORCA) has recently been extended to April 1, 2016 and has new operational limits that allow MISO to dispatch up to 3000 MW between North and South. Similar to the

previous ORCA, MISO must take initial relief obligations during congestion down to 2000 MW of dispatch flow at which time normal Transmission Limiting Relief (TLR) is used. This revised ORCA procedure is coordinated between SPP, MISO, and the Joint Parties. On March 1, 2015 SPP and MISO began using Market-to-Market mechanisms to more efficiently and economically control congestion on SPP and MISO flowgates in which both markets have a significant impact. During congestion on an SPP Market-to-Market flowgate, SPP will initiate the Market-to-Market process, and SPP and MISO will coordinate through an iterative process to identify and redispatch the most cost effective generation between the two markets to relieve the congestion. SPP and MISO still rely on TLR to curtail the impact of transactions from entities other than SPP or MISO.

(23) Region Specific Question:

(24) Region Specific Question:

Narrative (to be included in the 2015SRA)

Based on the responses above, provide a narrative including appropriate information from each of the responses above. Only the text below will be included in the 2015SRA.

The SPP Assessment Area non-coincident Total Internal Demand forecast for the 2015 summer is 50,529 MW. The SPP Assessment Area anticipated Reserve Margin is forecasted to be 32% which remains well above the required reserve requirement of 13.6

Demand Response in the SPP Assessment Area is primarily treated as a summer peak load modifier and is expected to perform if called upon. For the most part, SPP Assessment Area members include their own DR and Energy Efficiency programs as reductions in their load forecasts. SPP does not anticipate any issues with the availability of Demand Response during the 2015 summer season.

SPP expects to integrate 2,173 MW of Nameplate Capacity by the end of the 2015 summer timeframe. The expected contributions are 305 MW from Natural Gas, and 1,868 MW from Wind.

The SPP Assessment Area has identified several flowgates as being constraints on the transmission system. These constraints can be mitigated by redispatching generation, and no reliability issues are expected. SPP has identified a few areas that require must run generation for voltage support during times of heavy load, loss of equipment, or unavailability of local peaker units responding. Operating guides have been put into place to provide mitigation.

SPP Assessment Area members forecasted 2,547 MW of Firm Imports and 1,014 MW of Firm Exports for the 2015 summer. All of these capacity transactions have firm transmission service. The SPP Assessment Area coordinates with neighboring areas to ensure that adequate transfer capabilities will be available for capacity transfers.

The SPP Assessment Area is not aware of any significant issues in neighboring areas that are expected to affect the reliability of the system. SPP Assessment Area operators have daily calls with neighboring areas to discuss potential issues and their impacts on SPP. If an issue is determined to impact reliability then proper mitigation actions are deployed.

The Operations Reliability Coordination Agreement (ORCA) has recently been extended to April 1, 2016 and has new operational limits that allow MISO to dispatch up to 3000 MW between North and South. Similar to the previous ORCA, MISO must take initial relief obligations during congestion down to 2000 MW of dispatch flow at which time normal Transmission Limiting Relief (TLR) is used. This revised ORCA procedure is coordinated between SPP, MISO, and the Joint Parties. On March 1, 2015 SPP and MISO began using Market-to-Market mechanisms to more efficiently and economically control congestion on SPP and MISO flowgates in which both markets have a significant impact. During congestion on an SPP Market-to-Market flowgate, SPP will initiate the Market-to-Market process, and SPP and MISO will coordinate through an iterative process to identify and redispatch the most cost effective generation between the two markets to relieve the congestion. SPP and MISO still rely on TLR to curtail the impact of transactions from entities other than SPP or MISO.

<http://www.spp.org/section.asp?group=2766&pageID=27>

DEMAND	Unit	#REF!
Total Internal Demand	MW	50529
Net Internal Demand	MW	49245.0

DEMAND-SIDE MANAGEMENT	Unit	#REF!
Controllable and Dispatchable Demand Response - Total	MW	1284.0
Controllable and Dispatchable Demand Response - Available	MW	1284.0

SCENARIO DATA	Unit	#REF!
Extreme Weather Load Forecast	MW	53055.5
Forced-Out Capacity	MW	
Extreme Weather Forced-Out Capacity	MW	
Scenario Reference Margin Level	%	

CAPACITY	Unit	#REF!
Existing-Certain	MW	63604.5
Existing-Other	MW	
Planned - Tier 1	MW	1293.0

VARIABLE RESOURCES	Unit	#REF!
Wind - Total Nameplate	MW	8897.0
Wind - Available	MW	1325.7
Solar - Total Nameplate	MW	50.0
Solar - Available	MW	32.8
Hydro - Total Nameplate	MW	3292.0
Hydro - Available	MW	2157.0

CAPACITY TRANSFERS - IMPORTS	Unit	#REF!
Firm Imports	MW	2547.0
Firm Imports - Full-Responsibility Purchases	MW	
Firm Imports - Owned Capacity/Entitlement Located Outside the Area	MW	
Firm Imports - Modeled	MW	

CAPACITY TRANSFERS - EXPORTS	Unit	#REF!
Firm Exports	MW	1014.0
Firm Exports - Full-Responsibility Sales	MW	
Firm Exports - Owned Capacity/Entitlement Located Outside the Area	MW	
Firm Exports - Modeled	MW	

DEMAND	Unit	#REF!
Total Internal Demand	MW	50529
Net Internal Demand	MW	49245.0

DEMAND-SIDE MANAGEMENT	Unit	#REF!
Controllable and Dispatchable Demand Response - Total	MW	1284.0
Controllable and Dispatchable Demand Response - Available	MW	1284.0

SCENARIO DATA	Unit	#REF!
Extreme Weather Load Forecast	MW	53055.5
Forced-Out Capacity	MW	
Extreme Weather Forced-Out Capacity	MW	
Scenario Reference Margin Level	%	

RESOURCE CATEGORIES	Unit	#REF!
Resources - Existing-Certain & Net Firm Transfers	MW	65137.5
Resources - Anticipated	MW	66430.5
Resources - Prospective	MW	66430.5

REFERENCE MARGIN LEVEL SHORTFALL	Unit	#REF!
Shortfall - Existing-Certain & Net Firm Transfers	MW	9,195.2
Shortfall - Anticipated	MW	10,488.2
Shortfall - Prospective	MW	10,488.2

RESERVE MARGINS	Unit	#REF!
Reserve Margin - Existing-Certain & Net Firm Transfers	%	32%
Reserve Margin -Anticipated	%	35%
Reserve Margin -Prospective	%	35%
Reference Margin Level	%	13.6%

Proposed Revisions to the Regional Delegation Agreement (RDA)

April 27, 2015

Debbie Currie
Manager of Regulatory Interface
and Process Improvement
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501.688.8228



RDA Proposed Revisions

Comment Period for Notice of Draft Posting (March 2 – April 2, 2015)

Regional Entity Rules

- Replaces the common attributes for Regional Standard Development Procedures with a reference to the Standards Processes Manual
- Removes the bylaws and Standard Processes Manuals as physical attachments to the individual RDAs to allow these attachments to be amended without requiring re-filing of individual RDAs

Compliance Monitoring and Enforcement

- Updates provisions to reflect current practices regarding the Compliance Monitoring and Enforcement Programs such as the disposition of instances of noncompliance or penalties and the creation of Multi-Regional Registered Entities (MRREs)

RDA Proposed Revisions (cont'd)

Policies and Procedures

- Recognizes and enhances NERC's existing ability to collaborate with REs to develop policies and procedures in the performance of activities related to their Delegated Authority
 - NERC President may issue a directive when collaboration is not successful

Regional Entity Performance

- Recognizes and enhances NERC's existing ability to:
 - Periodically review the performance of the RE's compliance with the RDAs and other NERC policies and procedures
 - Monitor the implementation of NERC's guidance and directives

Funding

- Clarifies the schedule for REs to submit audited financial statements to NERC

RDA Proposed Revisions (cont'd)

Termination

- Provides for an initial five-year term, with automatic renewal for one additional five-year term unless written notice is provided at least one year in advance
- **Due to SPP RE's structure with SPP, Inc. NERC is not affording SPP RE the automatic renewal clause**

Confidentiality

- Clarifies scope of “Confidential Information,” for purposes of the RDAs, to account for proprietary, business sensitive, and critical energy infrastructure information
- Recognizes the existing ability of NERC and REs to transfer or exchange Confidential Information to enable their business units to conduct delegated activities
- Clarifies that third-party beneficiaries are required to keep any confidential information provided to them confidential

RDA Proposed Revisions (cont'd)

Governing Law

- Amends governing law from New Jersey to Georgia

SPP RE's RDA Exhibit Changes

Exhibit A – Regional Boundaries

- Slight modification to transfer a Registered Entity located in the Texas Panhandle to Texas Reliability Entity

Exhibit B – Governance

- Removal of SPP, Inc. Bylaws

Exhibit C – Regional Standard Development Procedure

- Removal of SPP RE's Regional Standard Development Procedure

Exhibit D – Compliance Monitoring and Enforcement Program

- Change to the Regional Hearing of Compliance Matters
 - Hearing body expanded to include a committee of the Regional Entity's Board or an independent hearing panel

SPP RE's RDA Exhibit Changes (Con't)

Exhibit E - Funding

- **Designate SPP RE Trustees Chairman as an alternative to the SPP RE General Manager to authorize funds transfer**
- **Change Structure of SPP, Inc. Overhead Charge**
 - **Formerly, 100% variable charges allocated to SPP RE direct staff and engineering shared staff annual working hours**
 - **Changed to a primarily fixed charge with costs allocated via an appropriate measure (square footage, number of devices, headcount, etc.) to be appropriated on a monthly basis**
 - **Engineering staff hours and overhead allocation remains variable; an overhead charge will be added to the directly assignable staff hours**

RDA Approval Schedule

- NERC to take *pro forma* RDA to NERC Board for approval in May
 - *Will seek authorization for the appropriate NERC officer to enter into the RE-specific RDA*
- Prior to June 15, the REs will approve the RDAs
- NERC files RDAs with FERC no later than July 1

DRAFT PRO FORMA RDA 4-10-2015

DRAFT SPP RDA 4-20-2015

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND SOUTHWEST POWER POOL, INC.**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”)

Effective as of January 1, 2016, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the Bulk-Power System, and Southwest Power Pool, Inc., on behalf of Southwest Power Pool Regional Entity (“SPP”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and SPP may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824o) (hereafter “the Act”), which, among other things, provides for the establishment of an Electric Reliability Organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the Bulk-Power System;

WHEREAS, the Commission has adopted regulations for the implementation of the Act, which are set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39 (the “ERO Regulations”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the Bulk-Power System, subject to certain delegation provisions described below;

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

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the

delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as SPP, provided that:

- (A) The Regional Entity is governed by —
 - (i) an independent board;
 - (ii) a balanced stakeholder board; or
 - (iii) a combination independent and balanced stakeholder board.
- (B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and
- (C) The agreement promotes effective and efficient administration of Bulk-Power System reliability;

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

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

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

WHEREAS, NERC will work through SPP to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

WHEREAS, NERC has concluded that SPP meets all requirements of the Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules of Procedure”) necessary to qualify for delegation; and

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

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and SPP agree as follows:

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

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

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

(c) Delegated Authority means the authority delegated by NERC to SPP to propose and enforce Reliability Standards, consistent with Section 4(d) and the boundaries identified on **Exhibit A** pursuant to the Act and to undertake related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

2. Representations.

(a) For purposes of its Delegated Authority, SPP hereby represents and warrants to NERC that:

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

and fulfilling its obligations hereunder. SPP is governed in accordance with its bylaws by an independent board. Pursuant to these bylaws, no two industry sectors can control any SPP decision and no single industry sector can veto any SPP decision. The relevant criteria for the establishment of such bylaws are attached hereto in **Exhibit B**. No other SPP corporate governance documents shall be inconsistent with the criteria in **Exhibit B**.

(ii) SPP has developed a standards development procedure, which provides the process that SPP may use to develop Regional Reliability Standards that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, SPP has adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards within SPP's geographic boundaries as shown on **Exhibit A**.

(b) NERC hereby represents and warrants to SPP that:

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

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

(iii) NERC shall comply with its Certificate of Incorporation, Bylaws and Rules of Procedure, as from time to time adopted, approved or amended.

3. General Covenants.

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

(b) SPP shall provide NERC with a copy of its Regional Entity Rules upon request by

NERC.

(c) During the term of this Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 17 and 18 of this Agreement, NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations or programs of SPP under this Agreement without first obtaining the consent of SPP, which consent shall not be unreasonably withheld or delayed.

(d) During the term of this Agreement, NERC and SPP shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

(e) For purposes of this Agreement, NERC shall collaborate with the Regional Entities in the development of guidance, policies and procedures, and oversight parameters as contemplated by this Agreement. In the event that collaboration is not successful on any such matter, the NERC President may issue a directive with respect to such matter pursuant to Section 8 herein, and such directive shall be binding upon SPP.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of SPP in this Agreement, SPP's corporate governance documents, SPP's standards development process, and the compliance monitoring and enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to SPP for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries and such other scope set forth on **Exhibit A**, provided, that SPP shall not monitor and enforce compliance with Reliability Standards for SPP or an affiliated entity with respect to reliability functions for which SPP or an affiliate is a Registered Entity. Any exclusions from this delegation of authority to SPP within, or additions to this delegation of authority to SPP beyond, the geographic boundaries set forth in **Exhibit A** are stated in **Exhibit A**.

(b) In circumstances where SPP or an affiliated entity is a Registered Entity, SPP shall enter into an agreement with another Regional Entity or NERC for the other Regional

Entity or NERC to monitor and enforce SPP's or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.

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

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

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

5. Development and Proposal of Reliability Standards.

(a) In connection with its Delegated Authority, SPP shall be entitled to:

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

(ii) develop Regional Reliability Standards through SPP's process. SPP's process shall be consistent with the NERC Rules of Procedure and Commission directives. Any changes to SPP's process shall be submitted to the NERC Board of Trustees for approval and upon approval, be submitted to the Commission for approval. Proposals approved through SPP's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional

Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board of Trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SPP may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

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

6. Enforcement of Compliance with Reliability Standards.

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

and the approval of the Commission. Subject to the rights and limitations specified in Sections 17 and 18 of this Agreement, SPP agrees to comply with the NERC Rules of Procedure, with any directives issued pursuant to Section 8(c) of this Agreement, and with any guidance and directions issued by the NERC Board of Trustees or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) SPP shall maintain a program of proactive monitoring and enforcement of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual ERO Compliance Monitoring and Enforcement Program Implementation Plan.

(c) SPP shall report promptly to NERC information regarding noncompliance with a Reliability Standard, and its eventual disposition by SPP, as set forth in, and subject to the confidentiality and disclosure provisions of, the NERC Rules of Procedure, the NERC Compliance Monitoring and Enforcement Program, this Agreement, compliance and enforcement program procedures and guidance that NERC may from time to time develop and the ERO Regulations. NERC shall promptly forward such report to the Commission, as required by the ERO Regulations, or as the Commission shall from time to time direct. NERC and SPP shall cooperate in filing such periodic summary reports and analyses as the Commission shall from time to time direct.

(d) All dispositions by SPP of noncompliance with Reliability Standards shall be reported to NERC for review. NERC shall develop and implement policies and procedures for the review and, where appropriate, approval of dispositions of noncompliance.

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

7. Delegation-Related Activities.

NERC will engage SPP on its behalf to carry out certain of its activities that are in furtherance of Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of the Delegated Authority, as specified in the NERC Rules of Procedure and listed on **Exhibit E**. NERC may from time to time develop policies or procedures, which shall be used by SPP in the performance of the delegation-related activities. These delegation-related activities shall include, but are not limited to, those described in subsections (a) through (g), each of which shall be considered a statutory activity:

(a) **Certification of Bulk-Power System Entities.** The NERC Board of Trustees shall set criteria for certification in accordance with the NERC Rules of Procedure. Certifications shall be issued in accordance with the NERC Rules of Procedure.

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

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

(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by SPP and other Regional Entities. SPP shall provide timely and accurate information relating to registrations to NERC, as needed, to enable NERC to maintain a registration database that is accurate and up-to-date and to enable NERC to satisfy its monthly reporting obligation.

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

(c) **Reliability Assessment and Performance Analysis.** SPP shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are

collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. SPP shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives, and policies and procedures related to data-gathering, quality control, forms, and reporting mechanisms that NERC may from time to time develop.

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

(e) **Training and Education.** SPP may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related activities under this Agreement. NERC may also provide training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) **Situation Awareness.** SPP shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure, applicable governmental regulations, and policies and procedures that NERC may from time to time develop, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System.

(g) **Critical Infrastructure Security.** SPP shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

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

This Section 8 sets forth processes and procedures which the Parties intend shall be used

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

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

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

(iii) At the request of the President of NERC, SPP shall be required to develop, submit for NERC approval, and implement action plans to address, areas of its performance that are reasonably determined by NERC, based on analysis of SPP's performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, *provided*, that prior to requiring SPP to adopt and implement an action plan or other remedial action, NERC shall issue a notice to SPP of the need and basis for an action plan or other remedial action and provide an opportunity for SPP to submit a written response contesting NERC's evaluation of SPP's performance and the need for an action plan. SPP may

request that the President of NERC reconsider the request, and thereafter may request that the NERC Board of Trustees review and reconsider the request. NERC and SPP shall work collaboratively as needed in the development and implementation of SPP's action plan. A final action plan submitted by SPP to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

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

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

(ii) If after a period of time that is reasonable under the circumstances, NERC and SPP and, if applicable, other Regional Entities, are unable to reach agreement on the contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President.

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

(iv) NERC and SPP and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or

paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that it is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President makes a written determination stating a specific reason for maintaining a particular directive as non-public.

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

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

(f) NERC may perform reviews of SPP on a reasonable periodicity to determine SPP's compliance with this Agreement, any policies or procedures established by NERC, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c) and to monitor the implementation of guidance and directions issued by the NERC Board of Trustees pursuant to Section 8(d). All such periodic reviews shall comply with the NERC Rules of Procedure and Commission directives.

(g) The Commission and the Commission staff shall have full access to action plans

and remedial actions, directives, and directions and guidance issued pursuant to subsections (a)(iii), (c)(iv) and (d), respectively, that are maintained as non-public.

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

(a) SPP shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. SPP's proposed business plan and budget shall describe the activities necessary for, and provide a budget with adequate resources for, SPP to carry out its Delegated Authority under this Agreement, including the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E**. SPP's business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) SPP and NERC agree that the portion of SPP's approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for Load, or through such other formula as is proposed by SPP and approved by NERC and the Commission. If SPP proposes to use a formula other than Net Energy for Load beginning in the following year, SPP shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and SPP to the Commission pursuant to the ERO Regulations for such year.

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

presumed to satisfy this equitability requirement.

(d) NERC shall provide SPP with the form or forms for business plan and budget submittal, and any accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

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

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

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and SPP fiscal year budget with the actual results at the NERC and Regional Entity levels. SPP shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

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

(i) SPP shall submit audited financial statements annually, including supporting materials, in a form provided by NERC, by no later than the date reasonably required and designated in writing by NERC to enable NERC to assemble and file the required annual budget to actual true up filing with the Commission.

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

10. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SPP may not delegate in whole or in part its Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit SPP from contracting with other entities to assist it in carrying out its Delegated Authority, provided SPP retains control and responsibility for such Delegated Authority.

11. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this Section 11, or if a Breach is not capable of being cured within the period provided for

herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 18 of this Agreement to resolve a dispute as to whether a Breach has occurred or been cured. The provisions of this Section 11 will survive termination of this Agreement.

12. Term and Termination.

(a) This Agreement shall become effective on January 1, 2016 (the “Effective Date”).

(b) The term of this Agreement shall commence on the Effective Date, and shall have initial term of five years (the “Term”), ending on December 31, 2020.

(c) In the event of the termination of this Agreement, the Parties shall work to provide for a transition of SPP’s Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement.

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

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

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

14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party, except as otherwise specifically provided herein and in section 15(c).

15. Confidentiality.

(a) During the course of the Parties' performance under this Agreement, a Party may receive proprietary, business sensitive, or critical infrastructure information ("Confidential Information") necessary to fulfill its respective obligations in connection with this Agreement. The Parties agree that their mutual objective under this provision is to provide appropriate protection for Confidential Information, while maintaining the ability to conduct their respective business activities.

(b) No obligation of confidentiality shall apply to any information that the recipient: (i) already possesses without obligation of confidentiality; (ii) develops independently; or (iii) rightfully receives without any obligation of confidentiality from a third party.

(c) The Parties may transfer or exchange such Confidential Information with and between the other Regional Entities as third-party beneficiaries of the terms of this Agreement, provided the Parties and the other Regional Entities as third-party beneficiaries continue to

maintain the confidentiality of such information.

(d) Except as set forth herein and within the NERC Rules of Procedure, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party or specified third-party beneficiary of this Agreement, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party or specified third-party beneficiary of this Agreement that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party or specified third-party beneficiary of this Agreement to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party or specified third-party beneficiary of this Agreement waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information.

(e) Each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein.

(f) This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement, nor does it prohibit permitted disclosures as set forth in the NERC Rules of Procedure.

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

17. Amendments to the NERC Rules of Procedure. NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of SPP

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

18. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and SPP (including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to SPP's performance of its obligations under this Agreement) which cannot be resolved through discussions between representatives of the Parties in the normal course of operations, the Parties shall use the following procedures ("Dispute Resolution") to attempt to resolve the dispute. SPP shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

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

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

the receiving Party.

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

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

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

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

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

19. Notice. All notices, demands, requests, and other communications required, permitted by, or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand, e-mail or overnight courier:

If to NERC:

North American Electric Reliability Corporation
1325 G ST NW Suite 600
Washington, DC 20005
Attn: General Counsel
Email: legal@nerc.net

If to SPP:

Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, Arkansas 72223-4936
Attn: Ron Ciesiel
Email: rciesiel.re@spp.org

Comment [LP1]: SPP, please review and complete.

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

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

22. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that SPP may have to adopt reliability requirements or take other actions to maintain reliability of the Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the Delegated Authority, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and

do not result in a lessening of reliability outside the region described in **Exhibit A**.

23. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

24. Execution of Counterparts. This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

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

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

SOUTHWEST POWER POOL, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

Exhibit A — Regional Boundaries

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

The SPP Regional Entity covers an area of approximately 250,000 square miles of service territory (purple region depicted below) in all or part of eight states: Arkansas, Kansas, Louisiana, New Mexico, Mississippi, Missouri, Oklahoma, and Texas.

