



**Southwest Power Pool  
REGIONAL ENTITY TRUSTEES MEETING**

**June 15, 2015**

**Teleconference**

**A G E N D A**

**9:00 a.m. – 11:00 a.m.**

1. Call to Order/Introductions ..... John Meyer
2. Antitrust Guidelines ..... John Meyer
3. Approval of Meeting Minutes – April 27, 2015 ..... John Meyer
4. SPP RE 2016 Business Plan & Budget ..... Debbie Currie  
  
*Action Requested: Approve SPP RE 2016 Business Plan & Budget, subject to adjustment for violation penalty payments received prior to July 1, 2015, plus other non-substantive changes required for filing with NERC.*
5. Regional Delegation Agreement Update ..... Debbie Currie
6. New Action Items ..... John Meyer
7. Upcoming Meetings ..... John Meyer

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

# 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**

**APRIL 27, 2015**

**Tulsa, Oklahoma Hyatt Regency**

**Minutes**

**8:00 a.m. – 3:00 p.m.**

**Meeting Materials**

- 1. **Call to Order/Introductions**..... **John Meyer**  
Chairman Meyer called the meeting to order at 8:00 a.m. We observed a moment of silence in remembrance of Stacy Duckett.
- 2. **Antitrust Guidelines** ..... **John Meyer**  
Chairman Meyer reviewed the antitrust guidelines with attendees.
- 3. **Approval of Meeting Minutes – 1/26/15 and 2/17/15** ..... **John Meyer**  
The Trustees unanimously approved the minutes.
- 4. **Summer Reliability Assessment** ..... **Lanny Nickell**  
Lanny Nickell reviewed the summer reliability assessment, which found a projected 2015 peak demand of 50,529 MW and 63,605 MW existing capacity resources. A lot of transmission is going into service this summer; the most significant is a Balanced Portfolio project, the 31 mile latan -Nashua 345 kV line. We have sufficient resources expected for summer. The forecasted reserve margin is 32%.

Reliability concerns include a possible reduction in coal supplies or delays due to railroad congestion, load growth due to increase in oil and gas drilling, and wind integration. Demand response programs in SPP assessment area are voluntary and primarily targeted for summer peak.

The assessment area has sufficient capacity to meet forecasted demand during the 2015 summer assessment period. SPP has sent the finalized draft assessment to NERC, and NERC will publish it in May.

- 5. **Regional Delegation Agreement** ..... **Debbie Currie**  
The Regional Delegation Agreement (RDA) gives SPP RE the ability to perform its compliance and enforcement work. The agreement is a five-year term, which ends at the end of 2015. Due to SPP RE’s structure with SPP, Inc., NERC removed the pro forma RDA’s automatic renewal clause for SPP RE.

Ron Ciesiel noted that SPP RE has met all expectations regarding SPP RE’s independence from SPP RTO. Michael Desselle noted that SPP has been discussing SPP RE’s independence for 10 years and it will be discussed again at the next Strategic Planning Committee meeting. Trustee Burrows noted that SPP RE has an

independent board, and he is troubled that NERC is raising SPP RE's independence as an issue. NERC board member Ken Peterson noted that this issue has not been debated at the NERC board, but it clearly needs to be addressed. Barry Warren stated that SPP RE has very good performance and does a good job for the region. SPP, Inc. board member Larry Altenbaumer noted that we have had great success with SPP RE's effectiveness and expressed concern that NERC seems not to like the SPP RE/RTO structure.

NERC made some changes to the pro forma RDA, and SPP RE also made some changes including transferring a Registered Entity, removing the SPP Bylaws and regional standard development procedure from the agreement, and expanding the regional hearing body. The revised document designates the SPP RE Trustees Chairman as an alternative to the SPP RE General Manager to authorize funds transfer, and changed the structure of the SPP, Inc. overhead charge.

NERC will take the pro forma RDA to NERC Board for approval in May. Before June 15, the REs will approve the RDAs. NERC will file the RDAs with FERC no later than July 1.

The SPP RE Trustees endorsed the proposed changes, subject to the favorable resolution of the renewal provision for the SPP RE, to the Regional Delegation Agreement and grant the SPP RE General Manager the authority to execute the agreement once it is approved by the NERC Board, absent any material changes from the current version.

## **6. Preliminary 2016 SPP RE Business Plan and Budget.....Debbie Currie**

SPP RE is recommending a budget decrease for 2016, but we don't expect this to impact our day-to-day operations. We propose a \$10.3 million budget, a reduction of \$1.55 million. We have been carrying four open full-time employees (FTE), and are eliminating two FTEs. Two part-time law clerks are becoming full-time, and our shared staff (RTO Engineering) is increasing by half an FTE. There will be a net decrease of half of one FTE.

Direct expenses are projected to be decreased 8% and indirect expenses decreased 21%. We had a significant reduction in consulting/professional services and removed the budget item for hearing costs. The SPP, Inc. overhead charge was previously allocated based on SPP RE's head count. Now, costs will be allocated based on a fixed amount, which will save SPP RE almost \$1 million.

The Trustees authorized submitting the preliminary Business Plan and Budget to NERC. Stakeholders may submit comments to SPP RE through May 31. We will submit the final budget to NERC on July 6. NERC will submit its budget packet to FERC on August 24.

**7. Planning Committee (PC) Report.....Noman Williams**

The PC's March meeting was more of an informational meeting. The main approval item was the 2014 probability assessment. This assessment reviews resource adequacy for the entire NERC footprint. Comparison of assessment results to the Long Term Reliability Assessment (LTRA) is still problematic. Ongoing LTRA changes should help improve the ability to compare results.

The Integration of Variable Generation Task Force has completed its work and has been effectively disbanded. The PC is reviewing the task force's recommendations. There has been a lot of activity with CIP-014. The initial ballot passed and will be going to the NERC Board in May. Implementation would start six months after FERC's approval. The Essential Reliability Services Task Force is developing measures to gauge how well reliability services are working. The AC Substation Equipment Task Force brought recommendations to the PC.

Regarding the EPA's Clean Power Plan (CPP), the PC is conducting a three-part assessment. On April 21, NERC [posted an assessment](#) on the potential risks to reliability resulting from the CPP. NERC is assessing the CPP separately from the Regional Entities. SPP, Inc. is conducting a regional compliance approach and a state-by-state analysis.

NERC has been working with EPRI on issues related to FAC-003 vegetation management research. Preliminary testing has determined that a gap factor of 1.0 may be more appropriate than the present value of 1.3 contained in FAC-003-3.

**8. CIP Update..... Kevin Perry**

NERC is issuing three types of guidance. "Communications to Industry" are clarifying guidance that are expected to be followed by industry and Regional Entities. Lessons Learned can be submitted by any Registered Entity and are informative, experience-based guidance and recommendations that discuss challenges faced by a Registered Entity and how the challenges were solved. Frequently Asked Questions are short general questions and responses.

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, and Third Party Notifications of Medium Impact assets.

SPP RE has conducted three on-site CIP V5 outreach sessions at the request of Registered Entities. Five more on-site sessions are scheduled in 2015, including a NERC Security Reliability Program, formerly known as Sufficiency Review Program review. We added a [CIP V5 page](#) to SPP.org with links to training and reference information.

Most Version 5 effective dates are unchanged by industry approval of Version 5 revisions: April 1, 2016 for High and Medium Impact BES Cyber Systems and April 1,

2017 for Low Impact BES Cyber Systems, assuming prompt FERC action on revised standards. Extended effective dates are defined for new requirements in the Implementation Plan.

Ken Peterson thanked SPP RE and our Registered Entities for our support of NERC and the CIP version transition.

**9. Summary of Recent System Events .. Alan Wahlstrom**

This quarter has had fewer events than previous quarters. We had four category 1 events: two were category 1h - *Loss of monitoring or control at a control center* and two were category 1a - *An unexpected outage, contrary to design, that results in three or more BPS facilities having outages.*

NERC published Lessons Learned on:

- Importance of Backup Energy Management System Failover Testing after Network Device Reconfiguration
- Importance of State Estimator Save Cases and Troubleshooting Guide
- Digital Inputs to Protection Systems May Need to be Desensitized to Prevent False Tripping Due to Transient Signals
- Consideration of the Effects of Mutual Coupling when Setting Ground Instantaneous Overcurrent Elements

**10. Enforcement Report..... Joe Gertsch**

The current active caseload is 94 violations, with a caseload index of 5.5 months. This is the lowest caseload index we have had, due to the decreasing number of violations. There are 62 CIP violations and 32 Operations and Planning; 11 are High Impact. We haven't had any High Impact violations incoming YTD. We have done a good job of ensuring High Impact violations are mitigated.

NERC completed a spot check of SPP RE's procedures and 17 mitigation plans. NERC noted several positive attributes, such as staff's outreach efforts and thorough and timely review of mitigation plans. NERC suggested that Registered Entities improve their identification of root causes in mitigation plans and submit the plans in a more timely manner.

**11. YTD Financial Update.....Debbie Currie**

SPP RE is under budget, primarily due to open positions and lower consultant/professional services costs. YTD we are under budget ~\$546,000. Our year-end projection is that we will be \$1.1 million under budget.

**12. General Manager's Report.....Ron Ciesiel**

The new Bulk Electric System definition is going smoothly. The fourth quarter of 2014 was the seventh consecutive quarter with no vegetation contacts. We will remove the Purchasing Selling Entities from our compliance registry per NERC's risk-based registration initiative. CIP-002 is the most violated standard; CIP standards dominate

the region’s most violated standards. Seven Transmission Owners have extensions in the Facility Ratings Alert program. In the SPP RE region, 6,450 discrepancies were found.