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

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

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

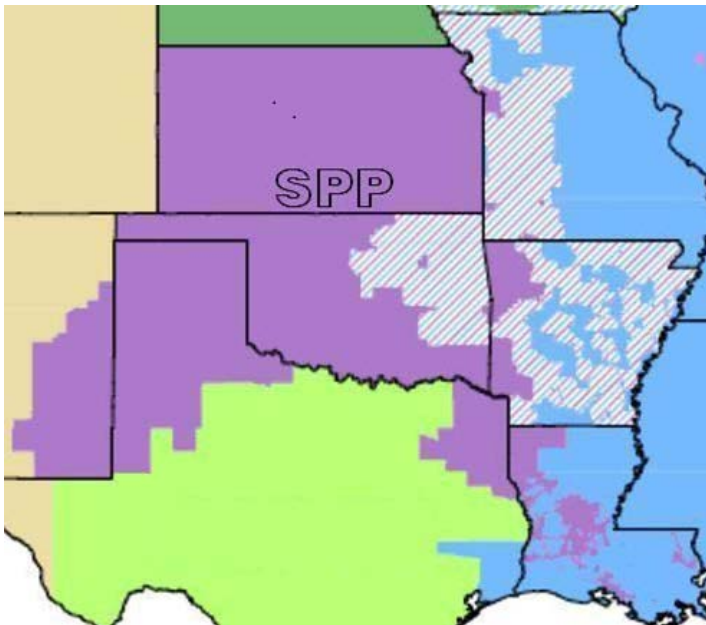


Exhibit B – Governance

The Regional Entity bylaws shall meet the following criteria:

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

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

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

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

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

Exhibit C [Intentionally left blank]

Exhibit D – Compliance Monitoring and Enforcement Program

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

SPP will implement the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within **SPP's** geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

SPP, to the extent required in the Rules of Procedure, shall establish and maintain a hearing body with authority to conduct and render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan, which shall be either **SPP's** board, a committee of the board, a balanced compliance panel reporting directly to **SPP's** board or an independent hearing panel. **SPP's** hearing body is the SPP Regional Entity Trustees.

To the extent required in the Rules of Procedure, **SPP** shall conduct all compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, proposed Mitigation Plan, or a proposed Remedial Action Directive, in accordance with Attachment 2, Hearing Procedures, to the NERC Compliance Monitoring and Enforcement Program, subject to the following deviations, if any: None.

3.0 OTHER DECISION-MAKING BODIES

SPP has engaged the SERC Reliability Corporation (SERC) to oversee the compliance monitoring and enforcement responsibility within the SPP Region as related to **SPP's** compliance with Reliability Standards requirements that are applicable to the functions for which **SPP** is a Registered Entity.

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

SPP shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standard Development
- Compliance Monitoring and Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis (including necessary data gathering activities)
- Event Analysis and Reliability Improvement
- Training and Education
- Situation Awareness
- Infrastructure Security

2. Preparation of Annual Business Plan and Budget

- (a) NERC and SPP, in conjunction with the other Regional Entities, shall collaboratively develop an annual schedule for the development, submission, review and approval of SPP's business plan and budget. The annual schedule for the preparation of business plans and budgets shall require SPP (i) to submit to NERC draft(s) of SPP's proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by SPP Board of Trustees to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of SPP's business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The SPP business plan and budget submission shall include supporting materials, including SPP's complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, and the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. SPP's business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.
- (b) NERC shall review and approve SPP's proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this

Exhibit E, or shall direct SPP to make such revisions as NERC deems appropriate prior to approval. NERC shall submit SPP's approved business plan and budget and proposed assessments to the Commission for approval as part of NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

3. Allocation of Costs

Assessments to fund the costs of SPP's delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in accordance with Section 9(b) of the Agreement. SPP shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying SPP's assessment and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of SPP's assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

4. Collection of Funding

- (a) NERC shall submit invoices to the load-serving entities or designees identified by SPP covering the NERC and SPP assessments approved for collection.
- (b) NERC shall pursue any non-payments of assessment amounts and shall request assistance from Applicable Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, SPP shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, SPP is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts. NERC shall add the amount of any non-payments by end-users or designees within SPP's region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within SPP's region.
- (c) Upon approval by Applicable Governmental Authorities of SPP's annual assessment to fund the costs of its delegated functions and related activities, NERC shall pay SPP's annual assessment to SPP in four equal quarterly payments on January 15, April 15, July 15 and October 15 of the budget year.

5. Application of Penalties

Except as otherwise approved by the Commission, all penalty monies received by SPP shall be applied as a general offset to SPP's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity.

6. Budget and Funding for SPP's Non-Statutory Activities

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), SPP performs the following other functions and activities (such other functions and activities being referred to in this Section 6 as "non-statutory activities"):

SPP performs non-statutory activities as a Regional Transmission Organization ("RTO"). As a RTO, SPP is mandated by the Commission to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. In furtherance of this mandate, SPP's specific non-statutory activities are the following primary services:

1. **Tariff Administration:** Independent administration of the Open Access Transmission Tariff that provides one-stop shopping for regional transmission service with consistent rates and terms.
2. **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.
3. **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.
4. **Market Operations:** SPP administers an Integrated 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.
5. **Expansion Planning:** SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.
6. **Contract Services:** SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

SPP shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

(i) Separation of funding sources for statutory activities and non-statutory activities. As a RTO, SPP is a public utility under the Federal Power Act, and is required to submit its budget to the Commission. The Commission already has approved SPP's RTO activities and has ordered that SPP's budgets be filed with the Commission.

SPP's non-statutory activities are funded separately from its Regional Entity statutory

activities through the imposition of a Commission-approved Tariff Administration Fee charged by SPP to all load under the SPP Open Access Tariff, except for Contract Services activities, which are funded by contract fees. Additionally, SPP's members are assessed an annual membership fee.

SPP shall provide its budget for such non-statutory activities to NERC at the same time that SPP submits its annual budget to FERC. SPP agrees that no costs of non-statutory activities are to be included in the calculation of SPP's dues, fees, and other charges for its statutory activities.

As provided in section 4(c) of this Exhibit E, on a quarterly basis, NERC will pay SPP an amount equal to one-fourth of the current year approved annual funding amount for SPP's statutory activities. Upon receipt of payment from NERC, SPP will deposit these funds into an account established solely to receive and hold funding received from NERC pursuant to SPP's performance of statutory activities under the Delegation Agreement. On a monthly basis, all expenses incurred by SPP for statutory activities and for non-statutory activities are recorded and paid from the SPP operating account. Throughout the year, as expenses incurred for SPP statutory activities are paid from the SPP operating account, transfers are made from the account established solely to receive and hold funding received from NERC to the SPP operating account in the amounts of payments made for expenses incurred for SPP statutory activities. The RE General Manager shall have primary authority to approve all withdrawal of funds from the SPP Regional Entity bank account. In the event the SPP RE General Manager is unavailable to authorize a funds withdrawal, the SPP RE Board of Trustee Chairman may authorize the withdrawal.

(ii) Separation of costs of statutory activities and non-statutory activities. All employees performing functions directly attributed to SPP's delegated responsibilities who also perform functions related to SPP's non-statutory activities will utilize a time tracking system to accurately reflect their time spent on statutory activities. On a monthly basis, SPP will input the time associated with its direct function staff performing statutory activities into a cost calculation model. Specifically, direct costs attributable to the direct function staff performing statutory activities are salary, SPP-paid medical insurance, Medicare and Social Security taxes, and other SPP-paid benefits. These costs are then combined with other directly assignable costs of statutory activities, such as travel, meetings, contractors, professional services, fees and expenses of Regional Entity independent trustees, and other direct administrative expenses, and reported on the NERC Statement of Activities.

In addition, an allocation of SPP overhead costs to statutory activities is calculated and the allocated overhead costs are recorded on the NERC Statement of Activities. These overhead costs are shared throughout the SPP organization and include costs for facilities, payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. This allocation is developed on an annual basis and apportioned monthly using SPP's current year expenses by allocating SPP's shared services support costs which support all of SPP's functions (*i.e.*, the costs for the activities identified in the second sentence of this paragraph) by an appropriate measure

(headcount, square footage, number of devices, etc.). An allocation of SPP overhead costs will also be added to the directly assignable staff's hourly rate for those employees performing SPP's statutory activities identified in the first paragraph of this section.

The total expenses for statutory activities in a month as recorded on the NERC Statement of Activities are used to determine the amount of transfer to be made to the SPP operating account to reimburse the SPP operating account for the payment of expenses of SPP's statutory activities. The RE General Manager shall have primary authority to approve all withdrawal of funds from the SPP Regional Entity bank account. In the event the SPP RE General Manager is unavailable to authorize the funds transfer, the SPP RE Board of Trustee Chairman may authorize the funds transfer.

SPP shall provide its budget for such non-statutory activities to NERC at the same time that SPP submits its proposed annual business plan and budget for statutory activities to NERC pursuant to Section 9 of the Agreement SPP's budget for non-statutory activities that is provided to NERC shall contain a detailed list of SPP's non-statutory activities and a description of the funding sources for the non-statutory activities. SPP agrees that no costs (which shall include a reasonable allocation of SPP's general and administrative costs) of non-statutory activities are to be included in the calculation of SPP's assessments, dues, fees, and other charges for its statutory activities.

7. Amended or Supplemental Business Plans and Budgets

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

8. NERC Review of Regional Entity Financial Records

Upon a request made to SPP with reasonable notice, NERC shall have access to and may review all financial records of SPP, including records used to prepare SPP's financial statements. NERC shall conduct reviews of the quarterly and annual financial statements submitted by SPP pursuant to Section 9(h) and (i) of the Agreement. SPP shall provide supporting documentation for the quarterly and annual financial statements as reasonably requested by NERC.

2016 Preliminary Business Plan and Budget Overview

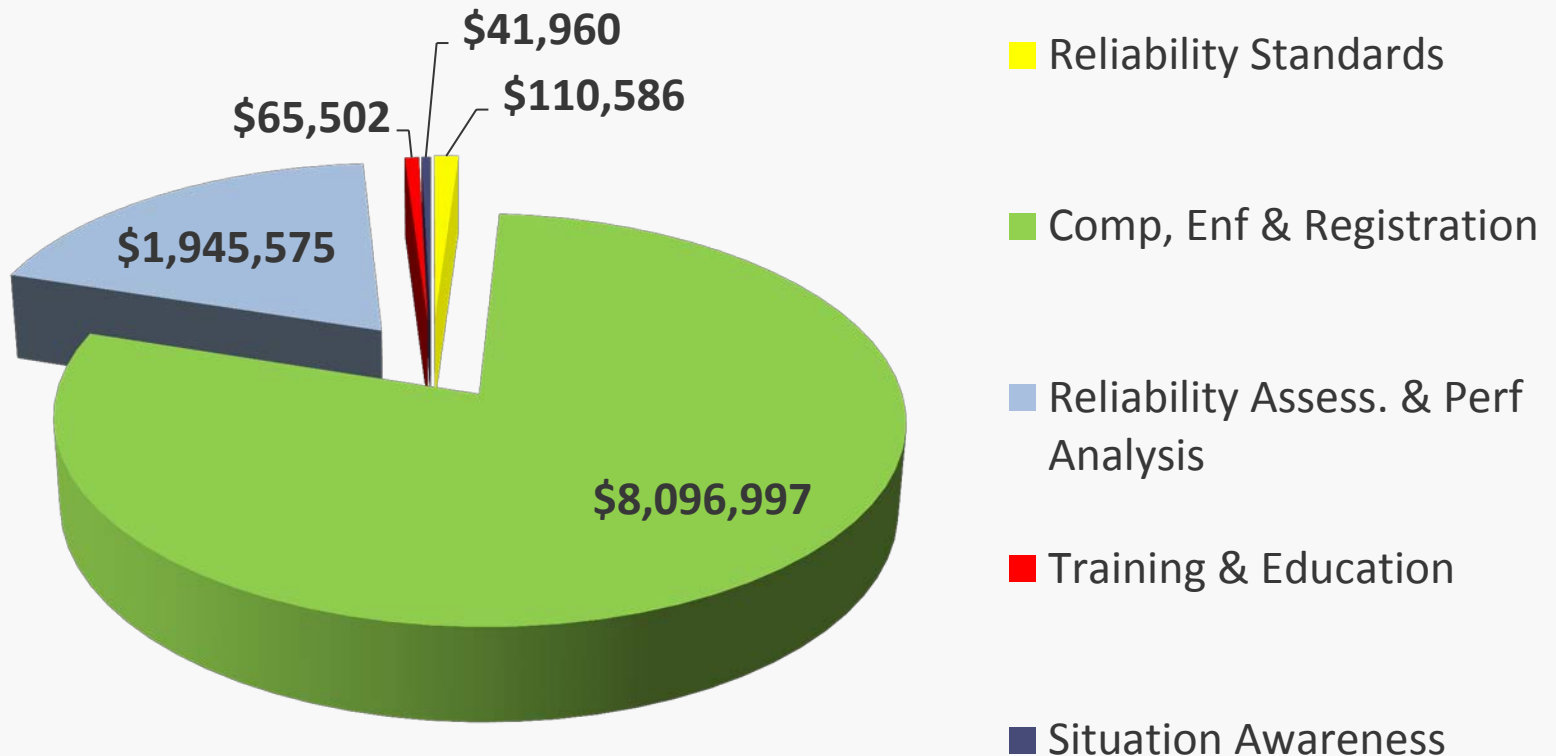
April 27, 2015

Debbie Currie
RE Manager of Regulatory
Interface and Process
Improvement



2016 Preliminary Budget Overview

Proposed Budget - \$10.3 Million



2016-2015 Budget Comparison Overview

Resource Item	Approved 2015	Preliminary 2016	Increase / (Decrease)	% Increase / (Decrease)
SPP RE Direct FTEs	29.00	28.00	(1.0)	(3%)
SPP Shared FTEs	3.75	4.25	0.50	13%
Total FTEs	32.75	32.25	(0.5)	(2%)
Direct Expenses (millions)	\$7.2	\$6.7	(\$581k)	(8%)
SPP, Inc. Indirect Expenses (millions)	\$4.6	\$3.6	(\$967k)	(21%)
Total Expenses (millions)	\$11.8	\$10.3	(\$1,547k)	(13%)
Total Funding Requirement (millions)	\$10.1	\$8.9	(\$1,240k)	(12%)
RE Assessments (millions)	\$9.7	\$8.7	(\$968k)	(10%)

2016-2015 Budget Comparison Direct Expenses

Cost Item	Increase/ (Decrease)	Explanation
Personnel	\$ (6k)	0.50 FTE reduction; 2016 full-year merit increase
Consultants/Professional Services	\$ (655k)	Increased Staff Experience and Improved RE Processes; Completion of Engineering Data Validation IT tool in 2015
Meetings/Office Costs	\$ 4k	Increase in meetings held at SPP Corporate Campus; increase in the number of meetings held with Regional Entities associated with CIP V5 outreach
Travel	\$ 77k	Increase in travel associated with CIP V5 outreach; increased airfare costs
Total Direct Expenses *	\$ (581k)	N/A
SPP Inc. Indirect Expenses	\$ (967k)	21% decrease in overhead rate due to change in allocation methodology
Total Decrease in Budgeted Expenses	\$ (1,547k)	N/A

** Includes SPP RE General & Administrative Services and Legal and Regulatory program expenses*

2016-2015 Budget Comparison FTEs



Total FTEs by Program Area	Budget 2015	Projection 2016	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.15	0.15	0.15	0.00	0.15	0.00
Compliance and Organization Registration and Certification	20.85	21.85	21.85	0.00	21.85	1.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	7.13	5.13	1.38	4.25	5.63	-1.50
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.25	27.25	23.50	4.25	27.75	-0.50
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	32.75	31.75	28.00	4.25	32.25	-0.50

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

2016-2015 Budget Comparison Program Summary

Program	Budget 2015	Projection 2015	Budget 2016	Change 2016 Budget v 2015 Budget	% Change
Reliability Standards	114,693	115,271	110,586	(4,107)	-3.6%
Compliance Enforcement and Register	8,583,743	8,836,057	8,096,997	(486,746)	-5.7%
Reliability Assess and Perf Analysis	2,978,437	2,692,168	1,945,575	(1,032,862)	-34.7%
Training and Education	88,086	88,199	65,502	(22,584)	-25.6%
Situation Awareness	43,152	43,566	41,960	(1,192)	-2.8%
	11,808,110	11,775,260	10,260,620	(1,547,490)	-13.1%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	11,808,110	11,775,260	10,260,620	(1,547,490)	-13.1%

2016 Proposed Budget Summary

- **Proposed 2016 budget** **\$10.3 million**
- **Decrease in expenses** **\$1.55 million / 13.1%**
- **Decrease in FTEs** **0.50**
- **Budget Change Drivers**
 - **Significant decrease in SPP, Inc. overhead cost**
 - **Increase in travel budget due to CIP V5 outreach**
 - **Staff Reductions**

2016 Business Plan/Budget (BP&B) Preparation Schedule

Dates	NERC	Regional Entity
May 1	RE Preliminary BP&Bs Due to NERC	
May 19	NERC Draft BP&B posted	Draft RE BP&Bs posted on NERC.com
May 27	Finance & Audit Committee Conference Webinar to review RE BP&Bs	
May 29	NERC files 2014 true-up with FERC	
June 15		SPP RE Trustee meeting for approval of 2016 BP&B

2016 BP&B Preparation Schedule

Dates	NERC	Regional Entity
July 6		Final RE budget submittal due
July 15	Final 2015 BP&Bs posted to NERC website	
August 11	Business plan, budgeted financials, and assessments presented to NERC Board of Trustees for approval	
August 24	Submit package to FERC	

2016 Business Plan and Budget

Southwest Power Pool Regional Entity

Preliminary Budget

April 27, 2015

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	32.25			
Non-statutory FTEs	-			
Total FTEs	32.25			
Statutory Expenses	\$ 10,260,620			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 10,260,620			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (1,355,229)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (1,355,229)			
Total Statutory Funding Requirement	\$ 8,905,392			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 8,905,392			
Statutory Funding Assessments	\$ 8,905,392	\$ 8,905,392		
Non-Statutory Fees	\$ -	\$ -		
NEL	231,286,053	231,286,053		
NEL%	100%	100%		

Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a nonprofit 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 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 to fulfill the functions and duties specified in the SPP Regional Delegation Agreement with NERC originally approved by FERC in 2007 and again in October 2010. 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 regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 150 registered entities located within the SPP RE's footprint, an eight-state area that includes all or a portion of Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

Sections A and B of this business plan and budget (BP&B) detail 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

Pursuant to the SPP bylaws, SPP RE is governed by three independent Regional Entity Trustees, who are not on the SPP Board and operate separately from the SPP 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 direct SPP RE Staff members have the authority to make compliance and enforcement decisions. SPP RE direct staff is independent of all BPS users, owners, and operators.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region.

SPP RE's governance, 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

2016 Key Assumptions

The key assumptions underlying the SPP RE 2016 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2016 BP&B. The assumptions that are of particular importance to the SPP RE's 2016 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.
4. NERC and the Regional Entities will work collaboratively to refine and revise processes and procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes.
5. Cyber and critical asset security will continue to be a priority in the United States, with significant oversight by applicable government authorities.
6. Cost pressures may affect stakeholder resources available to participate in NERC and Regional Entity activities. NERC and the Regional Entities business plans, budgets, and resource requirements will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development.
7. NERC and the Regional Entities will implement the Reliability Assurance Initiative (RAI) to focus on higher reliability risks to increase efficiency and mitigate overall compliance costs for registered entities.
8. NERC and the Regional Entities will work collaboratively to implement the registration and certification process through Risk-Based Registration. NERC and the Regions will work to ensure entities are properly registered and have been assigned the proper compliance responsibilities.

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to 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 conduct certain activities in the SPP RE's Reliability Assessment and Performance Analysis program.
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 SPP RE.

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

Goals and Key Deliverables

As part of the implementation of the Electric Reliability Organization Strategic Goals through 2018 (ERO Strategic Plan)¹, NERC and the Regional Entities developed a set of Common Assumptions² that are now used to guide budget resource projections for each regional entity and the ERO overall. In addition to the ERO Strategic Goals, the SPP RE Strategic Plan – 2012-2015³, which was developed in a collaborative manner, seeking input from RE staff, RTO staff,

¹<http://www.nerc.com/gov/bot/FINANCE/Hidden%20Documents/Electric%20Reliability%20Organization%20Enterprise%20Strategic%20Plan%202014-2017.pdf>

² See NERC 2016 Business Plan and Budget, Exhibit A.

³ <http://www.nerc.com/gov/bot/FINANCE/2015nercbnsplnbg/2015%20NERC%20Business%20Plan%20and%20Budget.pdf>

³ http://www.spp.org/publications/RE_Strategy_2012_2015%20Clean.pdf

stakeholders, RE Trustees, the SPP Board, and the SPP Strategic Planning Committee, also serves as a guide for SPP RE's planning processes and ongoing actions.

SPP RE-specific goals and deliverables include:

- Effectively and efficiently perform the delegated functions of 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 videos, and newsletters, that facilitate a learning environment and promote a strong culture of reliability excellence and compliance.
- 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.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

2016 Overview of Cost Impacts

The \$10.3 million operating budget reflects an approximate \$1.5 million decrease or -13.1%. Funding assessments decreased by \$968 thousand or 10%, from \$9.7 million to \$8.7 million. A summary of the funding by program area is shown in the chart below.

Program	Budget 2015	Projection 2015	Budget 2016	Change	
				2016 Budget v 2015 Budget	% Change
Reliability Standards	114,693	115,271	110,586	(4,107)	-3.6%
Compliance Enforcement and Registr	8,583,743	8,836,057	8,096,997	(486,746)	-5.7%
Reliability Assess and Perf Analysis	2,978,437	2,692,168	1,945,575	(1,032,862)	-34.7%
Training and Education	88,086	88,199	65,502	(22,584)	-25.6%
Situation Awareness	43,152	43,566	41,960	(1,192)	-2.8%
	<u>11,808,110</u>	<u>11,775,260</u>	<u>10,260,620</u>	<u>(1,547,490)</u>	<u>-13.1%</u>
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	

As shown in the chart that follows, the net decrease in budgeted FTEs is 0.50. Two Lead Engineer positions were eliminated from the Reliability Assessment and Performance Analysis Program area. The number of SPP Shared Staff FTEs in this program area was increased by 0.50 FTE. In addition, two Enforcement Law Clerks were made permanent employees and their 0.50 FTE each was changed to 1.0 FTE each for an overall increase of 1.0 FTE. In addition, an Enforcement Attorney position was moved to Compliance.

Total FTEs by Program Area	Budget 2015	Projection 2016	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.15	0.15	0.15	0.00	0.15	0.00
Compliance and Organization Registration and Certification	20.85	21.85	21.85	0.00	21.85	1.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	7.13	5.13	1.38	4.25	5.63	-1.50
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.25	27.25	23.50	4.25	27.75	-0.50
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	32.75	31.75	28.00	4.25	32.25	-0.50

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

Compared to the 2015 budget, the net decrease in direct expenses and the net decrease in SPP, Inc. indirect expenses are approximately \$581 thousand and \$967 thousand, respectively. The decrease in direct expenses is principally due to a reduction in the use of contractors and consultants and the elimination of hearing costs. The decrease in SPP, Inc. indirect expenses is due to a change in the way the SPP, Inc. overhead charges are allocated.⁴ Additional information regarding the changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table on the next page.

⁴ A table showing the derivation of the Indirect Expense Rate is presented in Section E.

2015 Budget and Projection and 2016 Budget Comparisons

Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget					
Funding	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ 9,680,648	\$ 9,680,648	\$ -	\$ 8,712,392	\$ (968,256)
Penalty Sanctions	464,500	464,500	-	193,000	(271,500)
Total SPP RE Funding	\$ 10,145,148	\$ 10,145,148	\$ -	\$ 8,905,392	\$ (1,239,756)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 10,145,148	\$ 10,145,148	\$ -	\$ 8,905,392	\$ (1,239,756)
Expenses					
Personnel Expenses					
Salaries	\$ 3,890,082	\$ 3,890,082	\$ -	\$ 3,896,492	\$ 6,410
Payroll Taxes	297,591	297,591	-	298,082	490
Benefits	346,900	338,260	(8,640)	333,564	(13,336)
Retirement Costs	155,603	155,603	-	155,860	256
Total Personnel Expenses	\$ 4,690,177	\$ 4,681,537	\$ (8,640)	\$ 4,683,997	\$ (6,180)
Meeting Expenses					
Meetings	\$ 86,500	\$ 86,500	\$ -	\$ 90,000	\$ 3,500
Travel	603,000	603,000	-	680,200	77,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 689,500	\$ 689,500	\$ -	\$ 770,200	\$ 80,700
Operating Expenses					
Consultants & Contracts	\$ 1,370,600	\$ 1,390,600	\$ 20,000	\$ 965,042	\$ (405,558)
Office Rent	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-
Professional Services	477,645	476,345	(1,300)	153,450	(324,195)
Miscellaneous	-	-	-	74,445	74,445
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,856,245	\$ 1,874,945	\$ 18,700	\$ 1,200,937	\$ (655,308)
Total Direct Expenses	\$ 7,235,922	\$ 7,245,982	\$ 10,060	\$ 6,655,134	\$ (580,788)
SPP Inc. Indirect Expenses	\$ 4,572,188	\$ 4,529,278	\$ (42,910)	\$ 3,605,486	\$ (966,702)
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 4,572,188	\$ 4,529,278	\$ (42,910)	\$ 3,605,486	\$ (966,702)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,808,110	\$ 11,775,260	\$ (32,850)	\$ 10,260,620	\$ (1,547,490)
Change in Assets	\$ (1,662,962)	\$ (1,630,112)	\$ 32,850	\$ (1,355,229)	\$ 307,734
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 11,808,110	\$ 11,775,260	\$ (32,850)	\$ 10,260,620	\$ (1,547,490)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,662,962)	\$ (1,630,112)	\$ 32,850	\$ (1,355,229)	\$ 307,734

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

Section A – Statutory Programs

2016 Business Plan and Budget



Section A — 2016 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.15	0.15	-
Direct Expenses	\$ 69,181	\$ 71,613	\$ 2,432
Indirect Expenses- SPP Inc.	\$ 20,941	\$ 16,770	\$ (4,171)
Indirect Expenses- SPP RE	\$ 24,571	\$ 22,203	\$ (2,368)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 114,693	\$ 110,586	\$ (4,107)

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 0.15 FTEs represents the time spent by the Enforcement Group staff member on reliability standards development activities. Specifically, SPP RE Staff 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.

2016 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in the ERO BP&B Assumptions.

2016 Goals and Key Deliverables

- Meet directives of ERO governmental authorities regarding standards development and procedures;
- Communicate with stakeholders and regulators regarding standards development;
- Participate and represent SPP region in NERC standard development activities that may have significant influence on the planning and business practices of the entities registered with SPP RE

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- The increase in personnel expenses of \$2,432 is due to the 2016 budgeted merit pay increase and an increase in benefit costs.

Meeting Expenses

- There are no changes in operating expenses for this program, i.e. the budget amount of \$50,000 for travel reimbursement for registered entities representing the SPP region on Standard Drafting Teams remains the same.

Operating Expenses

- There are no changes in operating expenses for this program, i.e. the budgeted amount remains zero.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed allocation of SPP, Inc. facilities, information technology, human resources/benefits/payroll and general corporate expenses as well as an overhead allocation to the Engineering Shared Staff utilized by the RE. The new allocation methodology resulted in a significant decrease in this expense.
- 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 decrease 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 2016 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Reliability Standards					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 112,227	\$ 112,227	\$ -	\$ 109,543	\$ (2,684)
Penalty Sanctions	2,466	2,466	-	1,043	(1,423)
Total SPP RE Funding	\$ 114,693	\$ 114,693	\$ -	\$ 110,586	\$ (4,107)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 114,693	\$ 114,693	\$ -	\$ 110,586	\$ (4,107)
Expenses					
Personnel Expenses					
Salaries	\$ 16,019	\$ 16,019	\$ -	\$ 18,010	\$ 1,991
Payroll Taxes	1,225	1,225	-	1,378	152
Benefits	1,296	1,296	-	1,505	209
Retirement Costs	641	641	-	720	80
Total Personnel Expenses	\$ 19,181	\$ 19,181	\$ -	\$ 21,613	\$ 2,432
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	50,000	50,000	-	50,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 69,181	\$ 69,181	\$ -	\$ 71,613	\$ 2,432
SPP Inc. Indirect Expenses	\$ 20,941	\$ 21,398	\$ 457	\$ 16,770	\$ (4,171)
SPP RE Indirect Expenses	24,571	24,691	121	22,203	(2,368)
Total Indirect Expenses	\$ 45,512	\$ 46,089	\$ 578	\$ 38,973	\$ (6,539)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 114,693	\$ 115,271	\$ 578	\$ 110,586	\$ (4,107)
Change in Assets	\$ -	\$ (578)	\$ (578)	\$ -	\$ 1
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 114,693	\$ 115,271	\$ 578	\$ 110,586	\$ (4,107)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (578)	\$ (578)	\$ -	\$ 1
FTEs	0.15	0.15	0.00	0.15	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	20.85	21.85	1.00
Direct Expenses	\$ 4,186,132	\$ 4,316,055	\$ 129,923
Indirect Expenses- SPP Inc.	\$ 2,910,843	\$ 2,442,786	\$ (468,057)
Indirect Expenses- SPP RE	\$ 1,486,767	\$ 1,338,156	\$ (148,611)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 8,583,743	\$ 8,096,997	\$ (486,746)

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. There are approximately 150 registered entities located within the SPP RE's footprint. 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.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region. In accordance with the terms of the agreement between SERC and SPP, SPP RE has included \$75,000 in its budget to compensate SERC for performing the 2016 CMEP activities for SPP's registered functions in the SPP RE region.

SPP RE CMEP activities are organized into three distinct groups: Compliance Monitoring; Critical Infrastructure Protection (CIP); and Enforcement. The SPP RE Director of Compliance and Events is responsible for the oversight of the Compliance Monitoring Group, the Director of Critical Infrastructure Protection (CIP) is responsible for the oversight of the CIP Group, and 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) performing entity-specific inherent risk assessments and internal controls evaluations, 2) conducting compliance audits, spot checks, and self-certifications of entities registered in the SPP RE footprint, 3) reviewing CIP technical feasibility exception requests (TFEs), periodic data submittals and self-reports made by entities registered in the SPP RE footprint, 4) participating in SPP RE workshops and webinars, and 5) participating in various SPP and NERC working groups. The Compliance Groups also make the initial determination of whether a registered entity is non-compliant with a reliability standard.

A total of 12.00 FTEs are assigned to the Compliance Groups, and include: the SPP RE Director of Compliance, allocated at 0.5 FTEs, five Compliance Monitoring positions, Director of Critical Infrastructure Protection, five CIP audit positions, and one Compliance Coordinator, allocated at 0.5 FTEs.

In addition to the SPP RE Staff, SPP RE uses consultants to assist the SPP RE with operations and planning (693) and CIP audits. On average, two consultants participate on each SPP RE onsite 693 and CIP audit team and one consultant participates on SPP's offsite 693 audit team and CIP field tests audit team. SPP RE has included \$733,042 in its budget for compliance consulting costs.

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 possible 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 Notice of Possible Violations, Notice of Alleged Violations and Penalties and Sanctions, and Confirmed Notice of Violation, 3) preparing and processing Find, Fix and Track (FFTs) and Compliance Exceptions, 4) reviewing, accepting, and verifying completion of mitigation plans, 5) participating in settlement negotiations, 6) participating in hearings of contested violations, as necessary, and 7) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 9.85 FTEs are assigned to this group, and include: the Manager of Enforcement, three enforcement attorneys, one compliance enforcement specialist, one mitigation plan analyst, one mitigation plan engineer, one paralegal, and two permanent law clerks (at 1.0 FTE each). To recognize that staff members assigned to the Enforcement group are also responsible for participating and representing SPP RE in NERC standard development activities, 0.15 FTEs assigned to the Enforcement group has been allocated to the Reliability Standards Program.

In addition to the SPP RE Staff, SPP RE uses consultants to assist SPP RE with reviewing, accepting, verifying completion of mitigation plans, and processing possible violations. SPP RE has included \$150,000 in its budget for compliance consulting costs.

2016 Key Assumptions

The assumptions for this program are consistent with those contained in the ERO BP&B Assumptions. 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 compliance enforcement authority (CEA) workshops will occur. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel and labor expenses) to participate and attend this training. SPP RE has provided time for staff to maintain industry certifications, such as NERC System Operator Certification, physical and cyber security technical certifications, professional auditing certifications, Professional Engineering License, etc.

Given these key assumptions and based on actual 2015 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

2016 Goals and Key Deliverables

- Ensure that bulk power system owners, operators, and users are correctly registered, ensure the revised BES definition is correctly applied, and process Exception Requests in a timely manner;
- 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
- Conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations
- Coordinated oversight of Multi-Region Registered Entities (MRREs)
- Perform six to eight on-site FERC Order 693 compliance audits of registered 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 with High or Medium Impact BES Cyber Systems;
- Perform spot check, self-certifications, and periodic data submittals of specified standards as dictated by NERC's 2016 Compliance Monitoring and Enforcement Program Annual Implementation Plan;
- Perform Compliance Investigations, as necessary;
- Perform secondary review of initial findings of possible violations;
- Create Notices of Alleged Violation and Proposed Penalties and Sanctions (NAVAPS) and Notices of Confirmed Violations (NOCV);
- Process Find, Fix and Track (FFTs) and Compliance Exceptions
- Negotiate and develop settlements of violations;
- Verify that findings of non-compliance are and/or have been appropriately mitigated;
- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2016;

- SPP RE supports NERC’s implementation of the Risk-Based Registration Initiative and CIP v5 transition as joint ERO Enterprise initiatives that have benefit to NERC, the Regional Entities and Registered Entities.

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

- Personnel expenses are expected to increase by \$95,531 which reflects the addition of a CIP auditor in anticipation of an increase in the number of registered entities in the SPP RE footprint due to the CIP V5 transition; the budgeted merit pay increase for 2016; and an increase in benefit costs.

Meeting Expenses

- Meeting expenses are expected to increase by \$13,500. This increase is primarily due to the number of meetings held with registered entities and the CIP V5 outreach.

Operating Expenses

- The net change in Consultant and Contract Expenses is a decrease of approximately \$81,558. The decrease in the use of contractors reflects the increase in SPP RE staff experience and improved efficiencies in SPP RE processes.
- The net change in the Miscellaneous Expenses is due to a reclassification of the expense associated with professional licenses, certifications and training for SPP RE staff from the Benefits Expense.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed allocation of SPP, Inc. facilities, information technology, human resources/benefits/payroll and general corporate expenses as well as an overhead allocation to the Engineering Shared Staff utilized by the RE. The new allocation methodology resulted in a significant decrease in this expense. The SPP, Inc. charge has been adjusted to reflect the 1.00 FTE increase in this program area.
- 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 decrease in the SPP RE Indirect Expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2015 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Compliance and Organization Registration and Certification					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 8,240,917	\$ 8,240,917	\$ -	\$ 7,945,031	\$ (295,886)
Penalty Sanctions	342,826	342,826	-	151,966	(190,860)
Total SPP RE Funding	\$ 8,583,743	\$ 8,583,743	\$ -	\$ 8,096,997	\$ (486,746)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,583,743	\$ 8,583,743	\$ -	\$ 8,096,997	\$ (486,746)
Expenses					
Personnel Expenses					
Salaries	\$ 2,349,882	\$ 2,349,882	\$ -	\$ 2,438,351	\$ 88,469
Payroll Taxes	179,766	179,766	-	186,534	6,768
Benefits	222,444	231,084	8,640	219,199	(3,245)
Retirement Costs	93,995	93,995	-	97,534	3,539
Total Personnel Expenses	\$ 2,846,087	\$ 2,854,727	\$ 8,640	\$ 2,941,618	\$ 95,531
Meeting Expenses					
Meetings	\$ 1,500	\$ 1,500	\$ -	\$ 15,000	\$ 13,500
Travel	350,000	350,000	-	420,200	70,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 351,500	\$ 351,500	\$ -	\$ 435,200	\$ 83,700
Operating Expenses					
Consultants & Contracts	\$ 964,600	\$ 984,600	\$ 20,000	\$ 883,042	\$ (81,558)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	23,945	23,945	-	4,750	(19,195)
Miscellaneous	-	-	-	51,445	51,445
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 988,545	\$ 1,008,545	\$ 20,000	\$ 939,237	\$ (49,308)
Total Direct Expenses	\$ 4,186,132	\$ 4,214,772	\$ 28,640	\$ 4,316,055	\$ 129,923
SPP Inc. Indirect Expenses	\$ 2,910,843	\$ 3,116,999	\$ 206,156	\$ 2,442,786	\$ (468,057)
SPP RE Indirect Expenses	1,486,767	1,504,285	17,518	1,338,156	(148,611)
Total Indirect Expenses	\$ 4,397,610	\$ 4,621,284	\$ 223,674	\$ 3,780,942	\$ (616,668)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,583,743	\$ 8,836,057	\$ 252,314	\$ 8,096,997	\$ (486,746)
Change in Assets	\$ -	\$ (252,314)	\$ (252,314)	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 8,583,743	\$ 8,836,057	\$ 252,314	\$ 8,096,997	\$ (486,746)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (252,314)	\$ (252,314)	\$ -	\$ (1)
FTEs	20.85	21.85	1.00	21.85	1.00

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	7.13	5.63	(1.50)
Direct Expenses	\$ 1,463,824	\$ 1,005,091	\$ (458,733)
Indirect Expenses- SPP Inc.	\$ 994,713	\$ 628,864	\$ (365,849)
Indirect Expenses- SPP RE	\$ 519,899	\$ 311,620	\$ (208,279)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 2,978,437	\$ 1,945,575	\$ (1,032,862)

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. SPP RE direct and Shared Staff members assigned to this program support NERC's efforts in preparing three reliability assessments each year: a long-term reliability assessment (LTRA) report, a summer assessment report, and a winter assessment report. These reports analyze electricity demand and 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.

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. 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.

2016 Key Assumptions

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

- NERC and the Regional Entities will prioritize and budget for a long-term and two seasonal reliability assessments 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 process and encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing;
- Support cause coding of events for trend analysis purposes; and
- The number of events requiring review and analysis are expected to remain at approximately the same level as 2015.

2016 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;
- Perform a Probabilistic Assessment in support of the LTRA;
- 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);
- Participate in NERC's model validation efforts;
- 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:
 - Event Analysis Subcommittee (EAS)
 - Reliability Assessment Database Working Group (RADWG)
 - Reliability Assessment Subcommittee (RAS)
 - Performance Analysis Subcommittee (PAS)
 - Generator Availability Data System Working Group (GADSWG)
 - Transmission Availability Data System Working Group (TADSWG)

- Demand Response Availability Data System Working Group (DADSWG)

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

- Personnel Expenses for this program increased by \$141,733 as a result of the elimination of two open positions, partially offset by an increase of 0.50 Shared Staff FTE.

Meeting Expenses

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

Operating Expenses

- Operating Expenses, specifically budgeted consultant expenses, are expected to decrease by \$250,000 due to the completion of the Engineering Model Data Validation project in 2015.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed allocation of SPP, Inc. facilities, information technology, human resources/benefits/payroll and general corporate expenses as well as an overhead allocation to the Engineering Shared Staff utilized by the RE. The new allocation methodology resulted in a significant decrease in this expense. The SPP, Inc. charge has been adjusted to reflect the 1.50 FTE decrease in this program area.
- 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 decrease 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 2016 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Reliability Assessment and Performance Analysis					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 2,861,284	\$ 2,861,284	\$ -	\$ 1,906,453	\$ (954,831)
Penalty Sanctions	117,153	117,153	-	39,122	(78,031)
Total SPP RE Funding	<u>\$ 2,978,437</u>	<u>\$ 2,978,437</u>	<u>\$ -</u>	<u>\$ 1,945,575</u>	<u>\$ (1,032,862)</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 2,978,437</u>	<u>\$ 2,978,437</u>	<u>\$ -</u>	<u>\$ 1,945,575</u>	<u>\$ (1,032,862)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 847,886	\$ 847,886	\$ -	\$ 728,223	\$ (119,663)
Payroll Taxes	64,863	64,863	-	55,709	(9,154)
Benefits	64,560	47,280	(17,280)	56,430	(8,130)
Retirement Costs	33,915	33,915	-	29,129	(4,787)
Total Personnel Expenses	<u>\$ 1,011,224</u>	<u>\$ 993,944</u>	<u>\$ (17,280)</u>	<u>\$ 869,491</u>	<u>\$ (141,733)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	100,000	100,000	-	105,000	5,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 5,000</u>
Operating Expenses					
Consultants & Contracts	\$ 350,000	\$ 350,000	\$ -	\$ 25,000	\$ (325,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	2,600	1,300	(1,300)	2,600	-
Miscellaneous	-	-	-	3,000	3,000
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 352,600</u>	<u>\$ 351,300</u>	<u>\$ (1,300)</u>	<u>\$ 30,600</u>	<u>\$ (322,000)</u>
Total Direct Expenses	<u>\$ 1,463,824</u>	<u>\$ 1,445,244</u>	<u>\$ (18,580)</u>	<u>\$ 1,005,091</u>	<u>\$ (458,733)</u>
SPP Inc. Indirect Expenses	\$ 994,713	\$ 731,104	\$ (263,609)	\$ 628,864	\$ (365,849)
SPP RE Indirect Expenses	519,899	515,819	(4,080)	311,620	(208,279)
Total Indirect Expenses	<u>\$ 1,514,612</u>	<u>\$ 1,246,923</u>	<u>\$ (267,689)</u>	<u>\$ 940,484</u>	<u>\$ (574,128)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 2,978,437</u>	<u>\$ 2,692,168</u>	<u>\$ (286,269)</u>	<u>\$ 1,945,575</u>	<u>\$ (1,032,862)</u>
Change in Assets	<u>\$ -</u>	<u>\$ 286,269</u>	<u>\$ 286,269</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 2,978,437	\$ 2,692,168	\$ (286,269)	\$ 1,945,575	\$ (1,032,862)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ 286,269</u>	<u>\$ 286,269</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	7.13	5.13	(2.00)	5.63	(1.50)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses*	\$ 65,000	\$ 50,000	\$ (15,000)
Indirect Expenses- SPP Inc.	\$ -	\$ -	\$ -
Indirect Expenses- SPP RE	\$ 23,086	\$ 15,502	\$ (7,584)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 88,086	\$ 65,502	\$ (22,584)

* To maintain confidentiality, Personnel Expenses are included in General & Administrative.

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. SPP RE Staff design, develop, and conduct training and education via workshops, newsletters, webinars, SPP RE Trustee meetings, and videos.

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.

2016 Key Assumptions

SPP RE will continue its outreach activities designed to increase regional BPS reliability, educate stakeholders about compliance matters, and inform stakeholders of emerging issues and compliance program changes. NERC will continue to budget and incur the cost of a unified learning system for the regional CEA staff and work with the Registered Entities to consolidate training resources. This promotes better coordination, planning, delivery and management of training efforts across the enterprise without adversely impacting region-specific training requirements.

2016 Goals and Key Deliverables

- Host three compliance workshops, one focused on CIP
- Publish a monthly newsletter
- Host at least six compliance webinars
- Maintain an online training video library to share compliance information with stakeholders.

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 personnel expenses for the Training and Education program are accounted for within the General and Administrative program (50%) and the Compliance Program (50%).

Meeting Expenses

- Meeting Expenses are expected to decrease by \$10,000 due to the ability to host some SPP RE workshops and meetings at the SPP corporate center.

Operating Expenses

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

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed allocation of SPP, Inc. facilities, information technology, human resources/benefits/payroll and general corporate expenses as well as an overhead allocation to the Engineering Shared Staff utilized by the RE. The new allocation methodology resulted in a significant decrease in this expense.
- 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 decrease 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 2016 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Training and Education					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 88,086	\$ 88,086	\$ -	\$ 65,502	\$ (22,584)
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 88,086	\$ 88,086	\$ -	\$ 65,502	\$ (22,584)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 88,086	\$ 88,086	\$ -	\$ 65,502	\$ (22,584)
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 50,000	\$ (10,000)
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 60,000	\$ 60,000	\$ -	\$ 50,000	\$ (10,000)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	5,000	5,000	-	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ (5,000)
Total Direct Expenses	\$ 65,000	\$ 65,000	\$ -	\$ 50,000	\$ (15,000)
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ -	\$ -
SPP RE Indirect Expenses	23,086	23,199	-	15,502	(7,584)
Total Indirect Expenses	\$ 23,086	\$ 23,199	\$ 113	\$ 15,502	\$ (7,584)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 88,086	\$ 88,199	\$ 113	\$ 65,502	\$ (22,584)
Change in Assets	\$ -	\$ (113)	\$ (113)	\$ -	\$ (1)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 88,086	\$ 88,199	\$ 113	\$ 65,502	\$ (22,584)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (113)	\$ (113)	\$ -	\$ 0
FTEs	-	-	-	-	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.13	0.13	-
Direct Expenses	\$ 18,965	\$ 21,362	\$ 2,397
Indirect Expenses- SPP Inc.	\$ 17,451	\$ 13,975	\$ (3,476)
Indirect Expenses- SPP RE	\$ 6,736	\$ 6,623	\$ (113)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 43,152	\$ 41,960	\$ (1,192)

Program Scope and Functional Description

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

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

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

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

- Developing guidance and recommendations to CIPC members representing the SPP

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002 through CIP-009) 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.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
 - Continue quarterly meetings
 - Maintain and Increase CIPWG membership
 - Provide registered entities-only discussion periods regarding CIP compliance progress
 - Provide progress updates on CIP standards drafting and CIP Version 3 to Version 5 transition
 - 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 and discussion/outreach forum for CIP Version 5 implementation issues
 - Provide general recommendations on appropriate security best practices
 - Provide opportunities for technical and compliance-related training
 - Coordinate and perform entity outreach visits and NERC Security Reliability Program activities
 - 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

- There is no change to the budgeted FTEs for this program area.