Communication failures have dropped as a leading cause of regional misoperations; this may be due to SPP System Protection and Control Working Group’s white paper and focus on improving communications. In the last quarter of 2014 there were 330 total operations with 38 misoperations. Most of the misoperations are occurring at lower voltages, and most are due to unnecessary trips.

A number of standards have been revised in the last 18 months. Effective April 1 are BAL-003-1, EOP-010-1, and PRC-005-2. MOD-032-1 is effective July 1. Effective October 1 are CIP-014-1, PRC-006-2. Effective January 1, 2016 are FAC-001-2, FAC-002-2, and NUC-001-3. Effective April 1, 2016 are the CIP V5 standards and PRC-00503.

SPP RE has completed 12 Inherent Risk Assessments (IRA) for Registered Entities on the 2015 audit schedule. SPP RE has developed a voluntary Internal Control Evaluation (ICE) program. ICE will be the focus for Registered Entities on the 2015 audit schedule after April 1. Registered Entities will have opportunity to request an ICE when they receive their IRA summary letter. Full implementation of the Multi Regional Registered Entity (MRRE) program will occur in June 2015.

**13. YTD Staff Performance Goals and Metrics.....Ron Ciesiel**

SPP RE staff is on track YTD with the 2015 staff performance goals and metrics. We have identified six continuous improvement objectives for 2015: developing risk based implementation processes and procedures; creating workbooks for compliance, enforcement, and the budget; implementing the MRRE process, and reviewing SPP RE’s internal controls for compliance monitoring and enforcement program activities. Staff teams have been established for each project and milestones have been established.

**14. Outreach Update.....Emily Pennel**

The CIP workshop will be held June 2-3 via webinar and in Kansas City. The spring 2015 workshop at SPP was attended by over 205 stakeholders in-person or via webinar. On the follow-up survey, 92% of attendees rated the workshop *good* or *great*. A majority said they prefer to hold two of the three annual workshops at SPP in 2016. We have received over 1,400 plays on our training videos YTD.

**15. NERC COMMITTEE REPORTS – Comments or Questions**

- a. Compliance and Certification Committee... ..Jennifer Flandermeyer
- b. Critical Infrastructure Protection.....Eric Ervin
- c. System Protection and Control .....OPEN
- d. Interchange Subcommittee .....Jason Smith



16. New Action Items..... Emily Pennel  
Ron Ciesiel will notify the Trustees of any changes to the RDA.

17. Future Meetings ..... John Meyer

June 15 - Teleconference (budget meeting)

July 27, 2015 - Kansas City

October 26, 2015 - Little Rock

The meeting was adjourned at 2:17. A closed executive session followed the meeting for the Trustees and SPP RE management to discuss enforcement actions and personnel issues.



**REGIONAL ENTITY TRUSTEE MEETING**

**APRIL 27, 2015**

**ATTENDANCE LIST**

NAME	ORGANIZATION
Sheila Scott	SPP RE
Emily Pennel	SPP RE
Kevin J. Perry	SPP RE
Joe Gentsch	SPP RE
BARY WARREN	Empire District Electric Co.
Fred Meyer	Empire District Electric Co.
BRENT BAKER	Empire District Electric Co.
TRACY STEWART	SWPA
ANGELA SUMMER	SWPA
Beth Emery	Gridliance - SoCentral MCN
TRENT GILSON	Gridliance - SoCentral MCN
CHIP KOLOINI	GOLDEN SPREAD ELECTRIC
Michael Desselte	SPP
Dave Christiano	SPP RE
John Meyer	SPP RE
GERRY BURROWS	SPP RE
KEN PETERSON	NERC BOT
RON CIESIEL	SPP RE
Bo Jones	Wastar
Norman Williams	Southcentral MCN

LARRY AUSTENBAMEN	SPP DIRECTOR
Debbie Curran	SPP RE
Alan Wahlstrom	SPPRE
Darrell Piatt	FERC
Thad Ness	Xcel Energy
TOM HEJERMANN	Sunflower Electric
Jim Jacoby	AEP
Mike Wise	GSEC
BILL HARRELSON	GSEC
Terri Gallup	AEP

TELECONFERENCE ATTENDEES

Mike Hughes	SPP RE
John Allen	SPP RM
Jennifer Flandermeyer	<del>RE</del> KCPL
Kalem Long	Empire District
John Pineda	OGE
Terri Pyle	OGE
Kim Van Brimer	SPP
Leesa Dokes	SPP RE
Eric Erwin	Wester
Andrea Poucelle	SPP RE

# 2016 Business Plan and Budget

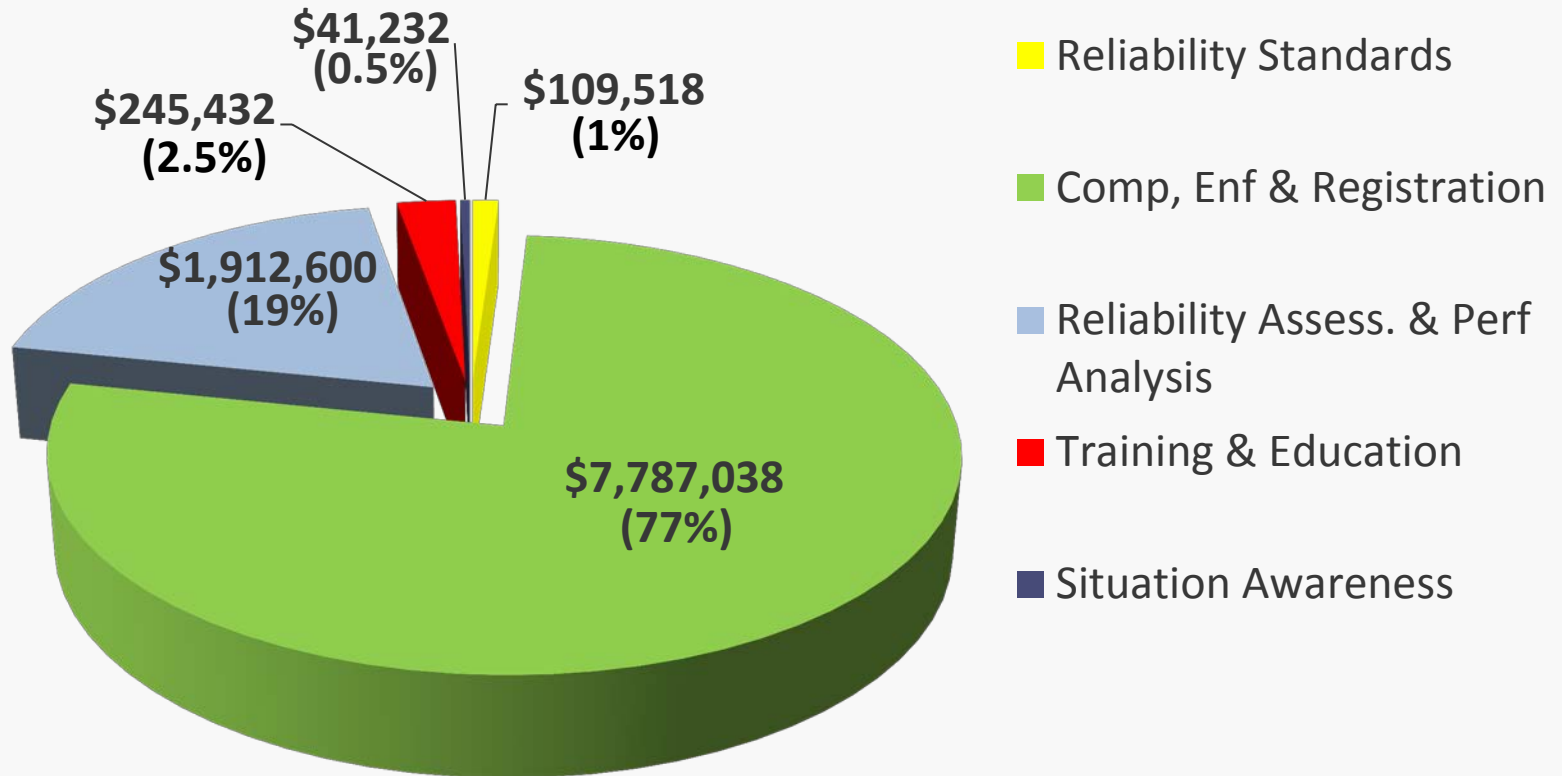
June 15, 2015

Debbie Currie  
RE Manager of Regulatory  
Interface and Process  
Improvement



# 2016 Budget

Budget - \$10.1 million



# 2016 Budget Overview

- **SPP RE has carried four open positions in the budget over the past two years**
  - **Obligations were met with existing staff and selected use of contractors**
  - **Violations leveling off**
  - **Increased experience level of existing staff**
- **Two positions to be eliminated**
- **Reliability Assurance Initiatives and CIP V5 transition causing a need for additional audit staff**
  - **CIP Auditor position currently posted**
  - **Additional O&P auditor authorized**

# 2016 Budget Overview

- **Budget Change Drivers**
  - **3% merit pool; 5% attrition rate; 16% increase in benefit costs**
  - **25% decrease in SPP, Inc. charge**
  - **Completion of Engineering Data Validation IT project**
  - **Removal of hearing costs**
  - **Headcount (2 positions eliminated; 2 part-time law clerks made full-time; increase in the use of shared staff; net 0.50 FTE decrease)**
  - **Penalty payment projections not budgeted**