Meeting Expenses

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

Operating Expenses

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

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed allocation of SPP, Inc. facilities, information technology, human resources/benefits/payroll and general corporate expenses as well as an overhead allocation to the Engineering Shared Staff utilized by the RE. The new allocation methodology resulted in a significant decrease in this expense.
- The 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 decrease 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 2016 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2014 Budget & Projection, and 2015 Budget					
Situation Awareness and Infrastructure Security					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 41,097	\$ 41,097	\$ -	\$ 41,091	\$ (6)
Penalty Sanctions	2,055	2,055	-	869	(1,186)
Total SPP RE Funding	\$ 43,152	\$ 43,152	\$ -	\$ 41,960	\$ (1,192)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 43,152	\$ 43,152	\$ -	\$ 41,960	\$ (1,192)
Expenses					
Personnel Expenses					
Salaries	\$ 16,019	\$ 16,019	\$ -	\$ 18,010	\$ 1,991
Payroll Taxes	1,225	1,225	-	1,378	152
Benefits	1,080	1,080	-	1,254	174
Retirement Costs	641	641	-	720	80
Total Personnel Expenses	\$ 18,965	\$ 18,965	\$ -	\$ 21,362	\$ 2,397
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 18,965	\$ 18,965	\$ -	\$ 21,362	\$ 2,397
SPP Inc. Indirect Expenses	\$ 17,451	\$ 17,832	-	\$ 13,975	\$ (3,476)
SPP RE Indirect Expenses	6,736	6,769	-	6,623	(113)
Total Indirect Expenses	\$ 24,187	\$ 24,601	\$ 414	\$ 20,598	\$ (3,589)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 43,152	\$ 43,566	\$ 414	\$ 41,960	\$ (1,191)
Change in Assets	\$ -	\$ (414)	\$ (414)	\$ -	\$ (2)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 43,152	\$ 43,566	\$ 414	\$ 41,960	\$ (1,191)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (414)	\$ (414)	\$ -	\$ (1)
FTEs	0.13	0.13	-	0.13	-

Administrative Services

Administrative Services (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	4.50	4.50	-
Total Direct Expenses	\$ 2,061,059	\$ 1,694,104	\$ (366,955)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 2,061,059	\$ 1,694,104	\$ (366,955)
Funding Requirement for Working Capital Requirement	\$ (2,096,173)	\$ (1,355,229)	\$ 740,944

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 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 SPP RE on an annual basis by allocating SPP's shared services support costs by an appropriate measure (headcount, square footage, number of devices, etc.). In addition, an allocation of overhead costs will be added to the directly assignable staff's hourly rate for those employees performing SPP's statutory activities in the RAPA program area. Previously, the SPP Indirect Expense rate was 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 in the entire SPP organization. The indirect expense rate was then multiplied by each hour directly charged to 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, 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 Committees and Member Forums (in whole dollars)			
	2015 Budget	2016 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 SPP RE for these forums are included in the direct expenses of the applicable program.

SPP RE also conducts a minimum of three 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.

2016 Key Assumptions

- SPP RE liaisons to SPP working groups are projected to attend approximately 30 SPP working group meetings in 2016.

2016 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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	4.50	4.50	-
Expenses	\$ 1,761,059	\$ 1,694,104	\$ (66,955)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (2,096,173)	\$ (1,355,229)	\$ 740,944

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Regulatory Interface and Process Improvement, RE Administrative Assistant, RE Outreach Coordinator, RE Business Analyst, 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 Regulatory Interface and Process Improvement is responsible for coordinating and developing the SPP RE processes for SPP RE's Regulatory Interface and performing process improvement activities for the RE operational program functions, including internal auditing of SPP RE's processes. The RE Manager of Regulatory Interface and Process Improvement also coordinates and facilitates the development of compliance plans, policies, and procedures and implementation of appropriate systems/software for the SPP RE compliance monitoring and enforcement activities to enhance implementation of the NERC Compliance Monitoring and Enforcement Program (CMEP) and Rules of Procedure (RoP).

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

2016 Key Assumptions

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

2016 Goals and Key Deliverables

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

- Continue to explore opportunities to enhance the effectiveness and efficiency of 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

- Personnel Expenses in this program area are expected to increase by approximately \$35,194 due to the 2016 budgeted merit increase.

Meeting Expenses

- Meeting Expenses are expected to remain the same at \$25,000. Travel Expenses are expected to increase by \$2,000 to reflect increased travel cost.

Operating Expenses

- Operating Expenses are expected to increase by \$20,000 due the primarily to a reclassification of the expense associated with professional licenses, certifications and training from the Benefits Expense.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed allocation of SPP, Inc. facilities, information technology, human resources/benefits/payroll and general corporate expenses as well as an overhead allocation to the Engineering Shared Staff utilized by the RE. The new allocation methodology resulted in a significant decrease in this expense.

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 2016 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
General and Administrative					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,355,229)	\$ 307,734
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,355,229)	\$ 307,734
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,355,229)	\$ 307,734
Expenses					
Personnel Expenses					
Salaries	\$ 660,277	\$ 660,277	\$ -	\$ 693,898	\$ 33,621
Payroll Taxes	50,511	50,511	-	53,083	2,572
Benefits	57,520	57,520	-	55,176	(2,344)
Retirement Costs	26,411	26,411	-	27,756	1,345
Total Personnel Expenses	\$ 794,719	\$ 794,719	\$ -	\$ 829,913	\$ 35,194
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Travel	103,000	103,000	-	105,000	2,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 128,000	\$ 128,000	\$ -	\$ 130,000	\$ 2,000
Operating Expenses					
Consultants & Contracts	\$ 56,000	\$ 56,000	\$ -	\$ 57,000	\$ 1,000
Office Rent	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-
Professional Services	146,100	146,100	-	146,100	-
Miscellaneous	-	-	-	20,000	20,000
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 210,100	\$ 210,100	\$ -	\$ 231,100	\$ 21,000
Total Direct Expenses	\$ 1,132,819	\$ 1,132,819	\$ -	\$ 1,191,013	\$ 58,194
SPP Inc. Indirect Expenses	\$ 628,240	\$ 641,945	\$ -	\$ 503,091	\$ (125,149)
SPP RE Indirect Expenses	\$ (1,761,059)	\$ (1,774,764)	\$ -	\$ (1,694,104)	\$ 66,955
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,355,229)	\$ 307,734
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (2,096,173)	\$ (1,662,962)	\$ -	\$ (1,355,229)	\$ 307,734
FTEs	3.00	4.50	1.50	4.50	1.50

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ 300,000	\$ -	\$ (300,000)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

SPP RE has a Manager of Enforcement and Legal who provides exclusive legal support to SPP RE. The expenses related to the Manager of Enforcement and Legal and Regulatory 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 and outside legal counsel may be utilized.

2016 Key Assumptions

- Estimated hearing costs have been eliminated since no hearings are anticipated.

2016 Goals and Key Deliverables

- N/A

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

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2016 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2014 Budget & Projection, and 2015 Budget					
Legal and Regulatory					
Funding	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	300,000	300,000	-	-	(300,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (300,000)</u>
Total Direct Expenses	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (300,000)</u>
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ -	\$ -
SPP RE Indirect Expenses	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 300,000</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (300,000)</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ (300,000)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>
FTEs	0.00	0.00	0.00	0.00	0.00

Information Technology

Information Technology (in whole dollars)			
	2015 Budget	2016 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 SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2016 Key Assumptions

- The SPP Information Technology department continues to provide resources for SPP RE.
- NERC and the Regional Entities will collaboratively work to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting both NERC and Regional Entity operations. NERC's business plan and budget will include ongoing funding support for the development, operation and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved business plan and budget.
- SPP RE will include appropriate funding for applications and supporting systems designed to satisfy Regional business needs, that are not within the mutually agreed upon scope of the ERO Enterprise applications which are funded by NERC.

2016 Goals and Key Deliverables

- To provide adequate information technology support for 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. The SPP, Inc. cost for IT services does not include funding for the development of NERC's ERO Enterprise IT applications.

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)			
	2015 Budget	2016 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 SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- To provide adequate human resource support for 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)		
	2014 Budget	2015 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 SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- To provide adequate accounting and finance support for 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, except for the expenses of the RE Manager of Financial and Process Improvement, which are budgeted and recorded in General and Administration.

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

2016 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	\$ 3,685,778
Less Penalties Received 7/1/2014- 12/31/2014	114,000
Less: 2014 Year-End True-Up	(349,937)
Plus: 2015 SPP RE Funding (from LSEs or designees)	9,680,648
Plus: Partial Return of SPP RE Cash Build-up	0
Less: 2015 Projected expenses & capital expenditures	(11,775,260)
Projected Working Capital Reserve (Deficit), December 31, 2015	1,355,229
 Desired Working Capital Reserve, December 31, 2015	 ² \$ -
Less: Projected Working Capital Reserve, December 31, 2015	(1,355,229)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(1,355,229)
2016 Expenses and Capital Expenditures	10,260,620
Less: Penalty sanctions to be used as offset to 2016 assessments ¹	(193,000)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(1,355,229)
2016 SPP RE Assessment	8,712,392

¹ Represents collections on or prior to June 30, 2015. See Table B-2 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 maintain a working capital reserve. The expenses incurred by SPP RE are paid by SPP, Inc. from its operating cash balances and then reimbursed from SPP RE statutory funding on a monthly basis. If at any time SPP RE does not have sufficient statutory funds to finance its expenses, the statutory funding will be increased by the amount of the deficiency in the following year. When the funding is received from NERC, the SPP RE General Manager will authorize a reimbursement to SPP, Inc. for the amount of the shortfall. If needed, a line of credit is also available to SPP, Inc. to fund any shortfalls. SPP, Inc. would not charge any interest or penalties to SPP RE in the case of a shortfall.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 8 of the 2016 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, 2015 are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

All penalties received prior to June 30, 2015 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

	Date Received	Amount Received
Name of Entity		
Entity 1	07/17/14	\$ 10,000.00
Entity 2	10/15/2014	\$ 8,000.00
Entity 3	10/14/2014	\$ 68,000.00
Entity 4	11/18/2014	\$ 28,000.00
Entity 5	1/12/2015	\$ 10,000.00
Entity 6	1/23/2015	\$ 45,000.00
Entity 7	1/27/2015	\$ 24,000.00
Entity 8		
Entity 9		
Entity 10		
Entity 11		
Entity 12		
Entity 13		
Entity 14		
Entity 15		
Entity 16		
Entity 17		
Entity 18		
Entity 19		
Entity 20		
Entity 21		
Entity 22		
Total Penalties Received		<u>\$ 193,000</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 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	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

SPP RE has not projected any interest income for 2016 because at the current market interest rate any interest income would be minimal.

Statement of Activities and Capital Expenditures 2015 Budget & Projected 2016 and 2017 Budgets										
	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17	2019 Projection	\$ Change 19 v 18	% Change 19 v 18
Funding										
ERO Funding										
ERO Assessments	\$ 8,712,392	\$ 10,568,439	\$ 1,856,047	21.30%	\$ 10,885,492	\$ 317,053	2.9%	\$ 11,212,057	\$ 326,565	2.9%
Penalty Sanctions	193,000	-	(193,000)	-100.00%	-	-	-	-	-	-
Total ERO Funding	\$ 8,905,392	\$ 10,568,439	\$ 1,663,047	18.7%	\$ 10,885,492	\$ 317,053	2.9%	\$ 11,212,057	\$ 326,565	2.9%
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 8,905,392	\$ 10,568,439	\$ 1,663,047	18.7%	\$ 10,885,492	\$ 317,053	3.0%	\$ 11,212,057	\$ 326,565	3.0%
Expenses										
Personnel Expenses										
Salaries	\$ 3,896,492	\$ 4,013,387	\$ 116,895	3.0%	\$ 4,133,789	\$ 120,402	3.0%	\$ 4,257,802	\$ 124,014	3.0%
Payroll Taxes	298,082	307,024	8,942	3.0%	316,235	9,211	3.0%	325,722	9,487	3.0%
Benefits	333,564	343,571	10,007	3.0%	353,878	10,307	3.0%	364,494	10,616	3.0%
Retirement Costs	155,860	160,535	4,676	3.0%	165,352	4,816	3.0%	170,312	4,961	3.0%
Total Personnel Expenses	\$ 4,683,997	\$ 4,824,517	\$ 140,520	3.0%	\$ 4,969,253	\$ 144,736	3.0%	\$ 5,118,331	\$ 149,078	3.0%
Meeting Expenses										
Meetings	\$ 90,000	\$ 92,700	\$ 2,700	3.0%	\$ 95,481	2,781	3.0%	\$ 98,345	2,864	3.0%
Travel	680,200	700,606	20,406	3.0%	721,624	21,018	3.0%	743,273	21,649	3.0%
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 770,200	\$ 793,306	\$ 23,106	3.0%	\$ 817,105	\$ 23,799	3.0%	\$ 841,618	\$ 24,513	3.0%
Operating Expenses										
Consultants & Contracts	\$ 965,042	\$ 993,993	28,951	3.0%	\$ 1,023,813	29,820	3.0%	\$ 1,054,527	30,714	3.0%
Office Rent	-	-	-	-	-	-	-	-	-	-
Office Costs	8,000	8,240	240	3.0%	8,487	247	3.0%	8,742	255	3.0%
Professional Services	153,450	158,054	4,604	3.0%	162,795	4,742	3.0%	167,679	4,884	3.0%
Miscellaneous	74,445	76,678	2,233	3.0%	78,979	2,300	3.0%	81,348	2,369	3.0%
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,200,937	\$ 1,236,965	\$ 36,028	3.0%	\$ 1,274,074	\$ 37,109	3.0%	\$ 1,312,296	\$ 38,222	3.0%
Total Direct Expenses	\$ 6,655,134	\$ 6,854,789	\$ 199,654	3.0%	\$ 7,060,432	\$ 205,644	3.0%	\$ 7,272,245	\$ 211,813	3.0%
Indirect Expenses	\$ 3,605,486	\$ 3,713,651	\$ 108,165	3.0%	\$ 3,825,060	\$ 111,410	3.0%	\$ 3,939,812	\$ 114,752	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$10,260,620	\$ 10,568,439	\$ 307,819	3.0%	\$ 10,885,492	317,053	3.0%	\$ 11,212,057	326,565	3.0%
Change in Assets	\$ (1,355,229)	\$ -	\$ 1,355,229	-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	\$ (1,355,229)	\$ -	\$ 1,355,229	-100.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	32.25	32.25	0.00	0.0%	32.25	0.00	0.0%	32.25	0.00	0.0%

Explanation of 2016 and 2017 and 2018 Projections

At this time, SPP RE does not anticipate material changes in its personnel or business operations for the years 2017 and 2018.

- No projected change in FTEs
- No projected change in operating costs other than inflationary adjustments
- Budgeted merit pay increases

Section C – Non-Statutory Activities

2016 Business Plan and Budget



Section C — 2015 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 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 customers across 14 states (Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming)

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 began developing new energy markets in 2009 to bring additional regional benefit to our members. The Integrated Marketplace launched in 2014 and includes a Day-Ahead Market with Transmission Congestion Rights, a Reliability Unit Commitment process, a Real-Time Balancing Market, replacing the Energy Imbalance Marketplace, and the incorporation of price-based Operating Reserve Procurement. The Integrated Marketplace also consolidated SPP footprint's 16 legacy Balancing Authorities into an SPP Balancing Authority.

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

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

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission.⁵

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

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process SPP is unable to provide an accurate 2016 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. Because the 2016 SPP budget is not yet available, SPP is providing its Commission-approved 2015 budget and its 2014 actual results on the following table:

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

Southwest Power Pool
Income Statement



(in \$000)	<u>2015 Budget</u>	<u>2014 Actual</u>
Income		
Tariff Administrative Service	141,149	133,722
Fees & Assessments	27,633	25,013
Contract Services Revenue	475	453
Miscellaneous Income	5,338	4,350
Total Income	<u>174,595</u>	<u>163,537</u>
Expense		
Salary & Benefits	80,020	85,575
Employee Travel	2,094	1,924
Administrative	4,921	4,399
Assessments & Fees	16,400	16,323
Meetings	998	833
Communications	4,307	3,745
Leases	192	180
Maintenance	14,670	15,149
Services	15,849	16,128
Regional State Committee	288	191
Depreciation & Amortization	61,247	51,046
Other Expense (Income)	8,996	14,093
Total Expense	<u>209,982</u>	<u>209,586</u>
Net Income (Loss)	<u>(\$35,387)</u>	<u>(\$46,050)</u>
Debt Repayment	\$24,300	\$12,999
Billing Determinant (MWh)	363,500	350,976
Net Revenue Requirement	\$141,200	\$138,138
Calculated Admin Fee / MWh	\$ 0.389	\$ 0.381
Recommended Admin Fee / MWh	\$ 0.390	\$ 0.381
Capital Expense	\$28,900	\$24,743
Headcount	598	572

Section D – Additional Consolidated Financial
Statements
2016 Business Plan and Budget



Section E – Calculation of SPP, Inc. Indirect Expense
Rate
2016 Business Plan and Budget



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE

<u>Expense Category²</u>	<u>Overhead Costs Allocation (\$000)</u>
Facilities	\$ 433 *
Information Technology	577 **
Human Resources/Benefits/Payroll	450
Corporate Services	1,135
2014 Total Costs Escalated by 3%	\$ 2,673 A

Shared Staff Overhead Allocation

2014 Overhead Allocation Escalated by 3%	702
Ending 2014 FTEs	3.2
2016 Budgeted FTEs	4.25
2014 Total Cost	933 B

Budgeted SPP Inc. Indirect Costs \$ 3,605,485

¹Due to the timing of the budget process/schedule, the estimated overhead charge for 2015 is based on actual 2014 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2014 overhead expenses will be included in the annual 2016 Business Plan and Budget true-up filing.

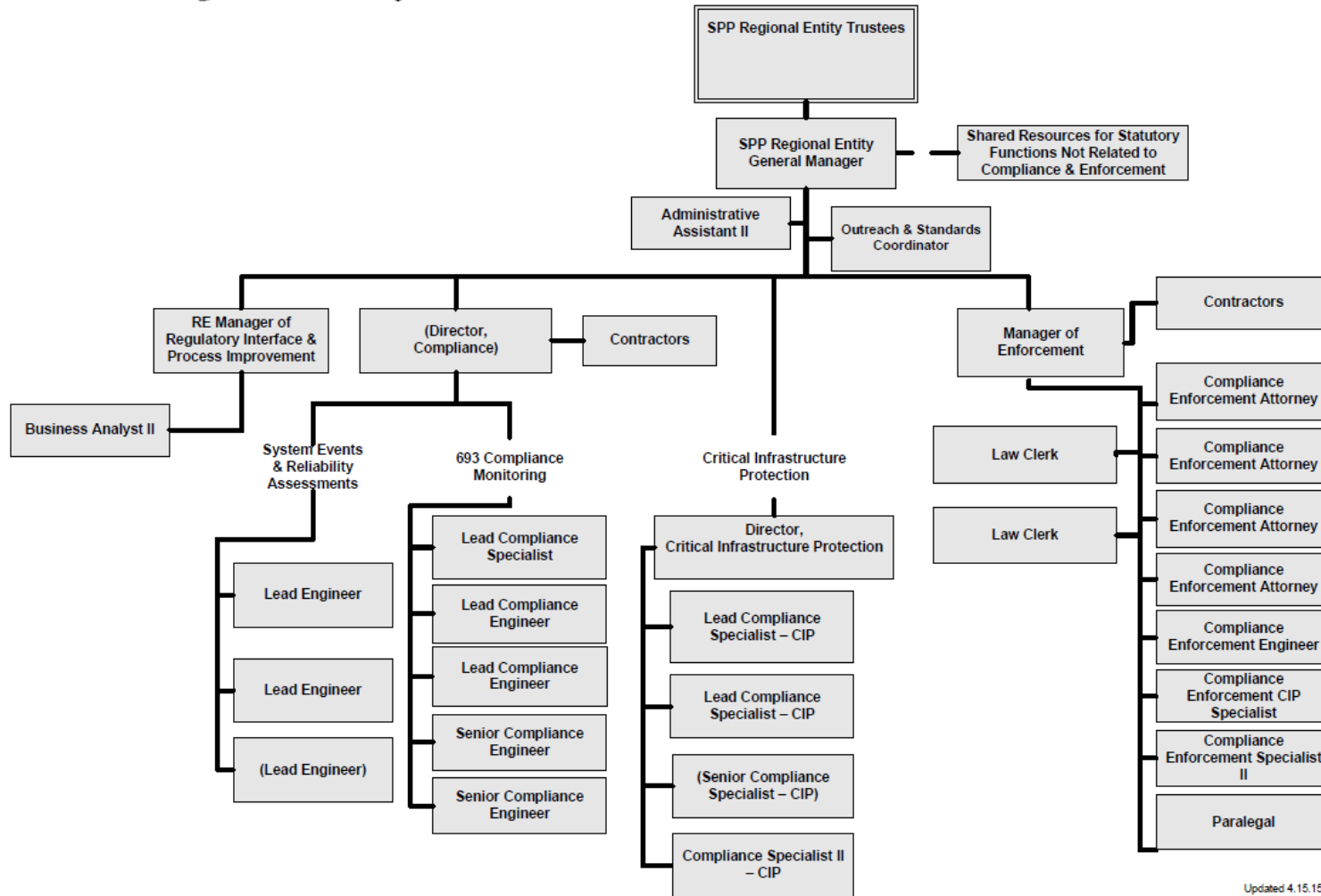
² SPP RE cost allocation is based on an appropriate measure per expense category (square footage, number of devices, headcount, etc.)