# 2015-2016 Budget Comparison Overview

Resource Item	Approved 2015	Approved 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	\$3.4	(\$1,131k)	(25%)
Total Expenses (millions)	\$11.8	\$10.1	(\$1,712k)	(15%)
Total Funding Requirement (millions)	\$10.1	\$8.8	(\$1,325k)	(11%)
RE Assessments (millions)	\$9.7	\$8.6	(\$1,054k)	(13%)



# 2015-2016 Budget Comparison Direct Expenses

Cost Item	Increase/ (Decrease)	Explanation
Personnel	\$ (6k)	0.50 FTE reduction; 2016 full-year merit increase; increase in benefit costs
Consultants	\$ (655k)	Completion of Engineering Data Validation IT tool in 2015; Elimination of hearing costs, increased staff experience and improved RE processes
Meetings/Office Costs	\$ 4k	Increase in meetings held at SPP Corporate Campus; increase in the number of meetings held with 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	\$ (1,131)k	25% decrease in overhead charge due to change in allocation methodology
Total Decrease in Budgeted Expenses	\$ (1,712)k	N/A

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

# 2015-2016 Budget Comparison FTEs

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs <sup>1</sup> 2016 Budget	Total FTEs 2016 Budget	Change from 2016 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	0.15	0.15	0.15	0.00	0.15	0.00
Compliance and Organization Registration and Certification	20.85	21.85	21.35	0.00	21.35	0.50
Training and Education	0.00	0.00	0.50	0.00	0.50	0.50
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
<b>Total FTEs Operational Programs</b>	<b>28.25</b>	<b>27.25</b>	<b>23.50</b>	<b>4.25</b>	<b>27.75</b>	<b>-0.50</b>
<b>Administrative Programs</b>						
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
<b>Total FTEs Administrative Programs</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>0.00</b>	<b>4.50</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>32.75</b>	<b>31.75</b>	<b>28.00</b>	<b>4.25</b>	<b>32.25</b>	<b>-0.50</b>

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

# 2015-2016 Budget Comparison Program Summary

Program	Budget 2015	Projection 2015	Budget 2016	Change 2016 Budget v 2015 Budget	% Change
Reliability Standards	114,693	115,919	109,518	(5,175)	-4.5%
Compliance Enforcement and Register	8,583,743	9,002,873	7,787,038	(796,705)	-9.3%
Reliability Assess and Perf Analysis	2,978,437	2,375,075	1,912,600	(1,065,836)	-35.8%
Training and Education	88,086	88,809	245,432	157,347	178.6%
Situation Awareness	43,152	43,744	41,232	(1,920)	-4.5%
	<b>11,808,110</b>	<b>11,626,421</b>	<b>10,095,819</b>	<b>(1,712,291)</b>	<b>-14.5%</b>
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
<b>Total Funding</b>	<b>11,808,110</b>	<b>11,626,421</b>	<b>10,095,819</b>	<b>(1,712,291)</b>	<b>-14.5%</b>

# Planned Use of Unreserved Cash

- **2015 beginning cash balance of \$3.2 million will be reduced to \$1.9 to \$2.4 million at year's end**
  - **2015 Budget \$11.8 million; Assessments \$9.7 million**
- **2016 operations will be funded with an additional \$1.5 million of unreserved cash**
  - **Preliminary 2016 Budget \$10.1 million**
  - **Preliminary 2016 Assessments \$8.6 million**
- **To keep the Working Capital balance at \$0 the 2017 assessment would decrease by \$400k to \$900k if the 2015 and 2016 unreserved balances are realized due to operations**

## 2017 and 2018 Projections

- No significant changes in personnel
- No significant cost changes in any program area or expense category
- 3% cost escalation applied to all expense categories
- Assuming SPP RE remains on budget and excess cash is depleted as planned by the end of 2017, assessments would equal budget by 2018
  - Penalty payments, SPP Inc. charge true-up, and/or budget-to-actual variances could cause assessments to diverge from the budget in any given year
  - Assessment stabilization will be managed on a year-by-year basis

# Budget Timeline

- **2016 Budget presented to SPP RE Board of Trustees on June 15**
- **Budget is held open through June 30 for penalty payments**
- **Approved Budget submitted to NERC July 6**
- **NERC and regional budgets posted on NERC's website July 15**
- **Budgets submitted to NERC's Board on August 11**
- **Budget filing made at FERC on August 24**

## **2016 Business Plan and Budget**

**Southwest Power Pool Regional Entity**

**Approved by SPP Regional Entity Trustees**

**June 15, 2015**

# Table of Contents

<b>Introduction</b> .....	3
<b>Section A - 2016 Business Plan</b> .....	10
Reliability Standards Program .....	11
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	13
Reliability Assessment and Performance Analysis Program.....	18
Training, Education, and Operator Certification Program .....	22
Situation Awareness and Infrastructure Security Program .....	25
Administrative Services .....	29
<b>Section B — Supplemental Financial Information</b> .....	35
Reserve Balance .....	36
Breakdown by Statement of Activity Sections .....	37
<b>Section C — 2015 Non-Statutory Business Plan and Budget</b> .....	45
<b>Section D</b> .....	49
<b>Section E</b> .....	51
<b>Section F</b> .....	53



## Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	32.25			
Non-statutory FTEs	-			
<b>Total FTEs</b>	32.25			
Statutory Expenses	\$ 10,095,819			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 10,095,819			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (1,276,068)			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ (1,276,068)			
Total Statutory Funding Requirement	\$ 8,819,751			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 8,819,751			
<b>Statutory Funding Assessments</b>	\$ 8,819,751	\$ 8,819,751		
<b>Non-Statutory Fees</b>	\$ -	\$ -		
NEL	230,481,153	230,481,153		
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 2011. 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.

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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)<sup>1</sup>, NERC and the Regional Entities developed a set of Common Assumptions<sup>2</sup> 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 – 2012-2015<sup>3</sup>, which was developed in a collaborative manner, seeking input from RE staff, RTO staff,

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<sup>1</sup><http://www.nerc.com/gov/bot/FINANCE/Hidden%20Documents/ERO%20Enterprise%20Strategic%20Plan%202015-2018.pdf>

<sup>2</sup> See NERC 2016 Business Plan and Budget, Exhibit A.

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

<sup>3</sup> [http://www.spp.org/publications/RE\\_Strategy\\_2012\\_2015%20Clean.pdf](http://www.spp.org/publications/RE_Strategy_2012_2015%20Clean.pdf)

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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.

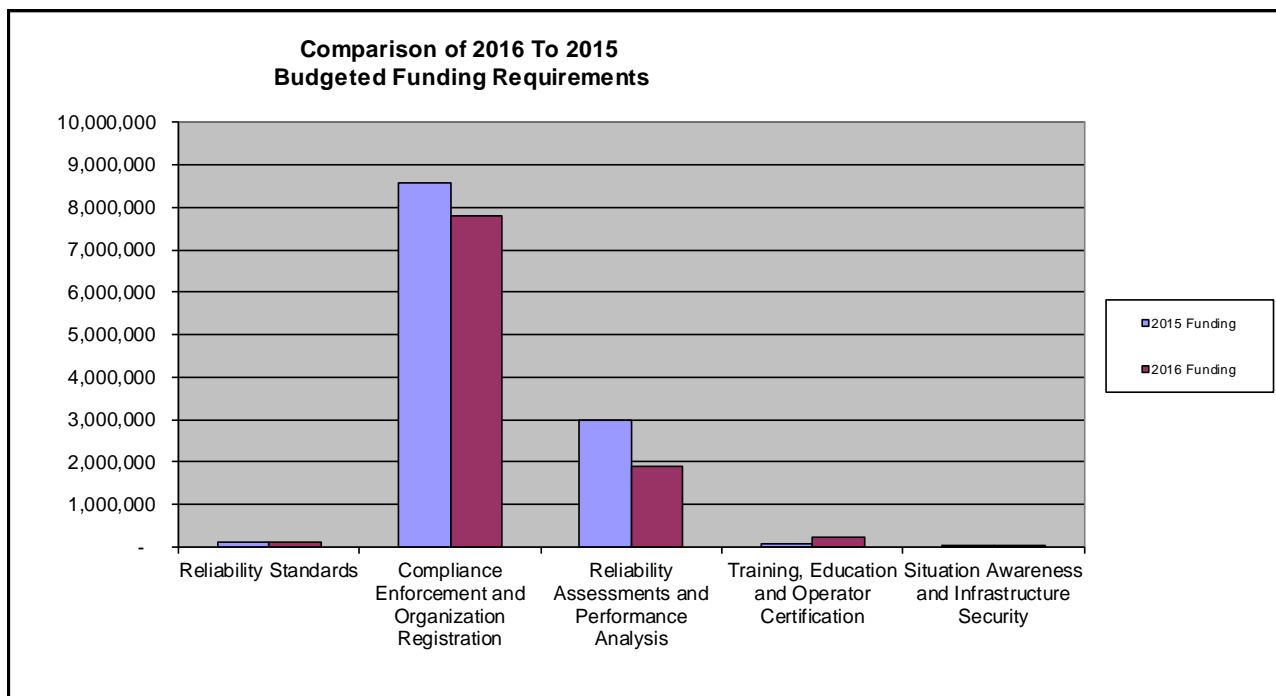
SPP RE-specific goals and deliverables include:

- 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 \$10.1 million operating budget reflects an approximate \$1.7 million decrease or 14.5%. Funding assessments decreased by \$1,054 thousand or 11%, from \$9.7 million to \$8.6 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	115,919	109,518	(5,175)	-4.5%
Compliance Enforcement and Registration	8,583,743	9,002,873	7,787,038	(796,705)	-9.3%
Reliability Assess and Perf Analysis	2,978,437	2,375,075	1,912,600	(1,065,836)	-35.8%
Training and Education	88,086	88,809	245,432	157,347	178.6%
Situation Awareness	43,152	43,744	41,232	(1,920)	-4.5%
	<u>11,808,110</u>	<u>11,626,421</u>	<u>10,095,819</u>	<u>(1,712,291)</u>	<u>-14.5%</u>
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
<b>Total Funding</b>	<b>11,808,110</b>	<b>11,626,421</b>	<b>10,095,819</b>	<b>(1,712,291)</b>	<b>-14.5%</b>



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 and 0.50 FTE was moved from Compliance to the Training & Education program area to reflect the CIP V5 transition training being provided by the CIP audit staff.