Section F– Organizational Chart 2016 Business Plan and Budget





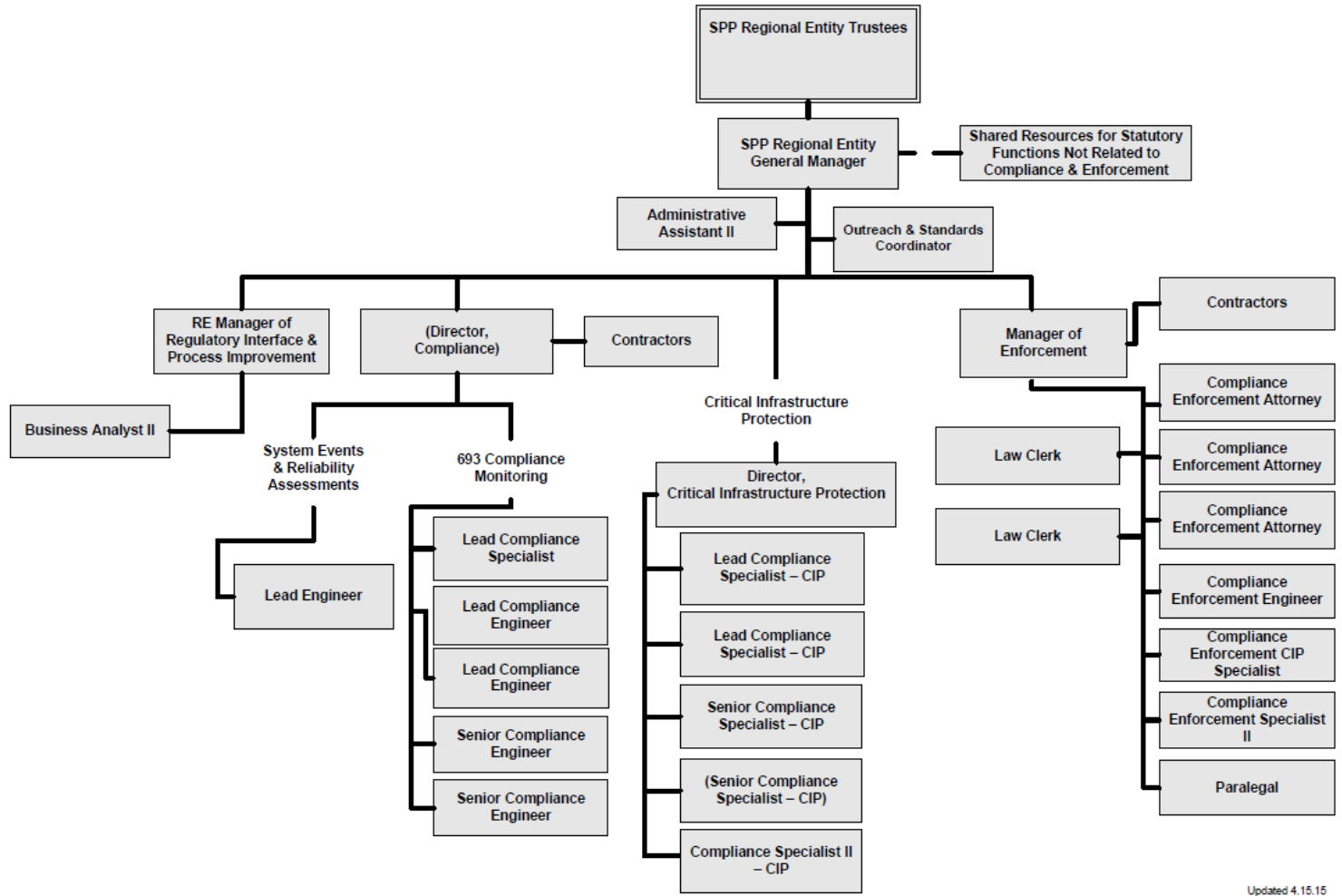
Organizational Chart – 2015



Updated 4.15.15



Organizational Chart – 2016 Proposed



Updated 4.15.15

1. 2014 Probabilistic Assessment

The PC approved the 2014 Probabilistic Assessment with minor modifications to the draft report. Study highlights included:

- 11 separate studies for 20 separate assessment areas
- 6 of 11 studies modeled the internal transmission
- 11 of 20 areas consider emergency operating procedures in their studies
- 4 of 11 studies do not model non-firm external assistance
- The assessment added Operable Reserve Margin
- The scenario with no operable reserve margin was quite useful
 - The Impact varied from 1.6% to 14% change in load for this scenario
- Comparison of assessment results to LTRA is still problematic
 - Ongoing LTRA changes should help improve the ability to compare results.

Ongoing issues with the Probabilistic Assessment include:

- Assessment Area Definition
- Overall Size, same as LTRA or historic areas
- ISO-versus NERC-driven assumptions
- Transmission Assumptions
 - Verify consistency between Assessment Areas
- Peak Day/Month, specific outage rates?
- What scenarios should be considered for the 2016 assessment

2. IVGTF Summary Report and Transition Plan

- Objectives: Summarize all recommendations from the task force with an objective to evaluate the effects of large-scale integration of variable generation and identify the long-term reliability considerations needed to ensure the reliability of the BPS. Determine the status of these recommendations by identifying a transition plan for NERC.
- IVGTF Transition Plan –identifies the next steps for the IVGTF recommendations that are still relevant for possible revisions to standards, additions to technical guidelines, suggestions for further research, or recommendations for operating and planning best practices Appendix I of the report).
- Appendix I contains an IVGTF Transition Plan that identifies the next steps for Transition plan: covers range of topics and classifies them into the following categories:
 - Standards Drafting Team(s)
 - Enhancements to Modeling
 - Definition: Revisions or Additions by NERC

- Operating Practices and Technical Guidelines
- Planning Approaches: Technical Guidelines
- Research and Development
- NERC Training and Education
- Operator Training and Data Collection
- Essential Reliability Services Task Force (ERSTF)
- Next Steps:
 - PC review the IVGTF Summary report and provide comments and feedback on IVGTF transition Plan, which delegates the effort to the NERC LTRA, Special Assessments, ERSTF, possible revisions to standards, additions to technical guidelines, suggestions for further research, or recommendations to operating and planning best practices.
 - Report Final Release: Next PC meeting, June 2015.
- Recommendations
 - Disband the IVGTF and delegate this continuing monitoring effort to NERC reliability assessments and special assessment reports.
 - NERC staff recommends transitioning follow-on work to the Essential Reliability Services Task Force.
 - NERC staff will continue monitor the progress of the IVGTF recommendations coordinate technical discussions between standards drafting teams and the OC/PC.

3. Update on Physical Security Guidelines CIP-014

- Standard development effort
 - The Physical Security Standard Drafting Team (PSSDT) revised the standard to address the directive.
 - The PSSDT also added the following to Rationale, Guideline and Technical Basis for Requirement R1:
 - “The requirement is not to require identification of, and thus, not intended to bring within the scope of the standard a Transmission station or Transmission substation unless the applicable Transmission Owner determines through technical studies and analyses based on objective analysis, technical expertise, operating experience and experienced judgment that the loss of such facility would have a critical impact on the operation of the Interconnection in the event the asset is rendered inoperable or damaged.
 - In the November 20, 2014 Order, FERC reiterated that “only an instability that has a “critical impact on the operation of the interconnection” warrants finding that the facility causing the instability is critical under Requirement R1”.

- The Transmission Owner may determine the criteria for critical impact by considering, among other criteria, any of the following:
 - Criteria or methodology used by Transmission Planners or Planning Coordinators in TPL-001-4, Requirement R6
 - NERC EOP-004-2 reporting criteria
 - Area or magnitude of “potential impact”
- The PSSDT posted the revised standard and associated documents from February 20 –April 9, 2015 with an initial ballot period.
- Assuming a successful ballot, the standard will be presented to the NERC BOT in May, 2015
- The project has a deadline of July 27, 2015 to file with FERC.
- The plan is to retain the original Implementation Plan from CIP-014-1 for CIP-014-2.
 - Transmission Owner to identify critical facilities on or before the effective date of CIP-014-1 (6 months following FERC approval)
 - Tiered implementation timeline for balance of requirements (within 15 months)
 - Security Plan implementation may specify timelines for completion of security measures
 - ERO to monitor implementation

4. Essential Reliability Services Task Force (ERSTF)

- 9 volunteer entities are participating in a pilot to evaluate the 4 endorsed measures
 - Entities submitted historical, present and forecasted data. The results were evaluated by sub-groups for submitted entities.
- Measures 1, 2 & 3 (SIR and Freq Deviation)-
 - Declining trend in inertia was observed in a few areas, such as ERCOT, ISO-NE, MISO, and IESO. However, other areas had no significant changes or trends to date. Interconnect level measure still a challenge.
- Measure 6 (Net Demand Ramping Variability)
 - Entities reported issues they uncovered while performing the analysis. It appears this measure is warranted to monitor for emerging load profile changes (Distribution Resource Impacts)
- Frequency Subgroup Measures
 - Measure 4: Frequency Nadir at minimum SIR Conditions
 - The subgroup continues to evaluate this measure
 - Measure 5: Real-Time Inertial Model
 - Task Force determined this would not be an ERSTF Measure, rather will be finalized as a ‘good practice’ recommendation.

Specifications for an example of an approach to calculate real time inertia will be provided. MISO and ERCOT have implemented this.

- Voltage Subgroup Measures
 - Measure 7: Reactive Capability on the System
 - The Subgroup is seeking endorsement from OC and PC on this measure and is prepared to request data and perform data analysis
 - Measure 8: Voltage Performance on the System
 - This measure was ultimately retired and replaced with a specific measure (Measure 10) targeting the potential impact of changing resource mix on grid/system strength (Short Circuit Ratio)
 - Measure 9: Overall System Reactive Performance
 - The subgroup continues to evaluate this measure
 - Measure 10: New - Measure and evaluate Short Circuit Ratio with FIDVR type Response
- The PC endorsed moving forward with Measure 7, and continued analysis of the remaining measures through data gathering and analysis
 - Measure 7: Reactive Capability on the System
 - This measure tracks the rotating and non-rotating dynamic reactive capability per total megawatt load on the system (BA Level) for various areas at critical load levels (i.e. peak, shoulder and light load).
 - With the changing resource mix on the system, may see emerging scenarios or operating periods where reactive support may not be sufficient (lead and/or lag)
 - Task Force/Sub-Group has developed a template/spreadsheet for data gathering and analysis
- Next steps for the task force:
 - Establish efficient data collection and analyze Measure 7 and possibly 4, 9, & 10 (lessons learned from first request)
 - Continue to develop Framework Measures Report Version 2 and capture latest Task Force analysis (Measures, 1, 2, 3 and 6) and other decisions (Measure 5, 8 and 10).
 - Commence draft for Final Report (June 2015) on Measures and Methodology

5. EPA's Proposed Clean Power Plan – Phase 1 Update

- Three Part Assessment
 - Part 1: Resource Adequacy
 - Quantitative assessment focused on generation dispatch

- Aurora model (zonal, economic dispatch)
- Publically available data inputs where available
- Sensitivity runs will be on gas prices
- Stakeholder review of assumptions and approach (Planning Committee EPA Steering Committee)
- Part 2: Power System Steady State Analysis
 - Evaluation of the BPS transmission adequacy with the projected resource mix change
 - Facility requirements to accommodate the resource mix change
 - Projected facility lead times to implement CPP objectives
- Part 3: Review of Existing Studies
 - Independent evaluation of existing regional/area-specific studies
 - Approach
 - A survey will be conducted with industry stakeholders asking for studies completed by ISO/TO/RRO and others on EPA 111(d) proposal
 - NERC will evaluate the assessment of industry studies and identify key issues and timelines associated with the impact
 - Objective
 - Provide an independent review and assessment of industry studies
 - Highlight specific areas/regions of concern, referenced from public information
 - Identify the cumulative impact on all NERC Regions
 - Provide an independent assessment of future plans of industry, highlighting what types of analysis will be needed going forward
- Modeling Assumptions
 - All cases (except reference) include considerations for EPA's translation of emission rate based CO2 goals to mass-based equivalents (released on November 6, 2014)
 - Modification of Building Block assumptions reflecting required CO2 emission reductions
 - Model inputs (run through 2030): Electricity demand growth, Generating unit retirements/additions, Planned transmission expansions/upgrades, Transmission line limitations, Firm interregional capacity flows, RM Reference Margin Level Requirements
- Schedule
 - Early December 2014 – Finalize study scope
 - Mid-December –Early March – Resource Adequacy Modeling
 - Mid-January –Early March - Transmission Adequacy Modeling

- March –Mid-March - Development of report’s findings and conclusions
- Mid-April – Target release

6. AC Substation Equipment Task Force (ACSETF)

- The PC/OC approved the ACSETF Report in December 2014 and directed the ACSETF to:
 - Identify the high priority recommendations
 - Refine the high priority recommendations to be actionable
 - Provide a status update on the high priority recommendations at the March 2015 PC Meeting
- Bus Configuration Recommendation
 - NERC should consider the impact of bus configuration on AC transmission circuit outages
 - Recommendation Refinement - Events Analysis shall identify the contribution that bus configuration had on disturbance events associated with AC substation equipment failures
 - Recommendation Status –Complete
 - Addendum for Events with Failed Station Equipment was completed and posted on the NERC Event Analysis Program web page
- Data Collection Recommendation – Event Analysis
 - Report Recommendation - NERC and entities should investigate a consistent method for collection of AC substation equipment failure data using industry guidelines and share the results with applicable organizations.
 - High-voltage equipment bushings should be categorized and treated as a completely separate piece of substation equipment.
 - Recommendation Refinement - NERC Event Analysis (EA) shall include in its Reference Material for Event Analysis an Addendum to provide a checklist of considerations for collection of AC substation equipment failure data
 - Recommendation Status –Complete
 - Addendum for Events with Failed Station Equipment was completed and posted on the NERC EA Program
- Data Collection Recommendation – TADS
 - Report Recommendation - NERC should incorporate data from other sources and analyze the impact on Bulk Electric System (BES) reliability
 - Recommendation Refinement - TADSWG to evaluate the collection of addition details regarding initiating and/or sustaining cause information for AC station equipment failures
 - Recommendation Status –Complete

- TADSWG evaluated the request for the collection of additional details
- TADSWG determined that the additional details requested by the ACSETF does not provide any meaningful added value to existing TADS data and resulting analysis of TADS data
- TADSWG believed that the ACSETF request was duplicative to data collection efforts already in place by the North American Transmission Forum (NATF) and indicated NERC staff is in discussion with NATF to establish information sharing
- TADSWG recommended that engaging other existing industry efforts (NATF, et al) would provide better insights into AC station equipment failures

7. NERC FAC-003 Vegetation Management Research Work with EPRI

- Background
 - March 2013 —NERC directed to conduct testing to support appropriate Minimum Vegetation Clearance Distances (MVCD) in FAC-003-3 (Order 777)
 - July 2013 —Project plan submitted to FERC
 - January 2014 —Advisory team assembled and project initiated
 - October 2014 —Planned testing completed by NERC and EPRI
- Test Plan
 - Selected representative set of vegetation in and around transmission rights-of-way
 - Switching impulse tests performed for representative combinations of vegetation shapes and voltages for:
 - Vertical (grow-in)
 - Horizontal (blow-in)
- Gap Factor Testing Plan
 - Switching impulse tests on representative hybrid natural trees fitted with well-grounded metal center rod Vegetation with highest likelihood of flashover
 - Metal rod perturbs electrical field more than vegetation
 - Conservatism shown by re-testing of configurations yielding lowest gap factor with wooden dowels replacing metal rods wooden dowel more closely represents electric field effects of natural vegetation
 - Completed final series of withstand tests with fully natural trees without attachments to verify the gap factors determined in the above testing
- Preliminary Findings
 - Preliminary testing demonstrated that a gap factor of 1.0 may be more appropriate than the present value of 1.3 contained in FAC-003-3

SPP Regional Trustee Meeting

April, 27 2015

March 2014 NERC Planning Committee Update

- Comparison of gap factors determined for conductor-to-vegetation gap configuration and system voltage yielding lowest gap factor during metal rod test phase
- Going forward
 - June 2015 —File final NERC report with FERC
 - NERC may use other communication tools to share the conclusions developed after testing
 - Likely a narrowly defined Standard Authorization Request will be needed to adjust MVCD values in FAC-003-3

CIP Update

April 27, 2015

Kevin B. Perry
Director, Critical Infrastructure Protection
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Agenda

- **CIP Version 5 Guidance**
- **Training and Outreach**
- **CIP Version 5 Revised Effective Dates**
- **CIP-014 (Physical Protection)**

CIP Version 5 Guidance

- **Three types of guidance:**
 - **Communications to Industry**
 - Clarifying guidance issued by NERC
 - Expected to be followed by industry and Regional Entities
 - **Lessons Learned**
 - Informative, experience-based guidance and recommendations
 - Discusses challenges faced by a Registered Entity and how the challenges were solved
 - **Frequently Asked Questions**
 - Short general questions and responses

CIP Version 5 Guidance

- **Communications to Industry**
 - Initially included with Lessons Learned and subjected to industry comment per Section 11 of the [Standard Processes Manual](#) (Appendix 3A of the NERC Rules of Procedure)
 - Pulled back from Section 11 process by NERC and will now be issued separately from the Lessons Learned
 - Will rely on the official record of the CIP Version 5 Standard development to maximum extent possible
 - Included as Exhibit F with NERC's petition to FERC for approval of CIP Version 5 Standards

Communications to Industry

- **Communications to Industry topics include**
 - Programmable Electronic Device definition
 - External Routable Connectivity
 - Network devices as BES Cyber Systems
 - Generation Interconnection
 - Control Centers operated by TOs and non-registered BAs
 - 3rd Party Notifications of Medium Impact assets

Communications to Industry

- **Programmable Electronic Device definition**
 - Defined in the Standards Development Team response to comments submitted by the industry during the commenting and balloting period
 - Found on Page 214 of [Exhibit F, Part 2 of 2](#), of the NERC Petition for Approval of the CIP Version 5 Standards
 - Defined as *an electronic device which can execute a sequence of instructions loaded to it through software or firmware, and configuration of an electronic device is included in “programmable”*

Communications to Industry

- **External Routable Connectivity**
 - BES Cyber Assets connected via a serial (e.g., RS-232) connection to a network communications device have **External Routable Connectivity** if the BES Cyber Asset is remotely addressed using routable network notation (IP address and port number).
 - **Guidance includes conditions and exclusions**

Communications to Industry

- **Network Devices as BES Cyber Systems**
 - Clarifies exemption (Section 4.2.3.2) found in every CIP V5 Standard
 - *Cyber Assets associated with communication networks and data communication links between discrete Electronic Security Perimeters.*
 - Definition of Cyber Asset does not exclude communication devices
 - Defines demarcation point concept to determine which communication devices are in scope and which are not, when two discrete Electronic Security Perimeters do not exist

Communications to Industry

- **Generation Interconnection**
 - For a Transmission line to be considered a Transmission Facility and included in the Impact Rating Criterion 2.5 calculation, the line must be used for network flow of the Bulk Electric System and connected to another Transmission station or substation.
 - A radial line is not a Transmission line.
 - A generator lead line is the line at any voltage between the generator and the first connected substation where Transmission lines are present. It is not a Transmission line.

Communications to Industry

- **Control Centers operated by Transmission Owners and non-registered Balancing Authorities**
 - The Criteria refers to “performing the functional obligations of,” not “registered as.”
 - If the operating facility meets the definition of a Control Center and is performing the functional obligations of a Balancing Authority (BA) or Transmission Operator (TOP), it is subject to the same CIP requirements as the BA or TOP Control Center.

Communications to Industry

- **3rd Party Notifications of Medium Impact assets**
 - Applies to Impact Rating Criteria 2.3 and 2.6.
 - The 3rd party (Reliability Coordinator, Planning Coordinator, or Transmission Planner) identifies the Facility with impact and notifies the asset owning Registered Entity of that determination.
 - The asset owning Registered Entity must then determine which BES Cyber Assets or BES Cyber Systems support the identified Facility.

Lessons Learned

- **Can be submitted by any Registered Entity**
 - Documents experiences and challenges complying with CIP Version 5 Requirements
 - Does not set expectations of performance as condition of compliance
 - Subject to “Section 11” review process
- **Topics include**
 - Generation Segmentation (posted as final)
 - Far-End Relay (posted as final)
 - Interactive Remote Access
 - Mixed Trust Electronic Access Control or Monitoring Systems
 - Virtualization

Frequently Asked Questions

- Prepared jointly by Regional Entities and Transition Study Participants in response to submitted questions
- Reviewed initially by paired Regional Entity/Study Participant (e.g., ~10 reviewed by SPP RE and TVA)
- Then reviewed by V5 Transition Advisory Group at large before being posted for industry comment
- 34 currently posted for industry review (comments due May 15, 2015)
- Additional ~15 planned to be posted end of April for a 45 day comment period

Training and Outreach

- **NERC Small Group Advisory Sessions**
 - **Three 3-day industry sessions held in Atlanta:**
 - **February 24-26, 2015**
 - **March 24-26, 2015**
 - **April 21-23, 2015**
 - **Five SPP RE Registered Entities and one contractor representing its clients including some in the SPP RE Region participated in the one-on-one sessions.**
 - **Focused on answering Registered Entity questions in a confidential setting.**
 - **Public general information session (middle day) included Webinar participants (100+)**

Training and Outreach

- **SPP RE Outreach**
 - Have conducted three on-site CIP V5 outreach sessions at request of registered entities
 - Five more on-site sessions scheduled in 2015, including a NERC SRP (Security Reliability Program, formerly known as Sufficiency Review Program) review
 - Host Registered Entity has option to invite other registered entities to participate
 - SCADA/EMS vendor included in one session to date
 - [CIP V5 page](#) added to SPP RE web site with links to training and reference information

Training and Outreach

- **CIP Week**
 - SPP RE-sponsored CIP Compliance Workshop ([register here](#)) and RTO-sponsored CIP Forum ([register here](#)) scheduled for June 2-4 in Kansas City
 - Focused on CIP V5 compliance
- **Responding to numerous phone calls and email inquiries**
 - Forwarding inquiries to NERC and other Regional Entities for information sharing and possible inclusion in NERC FAQ

CIP Version 5 Revised Effective Dates

- **Most Version 5 effective dates unchanged by industry approval of Version 5 revisions**
 - **April 1, 2016 for High and Medium Impact BES Cyber Systems**
 - **Certain Requirements/Parts have delayed compliance dates (unchanged)**
 - **April 1, 2017 for Low Impact BES Cyber Systems**
 - **Assumes prompt FERC action on revised Standards**
- **Extended effective dates defined for new requirements in the [Implementation Plan](#)**

CIP Version 5 Revised Effective Dates

- **New requirement effective dates**
 - **09/01/2018: CIP-003-6, Attachment 1, Section 2**
 - **09/01/2018: CIP-003-6, Attachment 1, Section 3**
 - **CIP-006-6 proposed effective date + 9 months:
CIP-006-6, Requirement R1, Part 1.10**
 - **CIP-007-6 proposed effective date + 9 months:
CIP-007-6, Requirement R1, Part 1.2**
 - **CIP-010-2 proposed effective date + 9 months:
CIP-010-2, Requirement R4**

CIP-014 (Physical Security) Revisions

- A 45-day formal comment period and initial ballot for CIP-014-2 - Physical Security and non-binding poll of Violation Risk Factors and Violation Severity Levels concluded April 9.

Ballot	Non-binding Poll
Quorum /Approval	Quorum/Supportive Opinions
88.33% / 89.95%	86.33% / 91.20%

- Unless comments show a significant need for further revisions, the Standard will be submitted to the industry for a final ballot.

Helpful Resources

- [SPP RE CIP V5 Guidance Page](#)
 - Contains links to:
 - NERC Version 5 Transition Home Page
 - FERC CIP Version 5 Filings
 - SPP RE presentations, webinars, and videos

SPP RE CIP Team

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2015 Event Report

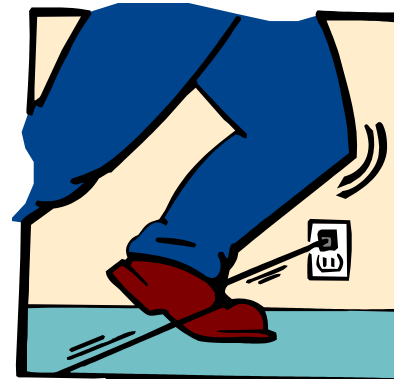
Alan Wahlstrom
Lead Engineer

April 27, 2015



SPP Regional Events (January 1-March 31)

- **Four category 1 events were analyzed**
 - **2 Category 1h - Loss of monitoring or control at a control center**
 - **2 Category 1a - An unexpected outage, contrary to design, that results in three or more BPS facilities having outages**



Coupling-Capacitor Potential Device (CCPD) transformer failure

- **Line to Ground fault of CCPD**
 - **Breaker failed to open**
 - **Breaker failure scheme operated**
 - **Time Over current relay operated**
 - **Three units were isolated**



Inter-Control Center Communications Protocol (ICCP) Data Failure

- **ICCP data failed to update after the restart**
 - **ICCP data was restarted after update**
 - **Noticed that data was not updating**
 - **Noticed that the previous week's ICCP data model was uploaded**
 - **Re-uploaded the correct ICCP data model**

ICCP Data Failure

- **Failed restart test**
 - **RTO/ISO performed failover test and noticed data bouncing**
 - **Vendor process failed; the reason has not been determined**

Relay Failure

- 87L relay opened with no noticeable cause
 - Three 345 KV breakers opened at substation
 - Caused separation of three Combined Cycle Units
 - 737 MW lost



NERC LESSONS LEARNED

Digital Inputs to Protection Systems May Need to be Desensitized to Prevent False Tripping Due to Transient Signals

- A converter station was lost due to the erroneous initiation of a top-oil temperature trip signal from a transformer protection system
 - Caused a transformer trip
 - Arcing on the contacts caused transients signals



Lesson Learned

- **Outdoor mounted devices that have inputs to protective relays have the potential to be exposed to shocks and vibrations or to be negatively impacted by dampness and corrosion.**
- **These events could cause transients to be detected as a contact closure by the protection digital input.**

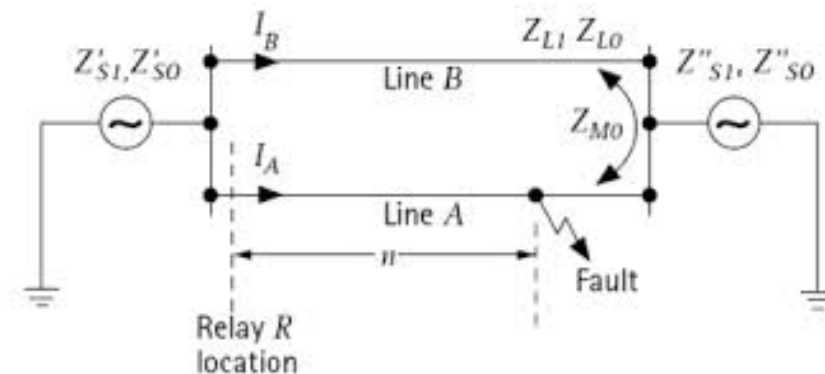
Consideration of the Effects of Mutual Coupling when Setting *Ground Instantaneous Overcurrent Elements*

- Unintended trip of a transmission line connected to a large generation facility
 - Unintended trip was due to an incorrect setting on a relay directional ground instantaneous over current (IOC) element



Consideration of the Effects of Mutual Coupling when Setting Ground Instantaneous Overcurrent Elements

- Setting caused it to misoperate in response to a fault on a mutually coupled adjacent line
- Fault on one line can induce a large zero-sequence current in the unfaulted parallel line and may lead to inappropriate tripping of the unfaulted line



Lesson Learned

- It is important that the mutual impedances between all line pairs be calculated and included when developing the system model.

Importance of Backup Energy Management System Failover Testing after Network Device Reconfiguration

- **Loss of energy management system (EMS) supervisory control and data acquisition (SCADA) functionality**
 - **Switched Primary Control Center to Alternate Control Center for maintenance**
 - **Switching control back to PCC failed due to communication circuits still connected to ACC**
 - **Due to a recent and extensive network device reconfiguration, one of the parameters was in error**

Lesson Learned

- **A procedure was developed to ensure that no planned communication vendor maintenance is performed during periods when the EMS is being transferred between the PCC and the ACC.**
- **The recent network device configuration modification was quite extensive, and one configuration parameter that was modified was found to be in error.**
- **The errant configuration parameter may have been detected if full functional failover testing was performed.**

Importance of State Estimator Save Cases and Troubleshooting Guide

- **A state estimator failed to solve for 37 minutes, resulting in real-time contingency analysis also being unavailable.**
 - **Root cause was never specifically determined.**
 - **At the time of the event, the state estimator was not archiving save cases on a periodic basis.**
 - **Because there was no saved data to review, support staff were unable to perform a detailed post-event analysis.**

Importance of State Estimator Save Cases and Troubleshooting Guide

- A state estimator should be able to automatically and frequently save cases to assist in post-event analysis.
- It should also automatically save non-convergent cases.



Links

- [SPP RE Event Analysis Webpage](#)
- [Event Analysis Process Documents](#)
- [SPP Lessons Learned](#)
- [NERC Lessons Learned](#)

Enforcement Update

April 27, 2015

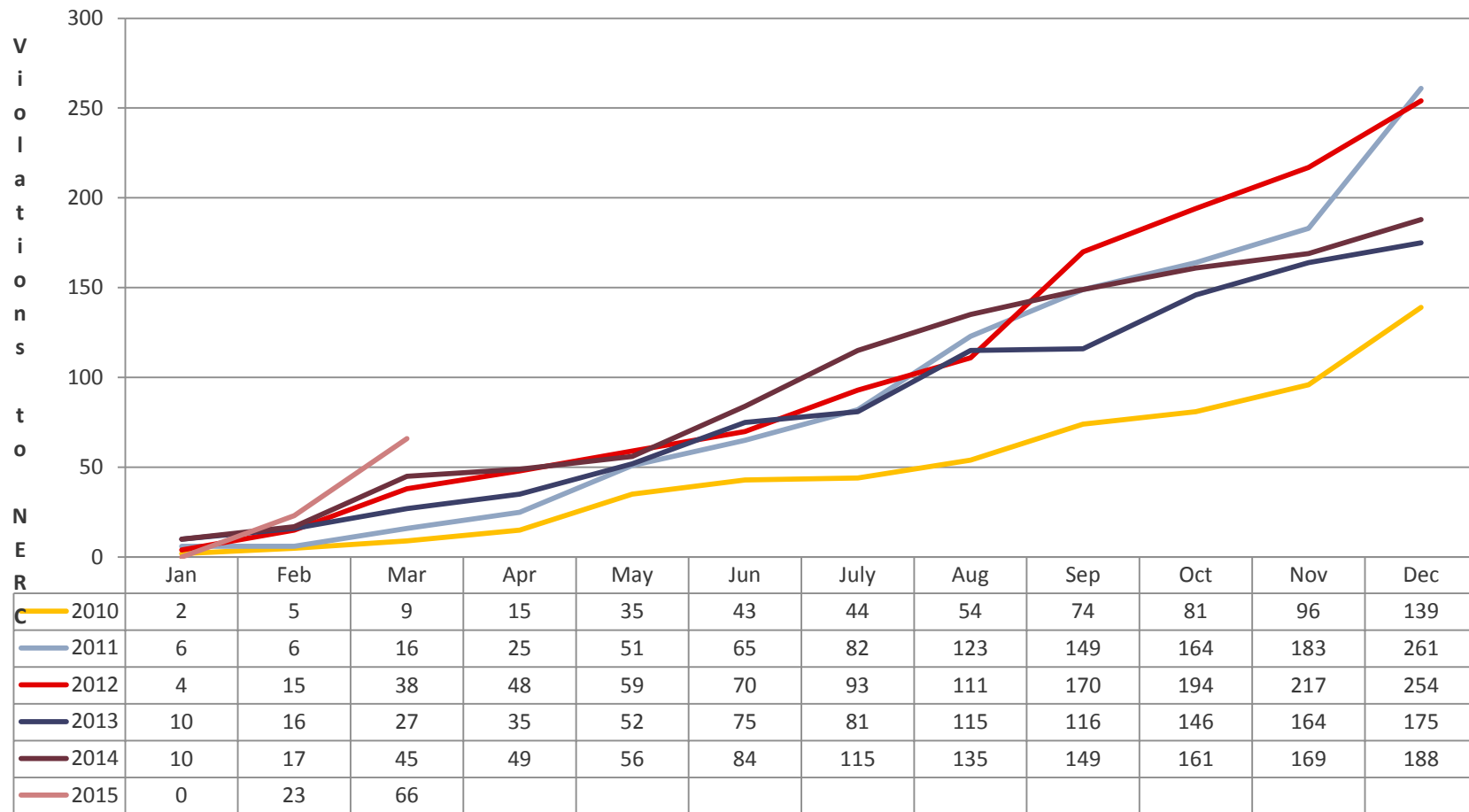
Joe Gertsch
Manager of Enforcement
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501-688-1672



SPP RE Enforcement Activities March 31, 2015	2007	2008	2009	2010	2011	2012	2013	2014	January	February	March	Total 2015
Notice of Preliminary Screen Issued	-	-	-	-	-	-	-	121	2	4	30	36
Notice of Possible Violations Issued	6	56	132	254	239	173	189	107	1	2	26	29
Notice of Alleged Violation (NAVAPS)												
NAVAPS Issued	6	45	10	7	0	2	1	6	0	0	0	0
Notice of Confirmed Violation (NOCV)												
NOCV Sent to Entity/NERC	0	8	25	15	4	1	0	1	0	0	0	0
NOCV BOTCC Approved	0	7	11	29	4	1	0	1	0	0	0	0
Settlements / Full Notice of Penalty												
To NERC for Approval	0	0	0	89	118	52	5	15	0	0	0	0
BOTCC Approved	0	0	0	50	81	103	14	30	0	0	0	0
Settlements / Spreadsheet NOP												
To NERC for Approval	0	0	0	16	22	49	43	59	0	0	0	0
BOTCC Approved	0	0	0	0	38	49	65	46	13	0	0	13
Find, Fix, Track												
To NERC for Approval	-	-	-	-	43	78	86	62	0	1	2	3
BOTCC Approval	-	-	-	-	36	74	95	61	1	0	1	2
Compliance Exception	-	-	-	-	-	-	-	1	0	8	23	31
Dismissals												
To NERC/SPP RE SRT for Approval	0	0	1	16	75	43	41	44	0	15	17	32
NERC/SPP RE SRT Approved		0	1	16	75	43	41	44	0	15	17	32
Notice of Penalty												
Approved by FERC	0	5	13	57	180	184	141	118	0	13	0	13
Violations Awaiting BOTCC Approval											22	
Active Violations - Caseload											94	
Caseload Index (months)*											5.5	

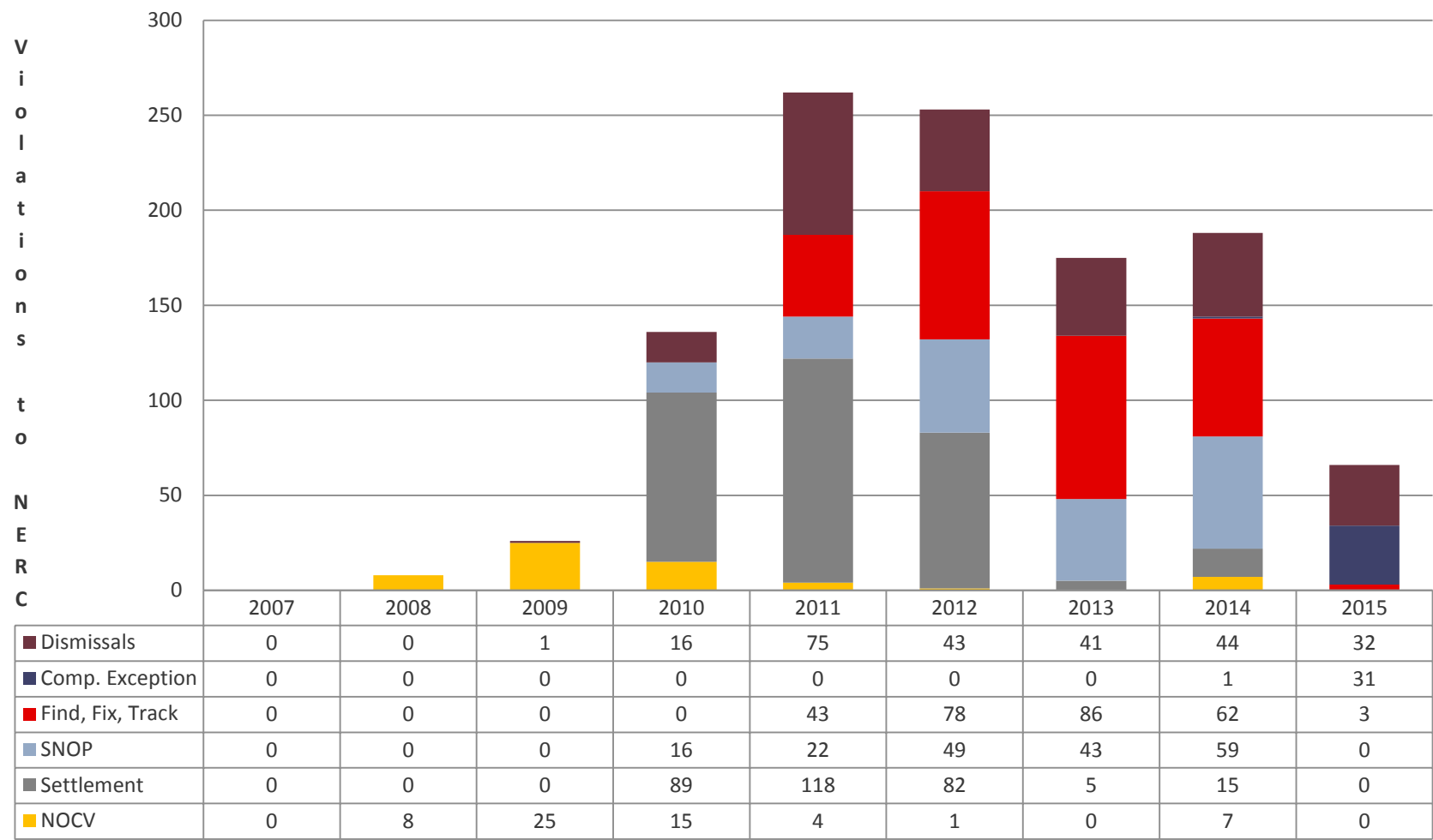
* Based on previous 12 months processing (206)

Enforcement Monthly Violation Processing



Running Total Violations

Enforcement Processing Methods



Enforcement Caseload – March 31, 2015

- **94 - Active Violations**
 - 12 - Settlement
 - 82 - Settlement Not Requested (NAVAPS/NOCV)

- **31 - Multi-Region Registered Entity (MRRE) Violations (31 Transferred)**
- **32 - 693 Violations**
- **62 - CIP Violations**
- **11 - High Impact Violations**

- **Discovery Method**
 - 41 - Audit
 - 40 - Self Report
 - 9 - Self Certification
 - 4 - Investigation

Caseload Aging

- **SPP RE – 94 violations, average age - 327 days**

<u>Age (days)</u>	<u>Violations</u>
> 300	43
201 – 300	21
101 – 200	17
51 – 100	4
1 - 50	9

- **Pre-2014 violations - 31**
- **MRRE – 32 violations, average age - 286 days**

High Impact Violation Summary

- **11 – Open High Impact Violations**
 - 4 - Settlement
 - 7 - Disposition Undetermined
- **Open High Impact Violations Mitigation Status**
 - 6 - Mitigation Plan Complete
 - 5 - Mitigation Plan Accepted

SPP RE 2015 Violation Dismissals

Consolidation with another violation	0
NERC V3 – V5 Guidance (approach 2)	0
Self-Report wrong standard and/or requirement.....	0
Provided exculpatory evidence	1
MRRE Transfers	31
Incorrect Interpretation of Standard	<u>0</u>
Total	32

March Mitigation Plan Summary

- **Mitigation Plan Status (month/year)**

Submitted	25/39
Accepted	8/21
Certified Complete	13/13
Completion Verified	1/10

- **Active Violations with no Mitigation Plans**

Initiated	45
Submitted	<u>1</u>
Total	46

NERC Mitigation Plan Spot Check

- **SPP RE Procedures and 17 Mitigation Plans**
- **Positives**
 - Reviews thorough and timely
 - Use of Templates
 - Follow Internal Policies
 - Mitigation Outreach
- **Negatives**
 - Identification of Root Cause
 - Update of Procedures
 - Registered Entities' submission of Mitigation Plans is not always timely



SPP *Southwest
Power Pool
Regional Entity*

Joe Gertsch
Manager of Enforcement
jgertsch.re@spp.org
501-688-1672

SPP RE March 2015 Financial Report

April 27, 2015

Debbie Currie
Manager, Regulatory Interface and
Process Improvement
dcurrie.re@spp.org
501.688.8228



March 2015 Financial Overview

- **SPP RE ended the year with 4 open staff positions**
 - **Actively seeking a CIP auditor**
 - **Authorized hiring an Ops and Planning team member**
- **Open positions drive a large percentage of actual-to-budget variance**
 - **Impacts personnel expenses, travel expenses and SPP, Inc. overhead charge**
 - **These positions are included in the 2015 budget**
 - **Two positions will remain in 2015 budget (see above)**
 - **Two open positions eliminated in 2016 budget**

March 2015 Financial Overview, cont.

- **Contractor/consultant/professional service costs below budget**
 - **Audit performance improvement by Registered Entities**
 - **Reduction in violations**
 - **Increase in staff experience**
 - **Pre-audit work, including Inherent Risk Assessment activities, leading to reduced time onsite or reduction in audit team size**
 - **No hearings**
 - **Engineering Data Validation Tool**
 - **Internal design work ongoing; request for proposal release anticipated in May**
 - **Anticipated completion by year-end 2015**

March 2015 YTD Actuals vs. Budget

- **Total expenses ~\$546k under budget**
 - Personnel expenses ~\$77k under budget
 - Meeting/travel expenses ~\$55k under budget
 - Professional services ~\$300k under budget
 - SPP, Inc. overhead charge ~\$114k under budget

Year-End Projection

- **At the end of 1Q, SPP RE projects a \$1.1 million budget under-run**
 - **Personnel expenses projected to be ~\$300K under budget**
 - **Meeting/travel expenses ~\$100k under budget**
 - **Professional services ~\$400k under budget**
 - **SPP, Inc. overhead charge ~\$300k under budget**
- **May have to increase year-end projection**
 - **Open positions will continue to drive budget under-run**

Questions?

Debbie Currie

**Manager, Regulatory Interface and Process
Improvement**

dcurrie.re@spp.org

SOUTHWEST POWER POOL REGIONAL ENTITY
STATEMENT OF ACTIVITIES
2015 MARCH YTD DRAFT (UNAUDITED)

<i>(In Whole Dollars)</i>	2015 MAR YTD ACTUAL	2015 MAR YTD BUDGET	VARIANCE	2015 FULL YEAR PROJECTION	2015 FULL YEAR BUDGET	VARIANCE
Funding						
ERO Funding	2,420,162	2,420,162	-	9,680,648	9,680,648	-
Penalty Sanctions	116,125	116,125	-	464,500	464,500	-
Total SPP RE Funding	2,536,287	2,536,287	-	10,145,148	10,145,148	-
Testing Fees	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	674	-	674	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Funding (A)	2,536,961	2,536,287	674	10,145,148	10,145,148	-
Expenses						
Personnel Expenses						
Salaries	863,994	972,521	(108,527)	3,469,197	3,890,082	(420,885)
Payroll Taxes	88,426	74,398	14,028	351,994	297,591	54,403
Benefits	94,601	86,725	7,876	377,443	346,900	30,543
Retirement Costs	48,168	38,901	9,267	191,542	155,603	35,939
Total Personnel Expenses	1,095,188	1,172,544	(77,356)	4,390,177	4,690,177	(300,000)
Meeting Expenses						
Meetings	20,343	21,625.00	(1,282)	84,167	86,500	(2,333)
Travel	97,076	150,750	(53,675)	505,333	603,000	(97,667)
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	117,418	172,375	(54,957)	589,500	689,500	(100,000)
Operating Expenses						
Contracts & Consultants	91,019	342,650	(251,631)	1,035,196	1,370,600	(335,404)
Office Rent	-	-	-	-	-	-
Office Costs	5,488	2,000	3,488	12,649	8,000	4,649
Administrative Costs	-	-	-	-	-	-
Professional Services	67,461	119,411	(51,950)	408,399	477,645	(69,246)
Computer Purchase & Maint.	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous/ Contingency	-	-	-	-	-	-
Total Operating Expenses	163,968	464,061	(300,093)	1,456,245	1,856,245	(400,000)
Total Direct Expenses	1,376,574	1,808,980	(432,406)	6,435,922	7,235,922	(800,000)
SPP Inc. Indirect Expenses	1,029,304	1,143,047	(113,743)	4,272,188	4,572,188	(300,000)
SPP RE Indirect Expenses	-	-	-	-	-	-
Total Indirect Costs	1,029,304	1,143,047	(113,743)	4,272,188	4,572,188	(300,000)
Total Expenses (B)	2,405,878	2,952,027	(546,149)	10,708,110	11,808,110	(1,100,000)
Net Change in Assets (A-B)	131,083	(415,740)	546,823	(562,962)	(1,662,962)	1,100,000
Fixed Assets						
Depreciation	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Increase/(Decrease) in Fixed Assets (C)	-	-	-	-	-	-
Total Budget (Expenses plus Incr (Dec) in Fixed Assets (B+C))	2,405,878	2,952,027	(546,149)	10,708,110	11,808,110	(1,100,000)
Change in Working Capital (Total Funding less Total Budget) (A-B-C)	131,083	(415,740)	546,823	(562,962)	(1,662,962)	1,100,000
FTEs*	29.4	32.8	(3)	32.8	32.8	-
Beginning WC - 01/01/2015	3,571,778	1,662,962	1,908,816	1,662,962	1,662,962	-
Change to WC - 2015 YTD	131,083	(415,740)	546,823	(562,962)	(1,662,962)	1,100,000
Working Capital as of 3/31/15	3,702,861	1,247,222	2,455,639	1,100,000	-	1,100,000

*Headcount (RE direct staff count as of 3/31/2015 and shared staff YTD billed hours/1880).