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs <sup>1</sup> 2016 Budget	Total FTEs 2016 Budget	Change from 2016 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	0.15	0.15	0.15	0.00	0.15	0.00
Compliance and Organization Registration and Certification	20.85	21.85	21.35	0.00	21.35	0.50
Training and Education	0.00	0.00	0.50	0.00	0.50	0.50
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
<b>Total FTEs Operational Programs</b>	<b>28.25</b>	<b>27.25</b>	<b>23.50</b>	<b>4.25</b>	<b>27.75</b>	<b>-0.50</b>
<b>Administrative Programs</b>						
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
<b>Total FTEs Administrative Programs</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>0.00</b>	<b>4.50</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>32.75</b>	<b>31.75</b>	<b>28.00</b>	<b>4.25</b>	<b>32.25</b>	<b>-0.50</b>

<sup>1</sup>A 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 \$1,132 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.<sup>4</sup> 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.

<sup>4</sup> A table showing the derivation of the Indirect Expense is presented in Section E.

## Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget

	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 9,680,648	\$ 9,680,648	\$ -	\$ 8,626,751	\$ (1,053,896)
Penalty Sanctions	464,500	464,500	-	193,000	(271,500)
<b>Total SPP RE Funding</b>	<b>\$ 10,145,148</b>	<b>\$ 10,145,148</b>	<b>\$ -</b>	<b>\$ 8,819,751</b>	<b>\$ (1,325,396)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 10,145,148</b>	<b>\$ 10,145,148</b>	<b>\$ -</b>	<b>\$ 8,819,751</b>	<b>\$ (1,325,396)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,890,082	\$ 3,756,774	\$ (133,309)	\$ 3,896,492	\$ 6,410
Payroll Taxes	297,591	287,393	(10,198)	298,082	490
Benefits	346,900	338,260	(8,640)	333,564	(13,336)
Retirement Costs	155,603	150,271	(5,332)	155,860	256
<b>Total Personnel Expenses</b>	<b>\$ 4,690,177</b>	<b>\$ 4,532,698</b>	<b>\$ (157,479)</b>	<b>\$ 4,683,997</b>	<b>\$ (6,180)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 86,500	\$ 86,500	\$ -	\$ 90,000	\$ 3,500
Travel	603,000	603,000	-	680,200	77,200
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 689,500</b>	<b>\$ 689,500</b>	<b>\$ -</b>	<b>\$ 770,200</b>	<b>\$ 80,700</b>
<b>Operating Expenses</b>					
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	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,856,245</b>	<b>\$ 1,874,945</b>	<b>\$ 18,700</b>	<b>\$ 1,200,937</b>	<b>\$ (655,308)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,235,922</b>	<b>\$ 7,097,143</b>	<b>\$ (138,779)</b>	<b>\$ 6,655,134</b>	<b>\$ (580,788)</b>
SPP Inc. Indirect Expenses	\$ 4,572,188	\$ 4,529,278	\$ (42,910)	\$ 3,440,685	\$ (1,131,503)
SPP RE Indirect Expenses <sup>(1)</sup>	-	-	-	-	-
<b>Total Indirect Expenses</b>	<b>\$ 4,572,188</b>	<b>\$ 4,529,278</b>	<b>\$ (42,910)</b>	<b>\$ 3,440,685</b>	<b>\$ (1,131,503)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,808,110</b>	<b>\$ 11,626,421</b>	<b>\$ (181,689)</b>	<b>\$ 10,095,819</b>	<b>\$ (1,712,291)</b>
<b>Change in Assets</b>	<b>\$ (1,662,962)</b>	<b>\$ (1,481,273)</b>	<b>\$ 181,689</b>	<b>\$ (1,276,068)</b>	<b>\$ 386,894</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,808,110</b>	<b>\$ 11,626,421</b>	<b>\$ (181,689)</b>	<b>\$ 10,095,819</b>	<b>\$ (1,712,291)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,662,962)</b>	<b>\$ (1,481,273)</b>	<b>\$ 181,689</b>	<b>\$ (1,276,068)</b>	<b>\$ 386,894</b>

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

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# Section A – Statutory Programs

## 2016 Business Plan and Budget

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## Section A — 2016 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.15	0.15	-
Direct Expenses	\$ 69,181	\$ 71,613	\$ 2,432
Indirect Expenses- SPP Inc.	\$ 20,941	\$ 16,003	\$ (4,938)
Indirect Expenses- SPP RE	\$ 24,571	\$ 21,902	\$ (2,669)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 114,693	\$ 109,518	\$ (5,175)

#### 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

#### Resource Requirements

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

## Reliability Standards Program

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)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 112,227	\$ 112,227	\$ -	\$ 108,474	\$ (3,752)
Penalty Sanctions	2,466	2,466	-	1,043	(1,423)
<b>Total SPP RE Funding</b>	<b>\$ 114,693</b>	<b>\$ 114,693</b>	<b>\$ -</b>	<b>\$ 109,518</b>	<b>\$ (5,175)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 114,693</b>	<b>\$ 114,693</b>	<b>\$ -</b>	<b>\$ 109,518</b>	<b>\$ (5,175)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
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
<b>Total Personnel Expenses</b>	<b>\$ 19,181</b>	<b>\$ 19,181</b>	<b>\$ -</b>	<b>\$ 21,613</b>	<b>\$ 2,432</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	50,000	50,000	-	50,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 69,181</b>	<b>\$ 69,181</b>	<b>\$ -</b>	<b>\$ 71,613</b>	<b>\$ 2,432</b>
SPP Inc. Indirect Expenses	\$ 20,941	\$ 21,398	\$ 457	\$ 16,003	\$ (4,938)
SPP RE Indirect Expenses	24,571	25,340	769	21,902	(2,669)
<b>Total Indirect Expenses</b>	<b>\$ 45,512</b>	<b>\$ 46,738</b>	<b>\$ 1,226</b>	<b>\$ 37,905</b>	<b>\$ (7,607)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 114,693</b>	<b>\$ 115,919</b>	<b>\$ 1,226</b>	<b>\$ 109,518</b>	<b>\$ (5,175)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (1,226)</b>	<b>\$ (1,226)</b>	<b>\$ -</b>	<b>\$ 1</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 114,693</b>	<b>\$ 115,919</b>	<b>\$ 1,226</b>	<b>\$ 109,518</b>	<b>\$ (5,175)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (1,226)</b>	<b>\$ (1,226)</b>	<b>\$ -</b>	<b>\$ 1</b>
FTEs	0.15	0.15	0.00	0.15	0.00

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	20.85	21.35	0.50
Direct Expenses	\$ 4,186,132	\$ 4,218,955	\$ 32,822
Indirect Expenses- SPP Inc.	\$ 2,910,843	\$ 2,277,787	\$ (633,056)
Indirect Expenses- SPP RE	\$ 1,486,767	\$ 1,290,296	\$ (196,471)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 8,583,743	\$ 7,787,038	\$ (796,705)

### 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 (Compliance Monitoring and CIP) 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 11.50 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, 0.5 FTE has been transferred to the Training & Education program area to recognize the CIP V5 transition training being performed by the CIP auditors.

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 (FFT)s 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 enforcement 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 (FFT) 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.

## **Resource Requirements**

### **Personnel**

The Compliance program area reflects a net increase of 0.50 FTEs due to the implementation of the Risk-Based Compliance Monitoring and Enforcement Program and the anticipation of an increase in the number of registered entities in the SPP RE footprint due to the CIP V5 transition. While an additional CIP Auditor has been added, 0.50 FTE has been transferred to the Training & Education program area to reflect the outreach being conducted by the CIP audit team for the CIP V5 transition.

While the Enforcement program reflects no overall change in FTEs, two law clerks budgeted at 0.50 FTEs each in the 2015 budget are being converted to 1.0 FTE each in the 2016 budget. This 1.0 FTE increase is being offset by the transfer of a Compliance Enforcement Attorney position to the CIP Auditor position.