General Manager's Report to Trustees

April 27, 2015

Tulsa, Oklahoma

Ron Ciesiel

SPP RE General Manager



Bulk Electric System Definition

- Effort is going smoothly
- 4 BES Exception requests for exclusion have been filed at SPP RE; 45 NERC-wide
- BESnet tool still available for use
 - Contact [Greg Sorenson](#) for additional information

Vegetation Management Update

- NERC 4Q 2014 Vegetation Management Report
 - No reportable contacts in SPP RE footprint
 - 7th consecutive quarter with no reportable contacts
- As of today, no known contacts for 1Q 2015

Risk-Based Registration Initiative

- On March 19, [FERC approved NERC's risk-based approach to monitoring and enforcing compliance](#)
- Highlights:
 - Approved elimination of Purchasing Selling Entity (PSE) and Interchange Authority (IA) as registered functions
 - More research is needed on the proposal to eliminate Load Serving Entity (LSE) function
 - Raised minimum threshold for Distribution Providers (DP) from 25 MW to 75 MW unless the DP owns Protection Systems
 - NERC will file a response in ~90 days

Most Violated Standards

Based on rolling 12 months through 3/31/15 [Represents ~ 88% of total violations]

SPP RE Rank	NERC 12 Month Rank *	Standard	Description	Number of Violations	Risk Factor
1	7	CIP-002	Critical Cyber Asset Identification	29	High/Lower
2	1	CIP-007	Systems Security Management	27	Med./Lower
3	3	CIP-005	Electronic Security Perimeters	13	Med./Lower
4	2	CIP-006	Physical Security - Critical Cyber Assets	10	Med./Lower
5	6	CIP-003	Security Management Controls	10	Med./Lower
6	4	CIP-004	Personnel & Training	8	Med./Lower
7	10	FAC-008	Facility Ratings (includes FAC-009)	6	Med./Lower
8	8	VAR-002	Network Voltage Schedules	4	Med./Lower
9	5	PRC-005	Protection System Maintenance	3	High/Lower
10	**	TOP-002	Normal Operations Planning	2	Med./Lower

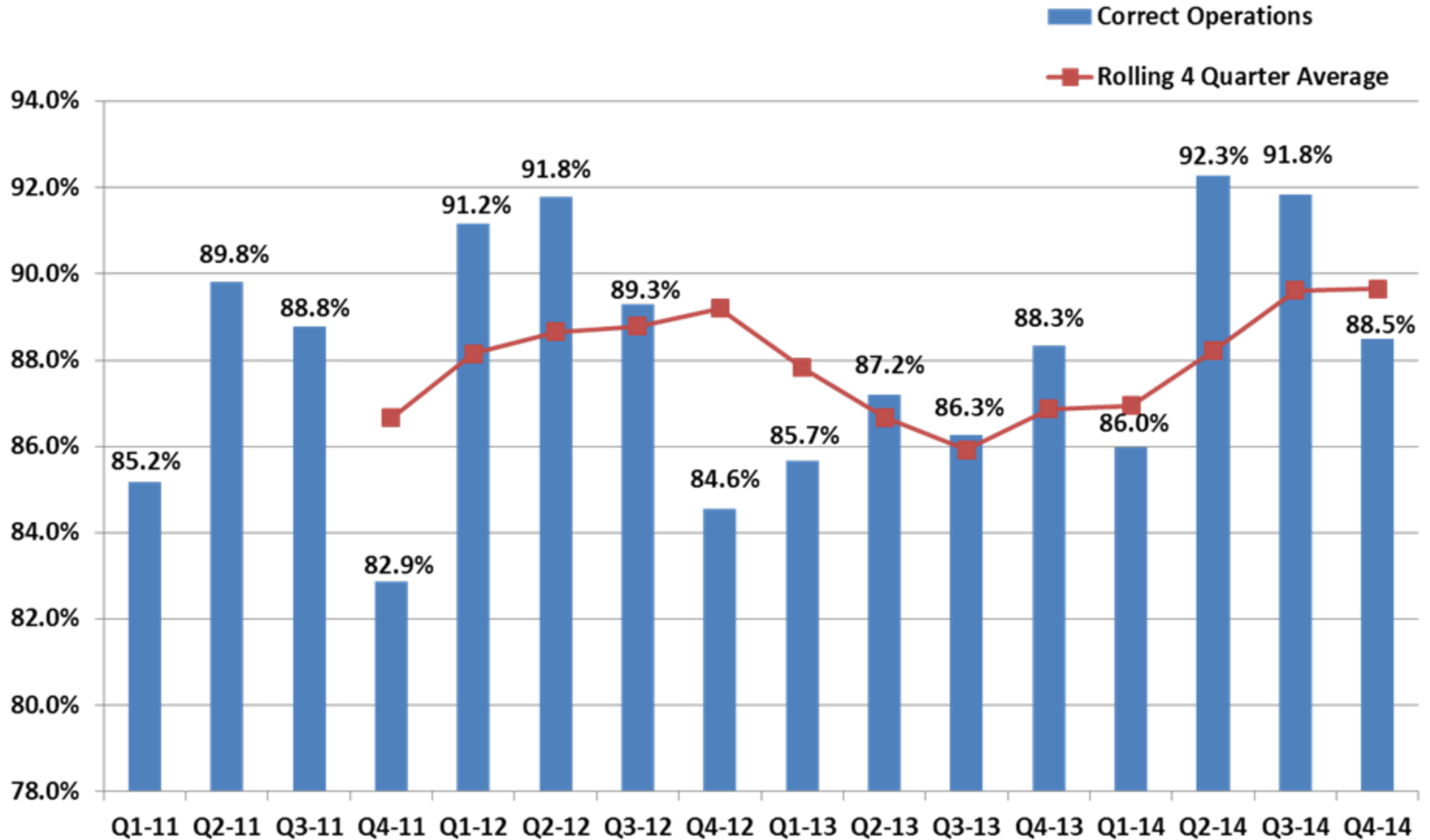
* NERC as of June 30, 2014

** Not in NERC Rolling 12 month Top Ten

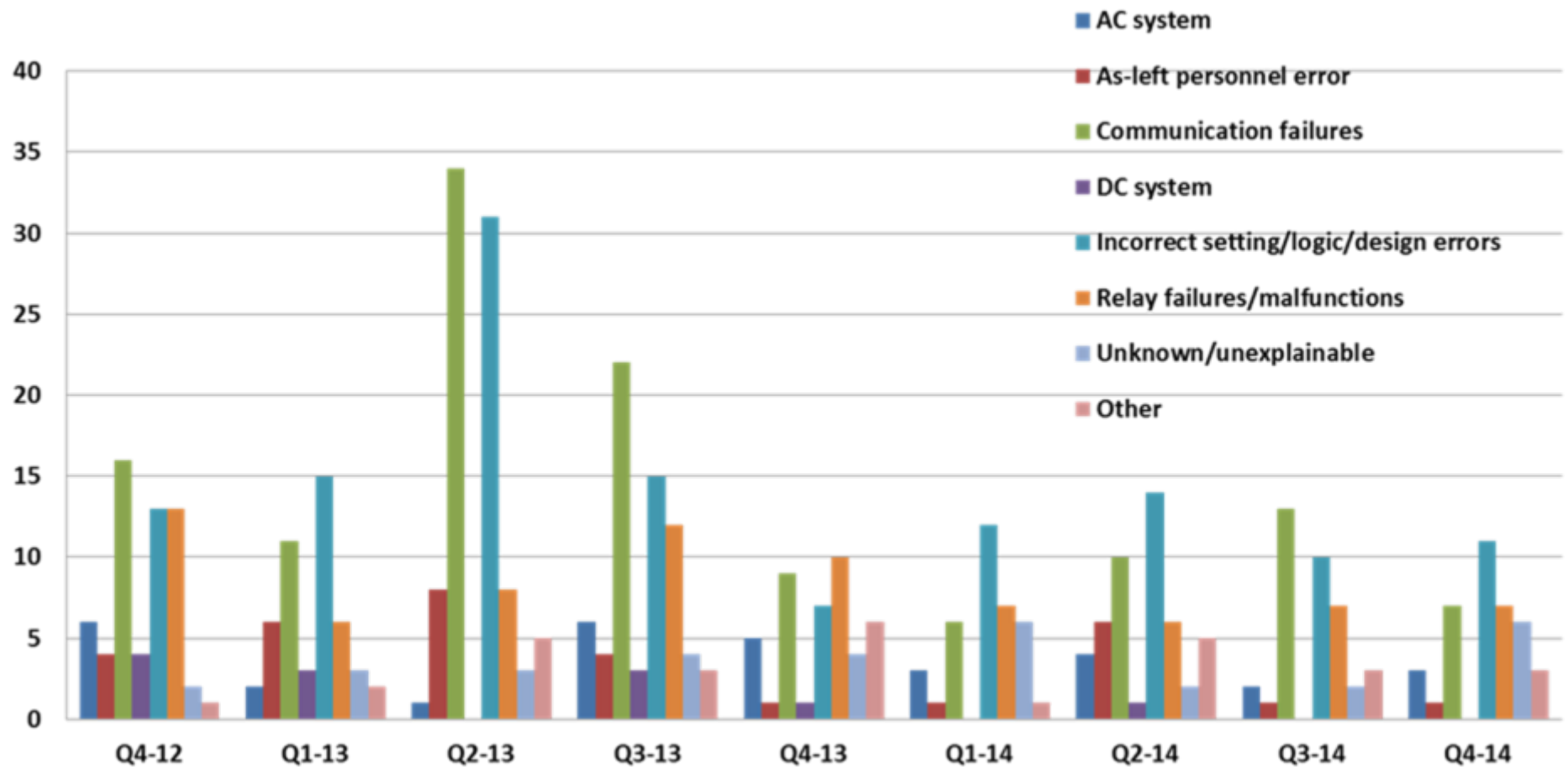
NERC Facility Ratings Alert Status

- **7 Transmission Owners have extensions**
- **Work has extended into 2016 in some cases (pending SPP construction projects)**
- **Final count in SPP RE:**
 - **6,450 discrepancies found**
 - **100% High priority lines complete as of 12/31/14**
 - **72% Medium priority lines complete as of 12/31/14**
 - **75% Low priority lines complete as of 12/31/14**
- **Next steps:**
 - **Some verification by SPP RE during site visits of facilities ratings, models, EMS/SCADA, one-line diagrams**

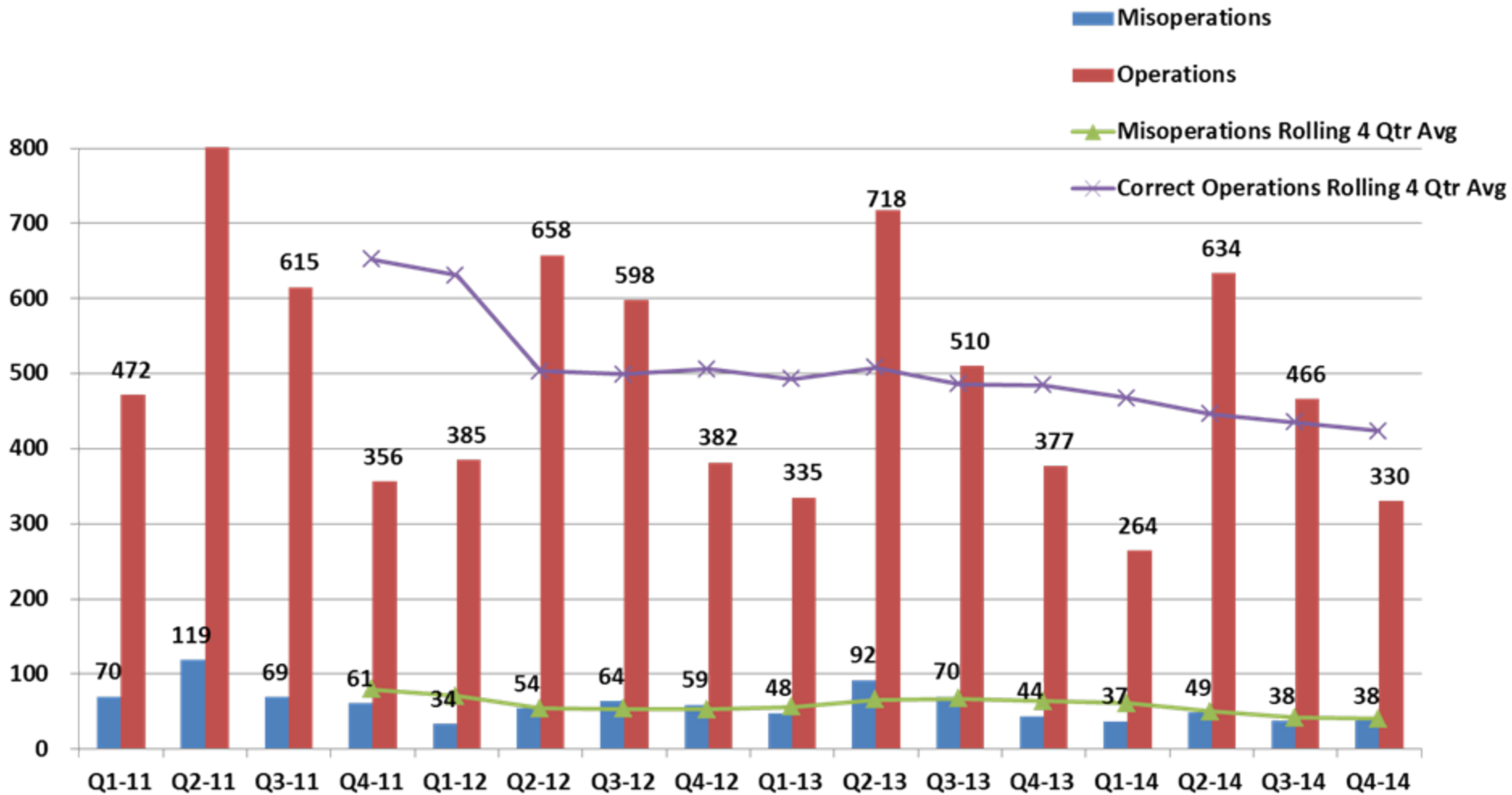
SPP RE Misoperation Report as of 4Q 2014



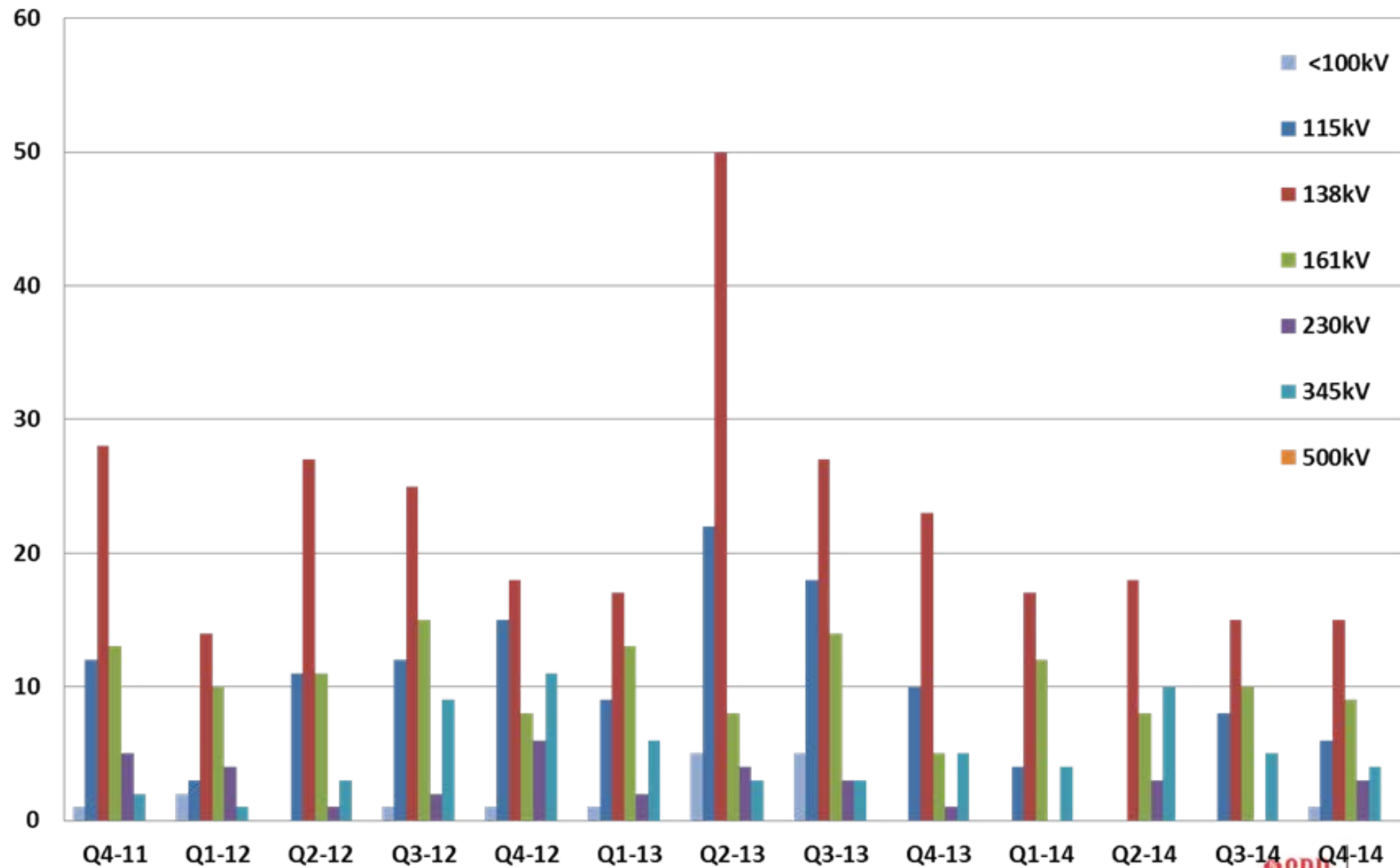
Causes of Misoperations 4Q 2012-4Q 2014



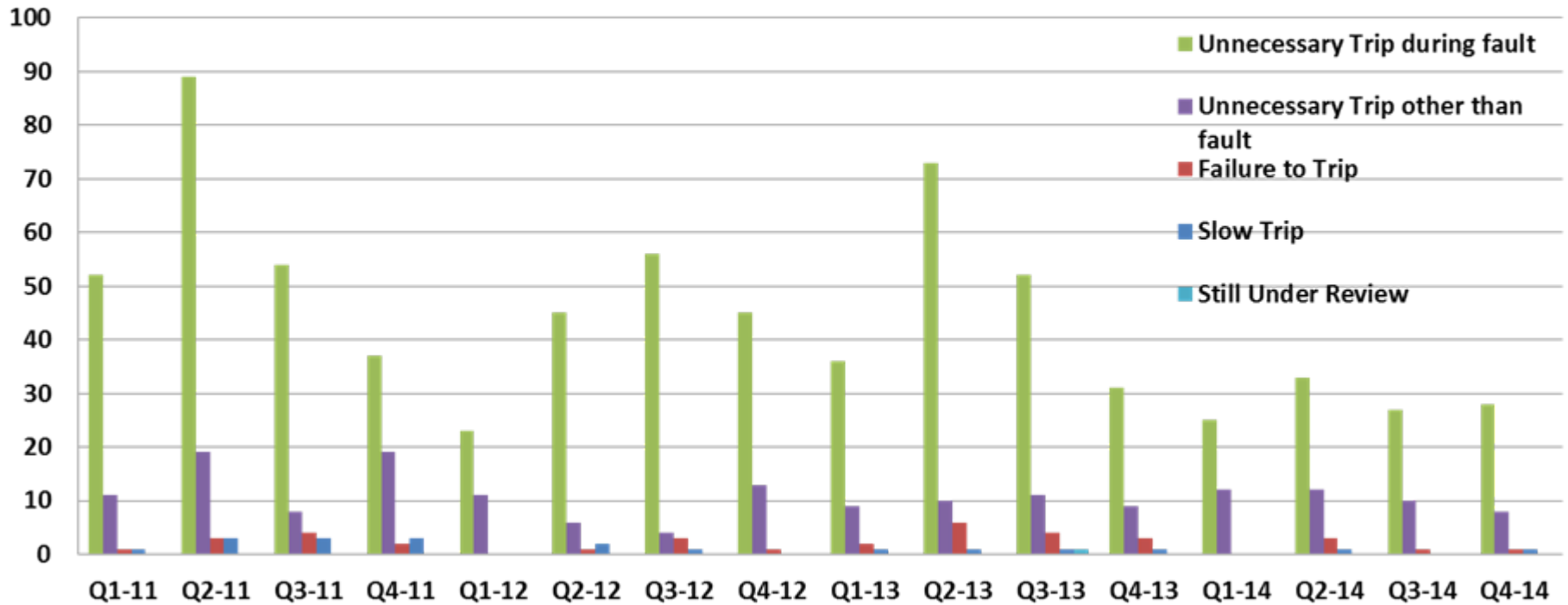
Operation/Misoperation Comparison



Misoperations by Voltage



Misoperations by Type



New standards effective April 1, 2015

- [BAL-003-1 -Frequency Response and Frequency Bias Setting](#)
 - Consistent method for calculating Frequency Bias component for Area Control Error (ACE)
 - VSLs were changed for R1
- [EOP-010-1 — Geomagnetic Disturbance \(NEW\)](#)
 - Develop geomagnetic mitigation strategies
 - Manage geomagnetic impacts by system operators
 - Develop info exchanges between researchers and industry
- [PRC-005-2 — Protection System Maintenance](#)
 - Implementation plan for PRC-005-2 includes specific compliance dates and timeframes for each Requirement

New standards effective July 1, 2015

- [MOD-032-1 — Data for Power System Modeling and Analysis \(NEW\)](#)
 - Establishes consistent modeling data requirements and reporting procedures for developing planning horizon cases

New standards effective October 1, 2015

- [CIP-014-1 — Physical Security \(NEW\)](#)
 - Initial ballot and non-binding poll of VRFs and VSLs conducted March 31 through April 9
- [PRC-006-2 -Automatic Underfrequency Load Shedding](#)
 - Addressed directive issued in FERC Order 763
 - Revisions to existing R9 and R10 and added new R15

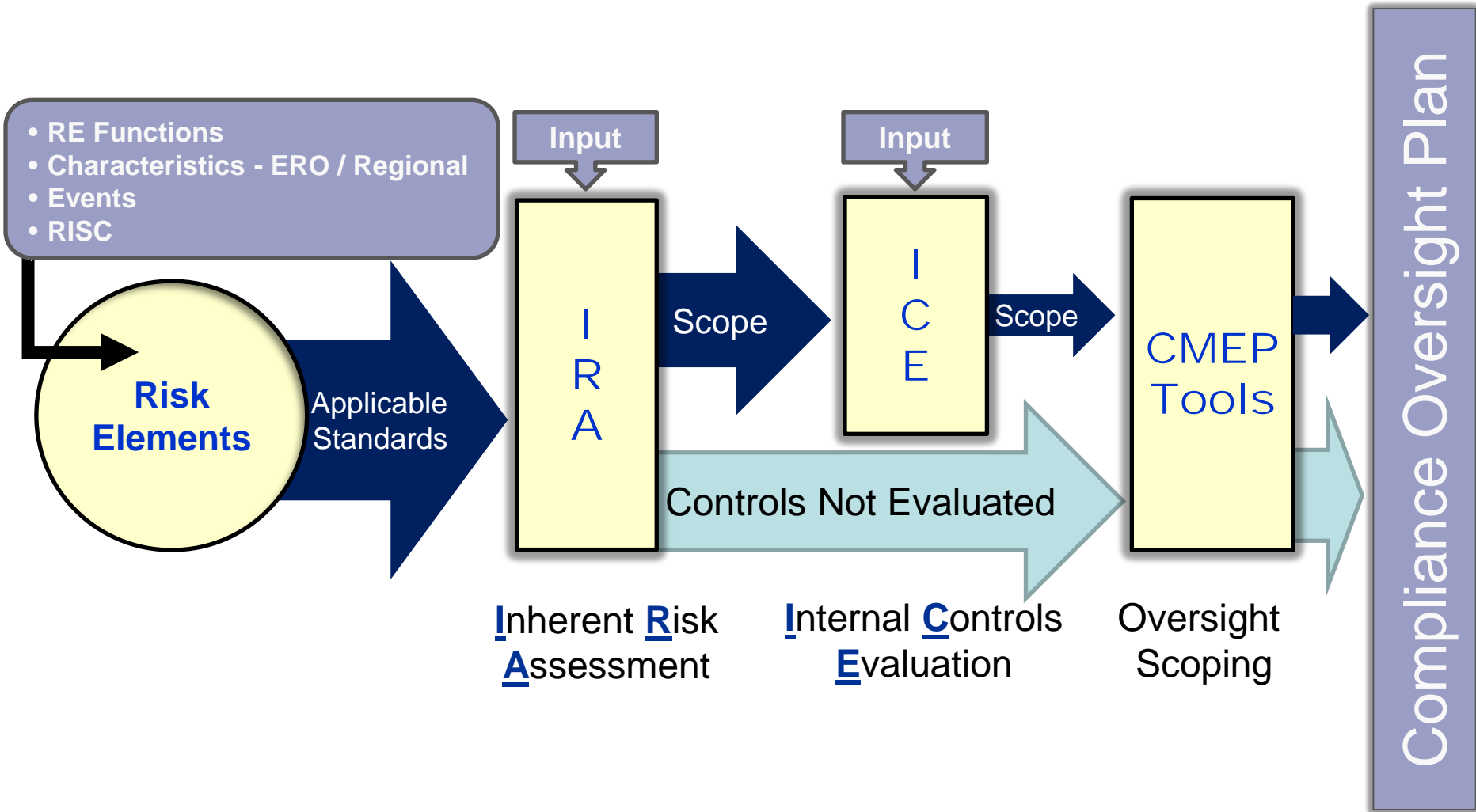
New standards effective January 1, 2016

- [FAC-001-2 — Facility Interconnection Requirements](#)
- [FAC-002-2 — Facility Interconnection Studies](#)
- [NUC-001-3— Nuclear Plant Interface Coordination](#)
 - Modifications to implement recommendations of the five-year review teams