### **Contracts and Consultants**

The use of consultants is expected to decrease due to the increase in SPP RE staff experience and improved efficiencies in SPP RE processes.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2015 Budget &amp; Projection, and 2016 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 8,240,917	\$ 8,240,917	\$ -	\$ 7,638,549	\$ (602,368)
Penalty Sanctions	342,826	342,826	-	148,488	(194,337)
<b>Total SPP RE Funding</b>	<b>\$ 8,583,743</b>	<b>\$ 8,583,743</b>	<b>\$ -</b>	<b>\$ 7,787,038</b>	<b>\$ (796,705)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 8,583,743</b>	<b>\$ 8,583,743</b>	<b>\$ -</b>	<b>\$ 7,787,038</b>	<b>\$ (796,705)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,349,882	\$ 2,433,325	\$ 83,443	\$ 2,373,788	\$ 23,906
Payroll Taxes	179,766	186,149	6,383	181,595	1,829
Benefits	222,444	231,084	8,640	214,183	(8,261)
Retirement Costs	93,995	97,333	3,338	94,952	956
<b>Total Personnel Expenses</b>	<b>\$ 2,846,087</b>	<b>\$ 2,947,891</b>	<b>\$ 101,804</b>	<b>\$ 2,864,518</b>	<b>\$ 18,430</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,500	\$ 1,500	\$ -	\$ 15,000	\$ 13,500
Travel	350,000	350,000	-	400,200	50,200
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 351,500</b>	<b>\$ 351,500</b>	<b>\$ -</b>	<b>\$ 415,200</b>	<b>\$ 63,700</b>
<b>Operating Expenses</b>					
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	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 988,545</b>	<b>\$ 1,008,545</b>	<b>\$ 20,000</b>	<b>\$ 939,237</b>	<b>\$ (49,308)</b>
<b>Total Direct Expenses</b>	<b>\$ 4,186,132</b>	<b>\$ 4,307,936</b>	<b>\$ 121,804</b>	<b>\$ 4,218,955</b>	<b>\$ 32,822</b>
SPP Inc. Indirect Expenses	\$ 2,910,843	\$ 3,116,999	\$ 206,156	\$ 2,277,787	\$ (633,056)
SPP RE Indirect Expenses	1,486,767	1,577,938	91,170	1,290,296	(196,471)
<b>Total Indirect Expenses</b>	<b>\$ 4,397,610</b>	<b>\$ 4,694,937</b>	<b>\$ 297,326</b>	<b>\$ 3,568,083</b>	<b>\$ (829,527)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 8,583,743</b>	<b>\$ 9,002,873</b>	<b>\$ 419,131</b>	<b>\$ 7,787,038</b>	<b>\$ (796,705)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (419,131)</b>	<b>\$ (419,131)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 8,583,743</b>	<b>\$ 9,002,873</b>	<b>\$ 419,131</b>	<b>\$ 7,787,038</b>	<b>\$ (796,705)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (419,131)</b>	<b>\$ (419,131)</b>	<b>\$ (0)</b>	<b>\$ (1)</b>
FTEs	20.85	21.85	1.00	21.35	0.50

## 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	\$ 600,119	\$ (394,594)
Indirect Expenses- SPP RE	\$ 519,899	\$ 307,390	\$ (212,509)
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	\$ 2,978,437	\$ 1,912,600	\$ (1,065,836)

### 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;



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- 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)

## **Resource Requirements**

### **Personnel**

Due to a decrease in the number of events in the SPP RE footprint and the severity level (category) of the event, two lead engineer positions are being eliminated from this program area, partially offset by an increase of 0.50 FTE in Engineering Shared Staff.

### **Contracts and Consultants**

The use of consultants is expected to decrease primarily due to the completion of the Engineering Model Data Validation project in 2015.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2015 Budget &amp; Projection, and 2016 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 2,861,284	\$ 2,861,284	\$ -	\$ 1,873,479	\$ (987,805)
Penalty Sanctions	117,153	117,153	-	39,122	(78,031)
<b>Total SPP RE Funding</b>	<b>\$ 2,978,437</b>	<b>\$ 2,978,437</b>	<b>\$ -</b>	<b>\$ 1,912,600</b>	<b>\$ (1,065,836)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 2,978,437</b>	<b>\$ 2,978,437</b>	<b>\$ -</b>	<b>\$ 1,912,600</b>	<b>\$ (1,065,836)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 847,886	\$ 631,134	\$ (216,752)	\$ 728,223	\$ (119,663)
Payroll Taxes	64,863	48,282	(16,582)	55,709	(9,154)
Benefits	64,560	47,280	(17,280)	56,430	(8,130)
Retirement Costs	33,915	25,245	(8,670)	29,129	(4,787)
<b>Total Personnel Expenses</b>	<b>\$ 1,011,224</b>	<b>\$ 751,941</b>	<b>\$ (259,284)</b>	<b>\$ 869,491</b>	<b>\$ (141,733)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	100,000	100,000	-	105,000	5,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 105,000</b>	<b>\$ 5,000</b>
<b>Operating Expenses</b>					
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	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 352,600</b>	<b>\$ 351,300</b>	<b>\$ (1,300)</b>	<b>\$ 30,600</b>	<b>\$ (322,000)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,463,824</b>	<b>\$ 1,203,241</b>	<b>\$ (260,584)</b>	<b>\$ 1,005,091</b>	<b>\$ (458,733)</b>
SPP Inc. Indirect Expenses	\$ 994,713	\$ 731,104	\$ (263,609)	\$ 600,119	\$ (394,594)
SPP RE Indirect Expenses	519,899	440,731	(79,169)	307,390	(212,509)
<b>Total Indirect Expenses</b>	<b>\$ 1,514,612</b>	<b>\$ 1,171,835</b>	<b>\$ (342,778)</b>	<b>\$ 907,509</b>	<b>\$ (607,103)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,978,437</b>	<b>\$ 2,375,075</b>	<b>\$ (603,361)</b>	<b>\$ 1,912,600</b>	<b>\$ (1,065,836)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 603,361</b>	<b>\$ 603,361</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 2,978,437</b>	<b>\$ 2,375,075</b>	<b>\$ (603,361)</b>	<b>\$ 1,912,600</b>	<b>\$ (1,065,836)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 603,361</b>	<b>\$ 603,361</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	7.13	5.13	(2.00)	5.63	(1.50)

## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	-	0.50	0.50
Direct Expenses*	\$ 65,000	\$ 147,100	\$ 82,100
Indirect Expenses- SPP Inc.	\$ -	\$ 53,344	\$ 53,344
Indirect Expenses- SPP RE	\$ 23,086	\$ 44,988	\$ 21,902
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 88,086	\$ 245,432	\$ 157,347
* To maintain confidentiality, Personnel Expenses are included in Compliance and 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, inform stakeholders of emerging issues and compliance program changes and conduct CIP V5 outreach. 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.
- Conduct CIP V5 Outreach

## Resource Requirements

### Personnel

The personnel expenses for the Training and Education program coordinator are accounted for within the General and Administrative program (50%) and the Compliance Program (50%). The 0.50 FTE increase represents the combined efforts of the CIP audit team in conducting CIP V5 outreach.

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## 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)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 88,086	\$ 88,086	\$ -	\$ 241,955	\$ 153,869
Penalty Sanctions	-	-	-	3,477	3,477
<b>Total SPP RE Funding</b>	<u>\$ 88,086</u>	<u>\$ 88,086</u>	<u>\$ -</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ 88,086</u>	<u>\$ 88,086</u>	<u>\$ -</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 64,563	\$ 64,563
Payroll Taxes	-	-	-	4,939	4,939
Benefits	-	-	-	5,016	5,016
Retirement Costs	-	-	-	2,583	2,583
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,100</u>	<u>\$ 77,100</u>
<b>Meeting Expenses</b>					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 50,000	\$ (10,000)
Travel	-	-	-	20,000	20,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 10,000</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	5,000	5,000	-	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000)</u>
<b>Total Direct Expenses</b>	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 147,100</u>	<u>\$ 82,100</u>
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ 53,344	\$ 53,344
SPP RE Indirect Expenses	23,086	23,809	-	44,988	21,902
<b>Total Indirect Expenses</b>	<u>\$ 23,086</u>	<u>\$ 23,809</u>	<u>\$ 723</u>	<u>\$ 98,332</u>	<u>\$ 75,246</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ 88,086</u>	<u>\$ 88,809</u>	<u>\$ 723</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ (723)</u>	<u>\$ (723)</u>	<u>\$ -</u>	<u>\$ (2)</u>
<b>Fixed Assets</b>	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	\$ 88,086	\$ 88,809	\$ 723	\$ 245,432	\$ 157,347
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ (723)</u>	<u>\$ (723)</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	0.50	0.50

## 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	\$ 13,336	\$ (4,115)
Indirect Expenses- SPP RE	\$ 6,736	\$ 6,533	\$ (203)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 43,152	\$ 41,232	\$ (1,920)

### 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)



## Resource Requirements

### Personnel

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

## Situation Awareness and Infrastructure Security Program

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)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 41,097	\$ 41,097	\$ -	\$ 40,362	\$ (735)
Penalty Sanctions	2,055	2,055	-	869	(1,186)
<b>Total SPP RE Funding</b>	<b>\$ 43,152</b>	<b>\$ 43,152</b>	<b>\$ -</b>	<b>\$ 41,232</b>	<b>\$ (1,920)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 43,152</b>	<b>\$ 43,152</b>	<b>\$ -</b>	<b>\$ 41,232</b>	<b>\$ (1,920)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
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
<b>Total Personnel Expenses</b>	<b>\$ 18,965</b>	<b>\$ 18,965</b>	<b>\$ -</b>	<b>\$ 21,362</b>	<b>\$ 2,397</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 18,965</b>	<b>\$ 18,965</b>	<b>\$ -</b>	<b>\$ 21,362</b>	<b>\$ 2,397</b>
SPP Inc. Indirect Expenses	\$ 17,451	\$ 17,832	-	\$ 13,336	\$ (4,115)
SPP RE Indirect Expenses	6,736	6,947	-	6,533	(203)
<b>Total Indirect Expenses</b>	<b>\$ 24,187</b>	<b>\$ 24,779</b>	<b>\$ 592</b>	<b>\$ 19,869</b>	<b>\$ (4,318)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 43,152</b>	<b>\$ 43,744</b>	<b>\$ 592</b>	<b>\$ 41,232</b>	<b>\$ (1,919)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (592)</b>	<b>\$ (592)</b>	<b>\$ -</b>	<b>\$ (2)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 43,152</b>	<b>\$ 43,744</b>	<b>\$ 592</b>	<b>\$ 41,232</b>	<b>\$ (1,919)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (592)</b>	<b>\$ (592)</b>	<b>\$ -</b>	<b>\$ (1)</b>
FTEs	0.13	0.13	-	0.13	-

## Administrative Services

	(in whole dollars)					
	Direct Expense and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Inc(Dec)	2015 Budget	2016 Budget	Inc(Dec)
General and Administrative	\$ 1,761,059	\$ 1,671,109	(89,950)	4.50	4.50	-
Technical Committee and Members Forums	\$ -	\$ -	-	0.00	-	-
Legal and Regulatory	\$ 300,000	\$ -	(300,000)	0.00	-	-
Information Technology	\$ -	\$ -	-	0.00	-	-
Human Resources	\$ -	\$ -	-	0.00	-	-
Finance and Accounting	\$ -	\$ -	-	0.00	-	-
Total Administrative Services	\$ 2,061,059	\$ 1,671,109	(389,950)	4.50	4.50	-

## General and Administrative

### 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

## Resource Requirements

### Personnel

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

## Technical Committees and Member Forums

### 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

## Resource Requirements

### Personnel

N/A

## Legal and Regulatory

### 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

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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

### **Resource Requirements**

#### **Personnel**

N/A

#### **Contractors and Consultants**

The budget no longer includes any provision for hearings.

### **Information Technology**

#### **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.
- 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.

#### **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.

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## Resource Requirements

### Personnel

N/A

## Human Resources

### 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.

## Resource Requirements

### Personnel

N/A

## Finance and Accounting

### 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.

## Resource Requirements

### Personnel

N/A

### 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),

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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 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 each program's pro rata share of the total direct operational program expense.

## Administrative Services

## Statement of Activities and Capital Expenditures

## 2015 Budget &amp; Projection, and 2016 Budget

## ADMINISTRATIVE SERVICES

	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2016 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Penalty Sanctions	-	\$ -	-	\$ -	-
<b>Total SPP RE Funding</b>	<b>\$ (1,662,962)</b>	<b>\$ (1,662,962)</b>	<b>\$ -</b>	<b>\$ (1,276,068)</b>	<b>\$ 386,894</b>
Membership Dues	-	-	-	\$ -	-
Federal Grants	-	-	-	\$ -	-
Services & Software	-	-	-	\$ -	-
Workshops	-	-	-	\$ -	-
Interest	-	-	-	\$ -	-
Miscellaneous	-	-	-	\$ -	-
<b>Total Funding (A)</b>	<b>\$ (1,662,962)</b>	<b>\$ (1,662,962)</b>	<b>\$ -</b>	<b>\$ (1,276,068)</b>	<b>\$ 386,894</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
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
<b>Total Personnel Expenses</b>	<b>\$ 794,719</b>	<b>\$ 794,719</b>	<b>\$ -</b>	<b>\$ 829,913</b>	<b>\$ 35,194</b>
<b>Meeting Expenses</b>					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Travel	103,000	\$ 103,000	-	\$ 105,000	2,000
Conference Calls	-	\$ -	-	\$ -	-
<b>Total Meeting Expenses</b>	<b>\$ 128,000</b>	<b>\$ 128,000</b>	<b>\$ -</b>	<b>\$ 130,000</b>	<b>\$ 2,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 56,000	\$ 56,000	\$ -	\$ 57,000	\$ 1,000
Office Rent	-	\$ -	-	\$ -	-
Office Costs	8,000	\$ 8,000	-	\$ 8,000	-
Professional Services	446,100	\$ 446,100	-	\$ 146,100	(300,000)
Miscellaneous	-	\$ -	-	\$ 20,000	20,000
Depreciation	-	\$ -	-	\$ -	-
<b>Total Operating Expenses</b>	<b>\$ 210,100</b>	<b>\$ 510,100</b>	<b>\$ -</b>	<b>\$ 231,100</b>	<b>\$ (279,000)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,132,819</b>	<b>\$ 1,432,819</b>	<b>\$ -</b>	<b>\$ 1,191,013</b>	<b>\$ (241,806)</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ 628,240</b>	<b>\$ 641,945</b>		<b>\$ 480,096</b>	<b>\$ (148,144)</b>
<b>SPP RE Indirect Expenses</b>	<b>\$ (1,761,059)</b>	<b>\$ (2,074,764)</b>		<b>\$ (1,671,109)</b>	<b>\$ 89,950</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (1,662,962)</b>	<b>\$ (1,662,962)</b>	<b>\$ -</b>	<b>\$ (1,276,068)</b>	<b>\$ 386,894</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,662,962)</b>	<b>\$ (1,662,962)</b>	<b>\$ -</b>	<b>\$ (1,276,068)</b>	<b>\$ 386,894</b>
FTEs	3.00	4.50	1.50	4.50	1.50



Section B – Supplemental Financial Information  
2016 Business Plan and Budget



## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

<b>Working Capital Reserve Analysis 2015-2016</b>	
<b>STATUTORY</b>	
Beginning Working Capital Reserve (Deficit), December 31, 2014	\$ 3,685,778 <sup>1</sup>
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
Less: 2015 Projected expenses & capital expenditures	(11,626,421)
<b>Projected Working Capital Reserve (Deficit), December 31, 2015</b>	<b><u>1,276,068</u></b>
Desired Working Capital Reserve, December 31, 2015	<sup>2</sup> \$ -
Less: Projected Working Capital Reserve, December 31, 2015	(1,276,068)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b><u>(1,276,068)</u></b>
2016 Expenses and Capital Expenditures	10,095,819
Less: Penalty sanctions to be used as offset to 2016 assessments <sup>1</sup>	(193,000)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(1,276,068)
<b>2016 SPP RE Assessment</b>	<b><u>8,626,751</u></b>

<sup>1</sup> Represents collections on or prior to June 30, 2015. See Table B-2 for full disclosure.

<sup>2</sup> 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.

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**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.

**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
<b>Name of Entity</b>		
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		
<b>Total Penalties Received</b>		<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	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 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.

**Personnel Expenses****Table B-4**

<b>Personnel Expenses</b>	<b>Budget 2015</b>	<b>Projection 2015</b>	<b>Budget 2016</b>	<b>Variance 2016 Budget v 2015 Budget</b>	<b>Variance %</b>
<b>Salaries</b>					
Salaries	\$ 3,890,082	3,756,774	\$ 3,896,492	\$ 6,410	0.2%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
<b>Total Salaries</b>	<b>\$ 3,890,082</b>	<b>\$ 3,756,774</b>	<b>\$ 3,896,492</b>	<b>\$ 6,410</b>	<b>0.2%</b>
<b>Total Payroll Taxes</b>	<b>\$ 297,591</b>	<b>\$ 287,393</b>	<b>\$ 298,082</b>	<b>\$ 490</b>	<b>0.2%</b>
<b>Benefits</b>					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	287,927	280,756	276,858	(11,069)	-3.8%
Life-LTD-LTC Insurance	20,814	20,296	20,014	(800)	-3.8%
Education	38,159	37,209	36,692	(1,467)	-3.8%
Relocation	-	-	-	-	
<b>Total Benefits</b>	<b>\$ 346,900</b>	<b>\$ 338,261</b>	<b>\$ 333,564</b>	<b>\$ (13,336)</b>	<b>-3.8%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 155,603	\$ 150,271	\$ 155,860	\$ 256	0.2%
Savings Plan	-	-	-	-	
<b>Total Retirement</b>	<b>\$ 155,603</b>	<b>\$ 150,271</b>	<b>\$ 155,860</b>	<b>\$ 256</b>	<b>0.2%</b>
<b>Total Personnel Costs</b>	<b>\$ 4,690,177</b>	<b>\$ 4,532,699</b>	<b>\$ 4,683,997</b>	<b>\$ (6,180)</b>	<b>-0.1%</b>
<b>FTEs</b>	<b>32.75</b>	<b>31.75</b>	<b>32.25</b>	<b>-0.50</b>	<b>-1.5%</b>
<b>Cost per FTE</b>					
Salaries	\$ 118,781	\$ 118,324	\$ 120,821	2,040	1.7%
Payroll Taxes	9,087	9,052	9,243	156	1.7%
Benefits	10,592	10,654	10,343	(249)	-2.4%
Retirement	4,751	4,733	4,833	82	1.7%
<b>Total Cost per FTE</b>	<b>\$ 143,212</b>	<b>\$ 142,762</b>	<b>\$ 145,240</b>	<b>\$ 2,029</b>	<b>1.4%</b>

**Explanation of Significant Variances – 2016 Budget versus 2015 Budget**

The slight increase in salaries is principally due to the budgeted merit increase combined with the elimination of two Lead Engineers, offset by the increase in Shared Staff FTEs and the conversion of two Law Clerks to 1.0 FTE each. The small decrease in benefits is primarily due to the elimination of the two Lead Engineers partially offset by an increase in benefit costs, primarily medical insurance.

## Meetings, Travel and Conference Calls

Table B-5

Meetings, Travel and Conference Calls	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Meetings	\$ 86,500	\$ 86,500	\$ 90,000	\$ 3,500	4%
Travel	603,000	\$ 603,000	\$ 680,200	77,200	13%
Conference Calls	-	\$ -	\$ -	-	
<b>Total Meetings, Travel &amp; Conf Calls</b>	<b>\$ 689,500</b>	<b>\$ 689,500</b>	<b>\$ 770,200</b>	<b>\$ 80,700</b>	<b>12%</b>

The increase in travel expense is primarily due to the increased outreach being performed by the CIP audit team for the CIP V5 transition as well as an increase in air fare costs.