New standards effective April 1, 2016

- [CIP Version 5 Standards](#)
- [PRC-005-3 — Protection System and Automatic Reclosing Maintenance](#)
 - Revised to address FERC directive in Order No.758 to include Automatic Reclosing in maintenance programs

Risk-Based Oversight Plan Framework



Inherent Risk Assessments (IRA)

- **SPP RE has completed 12 IRAs for Registered Entities on the 2015 audit schedule**
 - **Results of IRAs on monitoring methods**
 - **2 On-Site audits for Transmission Operators**
 - **8 Off-Site audits for non-Transmission Owners/Balancing Authorities/Reliability Coordinators**
 - **2 reduced from Off-site audits to Spot-Checks**

Internal Control Evaluation (ICE)

- SPP RE has developed ICE program
- ICE will be the focus for Registered Entities on 2015 audit schedule after April 1
- Registered Entities will have opportunity to request an ICE when they receive IRA summary letter
- At this time, one ICE request has been made
- NERC is performing a readiness review on all 8 Regional Entities on IRA and ICE processes
 - SPP RE was reviewed the week of April 13

Multiple Regional Registered Entity (MRRE)

- **SPP RE has been selected as Lead Region Entity for:**
 - **Llano Estacado Wind and Northern Iowa Wind Power 1; both are Entergy affiliates**
 - **Western Farmers Electric Cooperative**
- **SPP RE is an Affected Regional Entity for:**
 - **Midcontinent Independent System Operator (MISO), Duke Energy Renewables Services, and ITC Great Plains**
- **Full implementation of MRRE program will occur in June 2015, when a second enrollment period is opened**

SPP RE Staffing

- **Opened additional position on CIP team**
 - **Workload analysis showed additional man-hours required for reasonable IRA/ICE program was beyond the reach of current team**
 - **Will increase from 5 to 6 staff**
 - **2Q 2015 expectation**
- **Confirmed Ops and Planning team at 6 staff after the same analysis**
 - **Currently one open position**
 - **2Q 2015 expectation**
- **Removed 2 Events Analysis/Reliability Assessment positions from organizational chart**

SPP RE Metrics Reporting as of March 31, 2015

w/in Target Outside Target but w/in Allotted Range Outside Allotted Range

1. High Impact

Accept MP or issue NAVAPS at avg. of <= 100 days

Current Avg. Days : **0.00**

2. Maintain Caseload

Maintain a one year caseload

FFT	Settle	Dismiss	NOCV	Comp. Ex	Total:	Yr. Passed	25%
3	0	33	0	31	67	Caseload Complete	56.30%

3. Mit. Accept/Reject

Accept/Reject Mit Plans w/in 30 days Accept/Reject Resubmitted Mit Plans w/in 10 days

Current Avg. Days : **5.66** Current Avg. Days : **3.00**

Metric Eligibility : 100.00% Metric Eligibility : 100.00%

4. Mit. Plan Completion

Complete Mitigation reviews <= 20 days

Current Avg. Days : **10.17**

5. Process Pre-2014 Violations

Process 100% of Pre-2014 Caseload

% Processed: **26.53%**

% Metric Period Passed: 25.00%

6. 60 Day Triage

Complete Incoming Compliance Issue Triage in <= 60 days

Current Triage Avg. : **12.16**

7. Records Close Out

Average Days to Close Out Violation Record

of Violations closed out: **35**

8. Publish Off-Site Audit

Publish Off-site w/in 45 days

Published YTD: **#N/A**

of Reports Published in more than 45 Days: **0**

Average Publishing Time <=45 Days	Average Publishing Time <=65 Days
Average Publishing Time 45-50 Days	Average Publishing Time 65-75 Days
Average Publishing Time >=50 Days	Average Publishing Time >=75 Days

Actual Average Days to Publish Off-Site Reports: **100%**

9. Publish On-Site Audit

Publish On-site w/in 65 days

Published YTD: **1**

of Reports Published in more than 65 Days: **0**

Average Publishing Time <=65 Days	Average Publishing Time <=65 Days
Average Publishing Time 65-75 Days	Average Publishing Time 65-75 Days
Average Publishing Time >=75 Days	Average Publishing Time >=75 Days

Actual Average Days to Publish On-Site Reports: **100%**

10. BES Request Review

Review requests w/in 10 days

Current Avg. Days: **1.00**

11. Publish: Excep., PDS, Self-cert

Publish reports w/in allotted timeframe 100% of time or greater

% Published w/in Allotted Time

12. Incoming Processing

Notify NERC of new violations w/in 5 business days

Current Average Days : **1.56**

13. Cost Control

Maintain Costs at or below 2014 projections

Remaining Budget (blue) Costs to date (green)

14. Maintain/Increase Misop Success

90 % success rate or greater over rolling 4 quarter avg.

Current Success Rate: **89.73%**

15. Cause Code Success Rate

Achieve 100% success rate in Cause Coding Events

Current Success Rate: **75.00%**

16. Outreach

Conduct 3 Workshops, 6 webinars, and 12 newsletters in '15

Goal (blue) Completed (green)

17. Continuous Improvement Project Goals

Milestone Completion to Date

Outstanding Tasks (blue) Completed Tasks (green)

SPP RE Continuous Improvement Project

April 27, 2015

Ron Ciesiel
SPP RE General Manager



Continuous Improvement Projects

- **Six projects have been identified for 2015:**
 - 1. RAI Implementation Processes and Procedures**
 - 2. Compliance Workbook**
 - 3. Enforcement Workbook**
 - 4. Budget Workbook**
 - 5. Multiple Region Registered Entities (MRRE) Process**
 - 6. Internal Controls for Compliance Monitoring and Enforcement Program (CMEP) Activities**

Work Plan

- **3-4 person teams established for each project**
 - **Determine project milestones**
 - **Project success measured against milestones**
- **Common platform for workbook project milestones**
 - **Research**
 - **Outline**
 - **Draft Guide**
 - **Review**
 - **Final Draft**
 - **Integration into Final Guide/Workbook**
 - **Approval**
- **All Guides completed and approved by December 31**

Risk-Based CMEP Implementation

- **Develop Processes and Procedures for the Risk-Based CMEP components**
 - **Initial IRA and ICE Processes have been completed**
 - Finalization will occur after NERC review of all regional procedures
 - NERC reviewed SPP RE's procedures the week of April 13
 - Currently 70% complete
 - **Self-Logging is pending NERC response to FERC order**
 - **Compliance Exception procedure approved**
 - Details to be documented in the Enforcement Handbook

Compliance Workbook

- **Project Timelines**
 - **Completed Draft of Compliance Workbook Table of Contents for Guides**
 - **Draft Guides complete by August 30**
 - **Team member review of Draft Guides complete by September 30**
 - **Compliance Workbook finalized by November 15**
 - **Integration into Final Compliance Workbook**
 - **SPP RE General Manager Approval by December 1**

Enforcement Workbook

- **A comprehensive and detailed “how to” manual of Enforcement processes & procedures , including:**

FFT Process	Triage Process	Dismissals	Self-Logging
Compliance Exceptions	MRRE	Risk Determination	NAVAPS/NOCV
Penalty Determination	Settlements	Hearings	Mitigation
Confidential Materials	Document Control	CDMS	Reporting
Sanction Review Team	Internal Controls		

- **Enforcement staff assigned one or more topics for completion**
- **Milestones established for each topic**
- **Topic milestones for research, outline, draft document, review, final document, workbook integration**
- **Integration of topics occurs as final drafts are completed**
- **Eight topics completed by July 1, remaining 10 topics by November 13**

Budget Workbook

- **Identify timelines, data sources, deliverables to NERC**
 - **Data collection through annual budget cycle**
 - **January 1 to June 30**
 - **Budget team members will document individual activities**
 - **Guide outline complete**
 - **Draft Guide complete by August 30**
 - **Review by budget team members complete by September 30**
 - **Budget Guide finalized by November 15**
 - **SPP RE General Manager Approval by December 1**

MRRE Process

- **Project timelines**
 - **Completed and approved the Compliance Monitoring and Enforcement Program Multi-Regional Registered Entity Process Procedures - March 27, 2015**
 - **Developed and implemented ERO-approved Regional Entity Coordinated Oversight Memorandum of Understandings (MOU)**
 - **Continue to develop online tools to implement monitoring of MRREs**
 - **Anticipate completion by December 31**
 - **Manual processes have been and will continue to be developed with other Regional Entities**
 - **Execute the MOUs for any requested MRREs in Phase 2 for Coordinated Oversight**

Internal Controls for CMEP Activities

- **Review SPP RE's internal controls for CMEP activities and develop internal controls where necessary**
 - **As Enforcement and Compliance workbooks are developed, review content for internal controls for the CMEP activities**
 - **Work with workbook teams in areas where internal controls are needed**
 - **Timeline: Throughout the year as workbook sections are completed and approved**
 - **Project completed when workbooks are approved by SPP RE General Manager (December 31)**

Outreach Report

April 27, 2015

Tulsa, Oklahoma

Emily Pennel

Outreach Coordinator and Trustees
Secretary



2015 Outreach

- **2015 Workshops:**
 - June 2-3, CIP Workshop, Kansas City [Register](#)
 - Sept. 29-30, Fall Workshop, Dallas [Register](#)
 - Workshops followed by RTO Compliance Forums
- **Spring 2015 workshop at SPP attended by over 205 stakeholders in-person or via webinar**
 - 92% of attendees rated workshop *good* or *great*
 - Majority want to hold two of the three annual workshops at SPP in 2016
- **1,400 plays on [training videos](#) YTD**

**NERC Compliance and Certification Committee (CCC)
Report to Southwest Power Pool Regional Entity Trustees
Submitted by Jennifer Flandermeyer, SPP RRO Representative
Senior Manager, Reliability Strategy, Kansas City Power & Light
April 16, 2015**

NERC CCC Meeting

- The NERC CCC held its quarterly meeting in Atlanta, GA on March 3-4, 2015. The materials for this meeting can be found:
 - Agenda:
[http://www.nerc.com/comm/CCC/Agenda%20Highlights%20and%20Minutes%202013/March2015CCC AgendaPackage.pdf](http://www.nerc.com/comm/CCC/Agenda%20Highlights%20and%20Minutes%202013/March2015CCC%20AgendaPackage.pdf)
 - Minutes and Presentations:
http://www.nerc.com/comm/CCC/Agenda%20Highlights%20and%20Minutes%202013/DRAFT_CCC%20Minutes%20March%202015.pdf

Administrative

- Compliance and Certification Committee (CCC) Proxies, meeting minute approvals from December 2014 meeting and review of action items was completed.

Committee Business

- Ms. Jennifer Flandermeyer, Vice-Chair, reviewed included agenda package materials with reports from the NERC BOT and MRC meetings.
- Ms. Patti Metro, Chair, provided an update on Enterprise Wide Risk Committee (EWRC) Activities.
- Ms. Patti Metro, Chair, informed the committee of the changes in the Nominating Subcommittee (NSC) and appointed Helen Nalley, Southern Company, as the chair of the NSC and informed the full committee of all NSC members.
- Ms. Mechelle Thomas, Director, Internal Audit, provided a report on the last two internal audits' findings as well as status updates of any remediating actions.
- Reliability Issues Steering Committee (RISC) Update – Mr. Bilke gave an update on RISC activities. He presented on the background of the RISC and its processes. He noted the key risk themes identified in 2014 and recommendations for 2014. The report detailing these items is available publicly. Mr. Bilke reported that RISC members will conduct interviews of executives in order to identify risks in 2015.

Subcommittee Updates

Nominating Subcommittee (NSC)

- There are 2 individuals pending approval by the Board in May.
- There are 3 nonvoting member vacancies: US Federal, Canadian Federal, and Canadian Provincial.
- There are five members with terms expiring in May 2015.

ERO Monitoring Subcommittee (EROMS)

- Mr. Abrams reported the CCC revised four procedures documents associated with its monitoring role to present for approval via email ballot. CCCPP-001, 002, 003, and 007 were

- revised. The CCC is responsible for monitoring standards applicable to NERC; there will be revisions to the procedure document if new standards become applicable. The CCC simplified the program documents and updated them to align them with the processes the CCC has been using. The Board asked the CCC to share its documents with a small group of the MRC to further awareness of roles and responsibilities as well as understanding.
- Ms. Metro presented revisions to the CCC Charter. The documents will be sent to the CCC for review and for CCC vote via email. The revisions focused on changing “compliance” to “adherence” when referring to NERC’s obligations to follow the Rules of Procedure. The changes also include the four focus areas in the charter. The CCC plans to present the CCC Charter to the Board in May 2015.
 - Ms. Iwanechko presented the status of the responses to the combined survey. She noted that the survey vendor is currently analyzing the data received. NERC staff and the Regional Entities will identify areas to work on and will develop an action plan for improvements. This analysis will factor into the CCC report.
 - Mr. Abrams reported on the status of 2015 Work Plan items.

Compliance Processes and Procedures Subcommittee (CPPS)

- Risk-based compliance monitoring and enforcement success metrics -Mr. Bilke presented on the interaction between the CCC and the Reliability Issue Steering Committee (RISC). RISC asked CCC for input on managing reliability risk by leveraging compliance data. The team recommends using metrics ALR CP-1 (risk-focused) and ALR CP-2 (impact-focused) as input for managing reliability risk. The CPPS requested that the CCC provide comments on the recommendations as outlined in a document appended to the agenda. The CPPS requested comments by March 27 are submitted to Terry Bilke for presentation to RISC at its April meeting.
 - The CPPS also requested endorsement from the CCC on this approach. The CCC moved to endorse the approach on using the recommendations.
- Mr. Goldberg stated that the CPPS worked with NERC to develop success criteria to assess the effectiveness of the ERO implementation of RAI or Risk Based Compliance Monitoring and Enforcement Programs. The CPPS discussed comments received on the document, which included sequencing of ICE and the self-logging program. The CPPS approved the document.
 - The CPPS requested approval of the new version of CCCPP-010, including any non-material changes to which the CPPS Chair and NERC Compliance Assurance agree and the CCC approved the document.
- 2015 Work Plan review
 - CPPS went through the draft 2015 work plan and how CPPS can contribute to NERC’s work plans for internal assessment, EWRC, other RAI activities.

Organization and Certification Subcommittee (ORCS)

- Risk-Based Registration (RBR) Phase 2: Mr. Engelby noted that there is a scope document being developed and is near approval. He provided updates on upcoming technical conferences for Generator Owners and Generator Operators. He reported that Phase I was filed with FERC in December. The subcommittee also discussed certification and developed a matrix regarding Joint Registration Organizations. He reported there will be no filings for Rules of Procedure changes this year. ORCS will await the findings developed based on the input from the technical conferences before pursuing further discussions about necessary changes for the Rules of Procedure based on RBR activities.

- Mapping of transmission assets to a single TOP: Mr. Engelby noted that the subcommittee discussed that some entities apply this rule from the Rules of Procedure differently.

NERC Staff Reports

- Risk-based Compliance Monitoring and Enforcement / RAIAG update - Steven Noess
 - Mr. Noess presented on 2014 accomplishments from the Risk-based CMEP, such as performance training for Regional Entities and extensive stakeholder outreach. He provided details on the implementation of Risk-based CMEP in 2015. Mr. Kichline noted the elements that would be included in the compliance filing.
- RSAW and Guidance Development - Steven Noess
 - Mr. Noess provided an update on RSAW development. He specifically focused on the CIP Version 5 RSAWs being developed. He stated that further refinements to the RSAW process would be discussed and considered in 2015. Committee discussion included conversation around how to include the work completed previously on RSAWs and how the CCC could support NERC in this effort.
- FERC RAI Order - Steven Noess and Teri Stasko
 - Mr. Noess provided an overview of the FERC Order approving the Risk-based approach. He outlined actions NERC plans to take in response to the Order.
- March 5 Outreach event - Adina Mineo
 - Ms. Mineo provided details of the event.
- Spring 2015 Standards and Compliance Workshop update (Joint meeting with Compliance Auditors) - Adina Mineo
 - Agenda and registration information [[Registration](#)] [[Agenda](#)]
 - Ms. Mineo provided details of the event.
- Risk Based Registration Update – Terry Brinker
 - Mr. Brinker provided an update on risk-based registration. He noted that NERC is waiting for FERC approval but is prepared to act upon issuance of an order. NERC is still anticipating action from FERC by the end of the year.
- CIP Version 5 Transition, Lessons Learned, and FAQs - Steven Noess
 - Mr. Noess provided an update on CIP Version 5 Transition activities. Mr. Noess provided an update on upcoming postings.

Scheduled CCC meetings as follows

- June 10 -11, 2015: Arlington, VA (NRECA host location)
- September 16-17, 2015: US Central/Midwest (located w/other standing committees)
- December 2-3, 2015: Atlanta, GA (NERC)

NERC Critical Infrastructure Protection Committee (CIPC) Report to Southwest Power Pool Regional Entity Trustees

Submitted by Eric Ervin, Chair, SPP CIPWG
March 24, 2015

NERC CIPC Meeting

- The NERC CIPC held its quarterly meeting in Jacksonville, FL on March 10-11, 2015.
 - Agenda:
 - <http://www.nerc.com/comm/CIPC/Agendas%20Highlights%20and%20Minutes%202013/Agenda%20--%20CIPC%20--%20March%2010-11%202015v2.pdf>
 - Presentations:
 - [http://www.nerc.com/comm/CIPC/Agendas%20Highlights%20and%20Minutes%202013/CIPC Meeting Presentations March 2015.pdf](http://www.nerc.com/comm/CIPC/Agendas%20Highlights%20and%20Minutes%202013/CIPC%20Meeting%20Presentations%20March%202015.pdf)
 - Draft Minutes:
 - [http://www.nerc.com/comm/CIPC/Agendas%20Highlights%20and%20Minutes%202013/DRAFT CIPC Minutes package March 2015.pdf](http://www.nerc.com/comm/CIPC/Agendas%20Highlights%20and%20Minutes%202013/DRAFT%20CIPC%20Minutes%20package%20March%202015.pdf)
- The DHS Office for Bombing Prevention hosted an Improvised Explosive Device (IED) Awareness & Bomb Threat Management Workshop the morning of March 10th.
- Chuck Abell, CIPC Chair, provided opening comments and an overview of the February NERC Board of Trustees Meeting.
 - Strategic Plan approved by board – strong and positive feedback.
 - Jan Schori and Ken Peterson re-elected, George Hawkins elected to replace Bruce Scherr on the NERC Board of Trustees.
- Ben Miller, NERC Staff, provided an ES-ISAC Update
 - New features on the ES-ISAC portal are to be released in the summer months and will replace the experience sharing portion. A physical security dashboard will also be added. New functionality to be presented at the June CIPC.
 - Partnership on the development of DOE's Physical Security Maturity Model. DoE is awaiting 2015 funding approvals for the project.
- Scott Mix, NERC Staff, provided an overview of the Security Reliability Program and Directions for 2015
 - SRP visits are continuing in 2015, 10 scheduled so far including four workshops.
 - Focus on regional consistency and application/implementation of the CIP V5 Standards.
 - Maintains an outreach to the entities, reviews compliance evidence, and open dialog/discussion.
 - Low-impact outreach to be scheduled.

- Nathan Mitchell, CIPC Vice Chair provided a legislative update.
 - February 13th Executive Order 13691 encourages the voluntary formation of information sharing and analysis organizations. Establishes mechanisms to continually improve the capabilities and functions of these organizations.
 - The Information Sharing Bill will likely resemble the Cybersecurity Information Sharing Act (CISA) and could go up in March. Goal is to enhance information sharing on cyber threats between private companies and intelligence agencies. Some concerns over the legislation's privacy provisions.
 - Senate Homeland Security and Government Affairs Committee also considering an information sharing bill.
- Melanie Seader, Senior Cyber and Infrastructure Security Analyst, Edison Electric Institute provided an EEI Electricity Sub-sector Coordinating Council Update.
 - ESCC taking more of a strategic focus and is currently performing a strategic review of the ES-ISAC. The goal is to provide enhancements and recommendations for ES-ISAC coordination through benchmarking against other ISAC's. Executive Sponsors will report out during June 15th ESCC meeting.
- Tobias Whitney, NERC Staff, provided a CIP V5 transition and CIP V5 revisions update.
 - Process for lessons-learned is lengthy and industry is anxious. NERC is working with the Regional Entities to enable flexibility in complying with the Standards.
- Tim Conway, Grid Exercise Working Group Chair, reported on GridEx III preparations for this year's exercise.
 - There are 64 participating members across the industry in GridEx III planning activities.
 - SPP is participating in the GridEx Working Group (GEWG) and this contact will help coordinate all SPP planning efforts.
 - There is an opportunity for the CIPWG to stand up a User Group much as they did for GridEx II.
 - Interested Members should contact Lesley Bingham. If enough resources are identified, planning will start in April.
- Eric Ervin of Westar has assumed the role of SPP CIPWG Chair and is awaiting NERC's approval to become the CIPC Cyber voting delegate for SPP. Robert McClanahan has transitioned to Cyber alternate at CIPC. Current assignments are:

○ SPP	John Breckenridge	KCPL	Physical
○ SPP	Allen Klassen	Westar	Operations
○ SPP	Eric Ervin	Westar	Cyber
- CIPC meeting dates for 2015 are as follows:
 - June 9-10, 2015 (Atlanta, GA)
 - September 15-16, 2015 (TBD)
 - December 15-16, 2015 (Atlanta, GA)

NERC Interchange Subcommittee

SPP RE Trustees Update

April 2015

Submitted by: Jason Smith, SPP

Report:

At the [August 2014 NERC board meeting](#), the Interchange Subcommittee was disbanded at the Operating Committee's recommendation.