## Consultants and Contracts

Table B-6

Consultants	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	855,100	855,100	670,042	(185,058)	-22%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	350,000	350,000	25,000	(325,000)	-93%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	56,000	56,000	57,000	1,000	2%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 1,261,100</b>	<b>\$ 1,261,100</b>	<b>\$ 752,042</b>	<b>\$ (509,058)</b>	<b>-40%</b>
Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
<b>Contracts</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	109,500	129,500	213,000	103,500	95%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Contracts Total</b>	<b>\$ 109,500</b>	<b>\$ 129,500</b>	<b>\$ 213,000</b>	<b>\$ 103,500</b>	<b>95%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 1,370,600</b>	<b>\$ 1,390,600</b>	<b>\$ 965,042</b>	<b>\$ (405,558)</b>	<b>-30%</b>

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

The \$405,558 decrease in consultant and contract costs is primarily due to the increased experience of the SPP RE audit staff and the completion of the Engineering Data Validation software tool in the RAPA program offset by the increase in the use of consultants by Enforcement.

**Table B-7**

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
<b>Total Office Rent</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

**Table B-8**

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	-
Internet	-	-	-	-	-
Office Supplies	8,000	8,000	8,000	-	-
Computer Supplies and Maintenance	-	-	-	-	-
Publications & Subscriptions	-	-	-	-	-
Dues	-	-	-	-	-
Postage	-	-	-	-	-
Express Shipping	-	-	-	-	-
Copying	-	-	-	-	-
Reports	-	-	-	-	-
Equipment Repair/Service Contracts	-	-	-	-	-
Bank Charges	-	-	-	-	-
Taxes	-	-	-	-	-
Merchant Card Fees	-	-	-	-	-
Presentation & Publicity	-	-	-	-	-
<b>Total Office Costs</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ -</b>	<b>-</b>

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget



Office Costs are included in the SPP, Inc. Indirect Expense. There is no change in the budgeted expense. The \$8,000 reflects the costs for miscellaneous office supplies such as supplies needed for RE workshops and RE Trustee meetings.

Table B-9

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Independent Trustee Fees	\$ 145,000	\$ 145,000	\$ 145,000	\$ -	0.00%
Outside Legal	300,000	300,000	-	(300,000)	-100.00%
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	50,000	31,345	50,000	-	0.00%
<b>Total Services</b>	<b>\$ 495,000</b>	<b>\$ 476,345</b>	<b>\$ 195,000</b>	<b>\$ (300,000)</b>	<b>-60.61%</b>

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

The \$300,000 decrease in Outside Legal Services is due to the elimination of hearing expenses.

Table B-10

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

N/A

## 2017, 2018 and 2019 Projections

Table B-11

Statement of Activities and Capital Expenditures 2016 Budget & Projected 2017, 2018 and 2019 Budgets										
	2016	2017	\$ Change	%	2018	\$ Change	%	2019	\$ Change	%
	Budget	Projection	17 v 16	Change 17 v 16	Projection	18 v 17	Change 18 v 17	Projection	19 v 18	Change 19 v 18
<b>Funding</b>										
<b>ERO Funding</b>										
ERO Assessments	\$ 8,626,751	\$ 10,398,694	\$ 1,771,943	20.54%	\$ 10,710,655	\$ 311,961	2.9%	\$ 11,031,975	\$ 321,320	2.9%
Penalty Sanctions	193,000	-	(193,000)	-100.00%	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 8,819,751</b>	<b>\$ 10,398,694</b>	<b>\$ 1,578,943</b>	<b>17.9%</b>	<b>\$ 10,710,655</b>	<b>\$ 311,961</b>	<b>2.9%</b>	<b>\$ 11,031,975</b>	<b>\$ 321,320</b>	<b>2.9%</b>
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 8,819,751</b>	<b>\$ 10,398,694</b>	<b>\$ 1,578,943</b>	<b>17.9%</b>	<b>\$ 10,710,655</b>	<b>\$ 311,961</b>	<b>3.0%</b>	<b>\$ 11,031,975</b>	<b>\$ 321,320</b>	<b>3.0%</b>
<b>Expenses</b>										
<b>Personnel Expenses</b>										
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%
<b>Total Personnel Expenses</b>	<b>\$ 4,683,997</b>	<b>\$ 4,824,517</b>	<b>\$ 140,520</b>	<b>3.0%</b>	<b>\$ 4,969,253</b>	<b>\$ 144,736</b>	<b>3.0%</b>	<b>\$ 5,118,331</b>	<b>\$ 149,078</b>	<b>3.0%</b>
<b>Meeting Expenses</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 770,200</b>	<b>\$ 793,306</b>	<b>\$ 23,106</b>	<b>3.0%</b>	<b>\$ 817,105</b>	<b>\$ 23,799</b>	<b>3.0%</b>	<b>\$ 841,618</b>	<b>\$ 24,513</b>	<b>3.0%</b>
<b>Operating Expenses</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,200,937</b>	<b>\$ 1,236,965</b>	<b>\$ 36,028</b>	<b>3.0%</b>	<b>\$ 1,274,074</b>	<b>\$ 37,109</b>	<b>3.0%</b>	<b>\$ 1,312,296</b>	<b>\$ 38,222</b>	<b>3.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 6,655,134</b>	<b>\$ 6,854,789</b>	<b>\$ 199,654</b>	<b>3.0%</b>	<b>\$ 7,060,432</b>	<b>\$ 205,644</b>	<b>3.0%</b>	<b>\$ 7,272,245</b>	<b>\$ 211,813</b>	<b>3.0%</b>
<b>Indirect Expenses</b>	<b>\$ 3,440,685</b>	<b>\$ 3,543,906</b>	<b>\$ 103,221</b>	<b>3.0%</b>	<b>\$ 3,650,223</b>	<b>\$ 106,317</b>	<b>3.0%</b>	<b>\$ 3,759,729</b>	<b>\$ 109,507</b>	<b>3.0%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 10,095,819</b>	<b>\$ 10,398,694</b>	<b>\$ 302,875</b>	<b>3.0%</b>	<b>\$ 10,710,655</b>	<b>\$ 311,961</b>	<b>3.0%</b>	<b>\$ 11,031,975</b>	<b>\$ 321,320</b>	<b>3.0%</b>
<b>Change in Assets</b>	<b>\$ (1,276,068)</b>	<b>\$ -</b>	<b>\$ 1,276,068</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Fixed Assets</b>										
Depreciation	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (1,276,068)</b>	<b>\$ -</b>	<b>\$ 1,276,068</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>
FTEs	32.25	32.25	0.00	0.0%	32.25	0.00	0.0%	32.25	0.00	0.0%

## Explanation of 2017 and 2018 and 2019 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
- Assessment stabilization will be managed year by year

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# Section C – Non-Statutory Activities

## 2016 Business Plan and Budget

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## 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.<sup>5</sup>

### **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:

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<sup>5</sup> 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>
<b>Income</b>		
Tariff Administrative Service	141,149	133,722
Fees & Assessments	27,633	25,013
Contract Services Revenue	475	453
Miscellaneous Income	5,338	4,350
<b>Total Income</b>	<u>174,595</u>	<u>163,537</u>
<b>Expense</b>		
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
<b>Total Expense</b>	<u>209,982</u>	<u>209,586</u>
<b>Net Income (Loss)</b>	<u><b>(\$35,387)</b></u>	<u><b>(\$46,050)</b></u>
<b>Debt Repayment</b>	<b>\$24,300</b>	<b>\$12,999</b>
<b>Billing Determinant (MWh)</b>	<b>363,500</b>	<b>350,976</b>
<b>Net Revenue Requirement</b>	<b>\$141,200</b>	<b>\$138,138</b>
<b>Calculated Admin Fee / MWh</b>	<b>\$ 0.389</b>	<b>\$ 0.381</b>
<b>Recommended Admin Fee / MWh</b>	<b>\$ 0.390</b>	<b>\$ 0.381</b>
<b>Capital Expense</b>	<b>\$28,900</b>	<b>\$24,743</b>
<b>Headcount</b>	<b>598</b>	<b>572</b>

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

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

Section D 2015 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2016 Budget	Functions in Delegation Agreement														Non-Statutory Functions	
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 309)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
<b>Funding</b>																
<b>SPP RE Funding</b>																
SPP RE Assessments	8,626,751	8,626,751	-	8,626,751	108,474	7,638,549	1,873,479	241,955	40,362	-	(1,276,068)	-	-	-	-	-
Penalty Sanctions	193,000	193,000	-	193,000	1,043	148,488	39,122	3,477	869	-	-	-	-	-	-	-
<b>Total SPP RE Funding</b>	<b>8,819,751</b>	<b>8,819,751</b>	<b>-</b>	<b>8,819,751</b>	<b>109,518</b>	<b>7,787,038</b>	<b>1,912,600</b>	<b>245,432</b>	<b>41,232</b>	<b>-</b>	<b>(1,276,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>8,819,751</b>	<b>8,819,751</b>	<b>-</b>	<b>8,819,751</b>	<b>109,518</b>	<b>7,787,038</b>	<b>1,912,600</b>	<b>245,432</b>	<b>41,232</b>	<b>-</b>	<b>(1,276,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>																
<b>Personnel Expenses</b>																
Salaries	3,896,492	3,896,492	-	3,896,492	18,010	2,373,788	728,223	64,563	18,010	-	693,898	-	-	-	-	-
Payroll Taxes	298,082	298,082	-	298,082	1,378	181,595	55,709	4,939	1,378	-	53,083	-	-	-	-	-
Benefits	333,564	333,564	-	333,564	1,505	214,183	56,430	5,016	1,254	-	55,176	-	-	-	-	-
Retirement Costs	155,860	155,860	-	155,860	720	94,952	29,129	2,583	720	-	27,756	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>4,683,997</b>	<b>4,683,997</b>	<b>-</b>	<b>4,683,997</b>	<b>21,613</b>	<b>2,864,518</b>	<b>869,491</b>	<b>77,100</b>	<b>21,362</b>	<b>-</b>	<b>829,913</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Meeting Expenses</b>																
Meetings	90,000	90,000	-	90,000	-	15,000	-	50,000	-	-	25,000	-	-	-	-	-
Travel	680,200	680,200	-	680,200	50,000	400,200	105,000	20,000	-	-	105,000	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>770,200</b>	<b>770,200</b>	<b>-</b>	<b>770,200</b>	<b>50,000</b>	<b>415,200</b>	<b>105,000</b>	<b>70,000</b>	<b>-</b>	<b>-</b>	<b>130,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>																
Consultants & Contracts	965,042	965,042	-	965,042	-	883,042	25,000	-	-	-	57,000	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-	-	-	-	-	-	8,000	-	-	-	-	-
Professional Services	153,450	153,450	-	153,450	-	4,750	2,600	-	-	-	146,100	-	-	-	-	-
Miscellaneous	74,445	74,445	-	74,445	-	51,445	3,000	-	-	-	20,000	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,200,937</b>	<b>1,200,937</b>	<b>-</b>	<b>1,200,937</b>	<b>-</b>	<b>939,237</b>	<b>30,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>6,655,134</b>	<b>6,655,134</b>	<b>-</b>	<b>6,655,134</b>	<b>71,613</b>	<b>4,218,955</b>	<b>1,005,091</b>	<b>147,100</b>	<b>21,362</b>	<b>-</b>	<b>1,191,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
SPP Inc. Indirect Expenses	3,440,685	3,440,685	-	3,440,685	16,003	2,277,787	600,119	53,344	13,336	-	480,096	-	-	-	-	-
SPP RE Indirect Expenses	(0)	(0)	-	(0)	21,902	1,290,296	307,390	44,988	6,533	-	(1,671,109)	-	-	-	-	-
<b>Total Indirect Expenses</b>	<b>3,440,685</b>	<b>3,440,685</b>	<b>-</b>	<b>3,440,685</b>	<b>37,905</b>	<b>3,568,083</b>	<b>907,509</b>	<b>98,332</b>	<b>19,869</b>	<b>-</b>	<b>(1,191,013)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>10,095,819</b>	<b>10,095,819</b>	<b>-</b>	<b>10,095,819</b>	<b>109,518</b>	<b>7,787,038</b>	<b>1,912,600</b>	<b>245,432</b>	<b>41,232</b>	<b>-</b>	<b>(1,276,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(1,276,068)</b>	<b>(1,276,068)</b>	<b>-</b>	<b>(1,276,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,276,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Inc)/Dec in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>(1,276,068)</b>	<b>(1,276,068)</b>	<b>-</b>	<b>(1,276,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,276,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	32.25	32.3	-	32.25	0.15	21.35	5.63	0.50	0.13	-	4.50	-	-	-	-	-
Percentage of FTEs	-	-	-	100%	0.5%	66.2%	17.4%	1.6%	0.4%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs	-	-	-	100%	0.5%	76.9%	20.3%	1.8%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses	-	-	-	100%	1.3%	77.2%	18.4%	2.7%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Indirect Cost Allocation</b>																
SPP Inc. Indirect Costs	3,440,685	3,440,685	-	3,440,685	16,003	2,277,787	600,119	53,344	13,336	-	480,096	-	-	-	-	-
SPP RE Indirect Costs	1,671,109	1,671,109	-	1,671,109	21,902	1,290,296	307,390	44,988	6,533	-	-	-	-	-	-	-
<b>Total Indirect Costs</b>	<b>5,111,794</b>	<b>5,111,794</b>	<b>-</b>	<b>5,111,794</b>	<b>37,905</b>	<b>3,568,083</b>	<b>907,509</b>	<b>98,332</b>	<b>19,869</b>	<b>-</b>	<b>480,096</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fixed Assets Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Penalty Sactions Allocation	193,000	193,000	-	193,000	1,043	148,488	39,122	3,477	869	-	-	-	-	-	-	-



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

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## Section E

### CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE<sup>1</sup>

<u>Expense</u> <u>Category</u> <sup>2</sup>	Overhead Costs Allocation <u>(\$000)</u>
Facilities	\$ 433
Information Technology	577
Human Resources/Benefits/Payroll	290
Corporate Services	1,135
2014 Total Costs	<u>2,435</u>
<b>Escalated by 3%</b>	<b>\$ 2,508</b>

#### Shared Staff Overhead Allocation

2014 Overhead Allocation Escalated by 3%	702 A
Ending 2014 FTEs	3.2 B
2016 Budgeted FTEs	4.25 C
<b>2014 Total Cost</b>	<b><u>933 D</u></b>

$$D = (A / B) \times C$$

<b>Budgeted SPP Inc. Indirect Costs</b>	<b>\$ 3,440,685</b>
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<sup>1</sup>Due to the timing of the budget process/schedule, the estimated indirect expense charge for 2016 is based on actual 2014 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2016 overhead expenses will be included in the annual 2016 Business Plan and Budget true-up filing.

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

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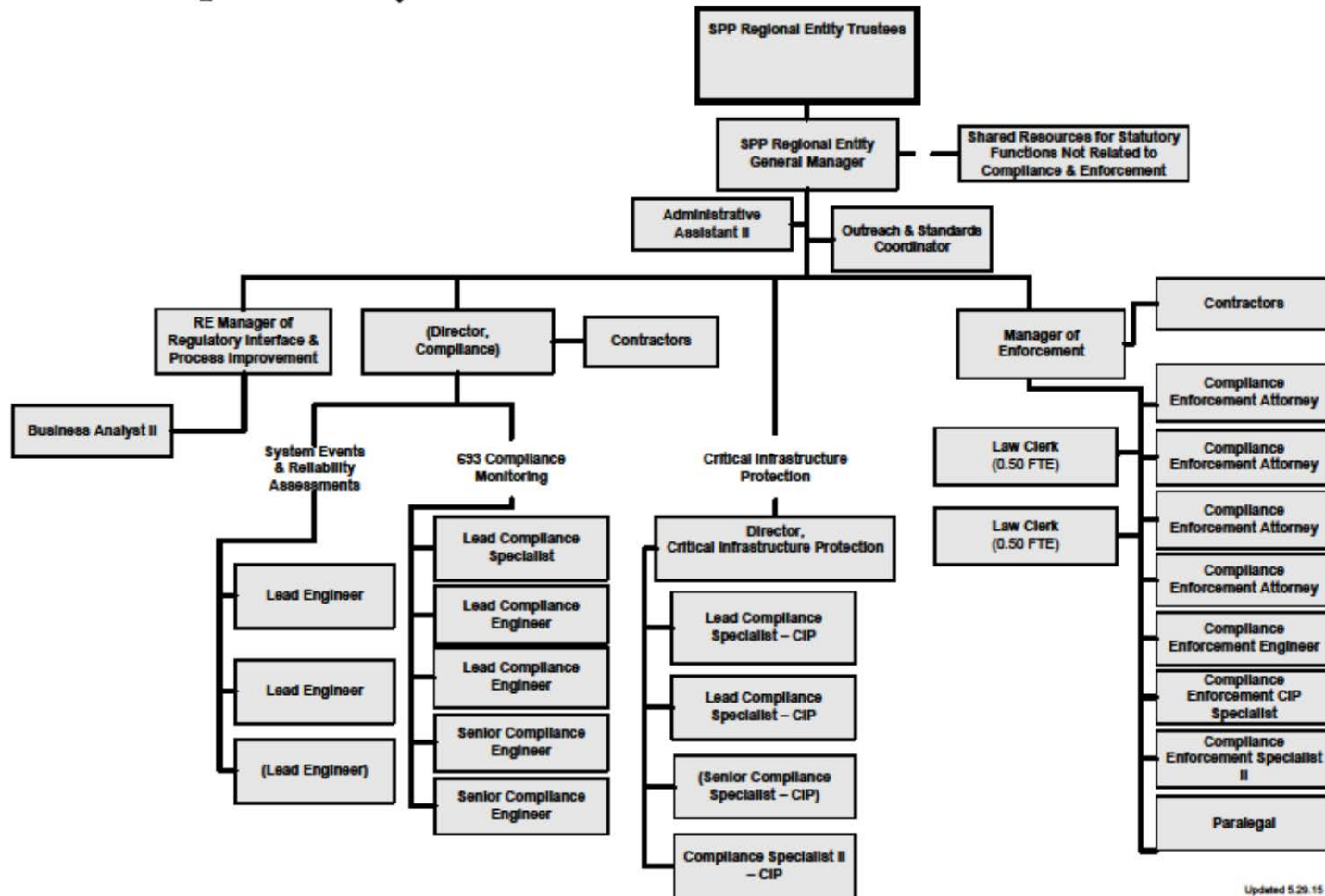
## Section F– Organizational Chart 2016 Business Plan and Budget

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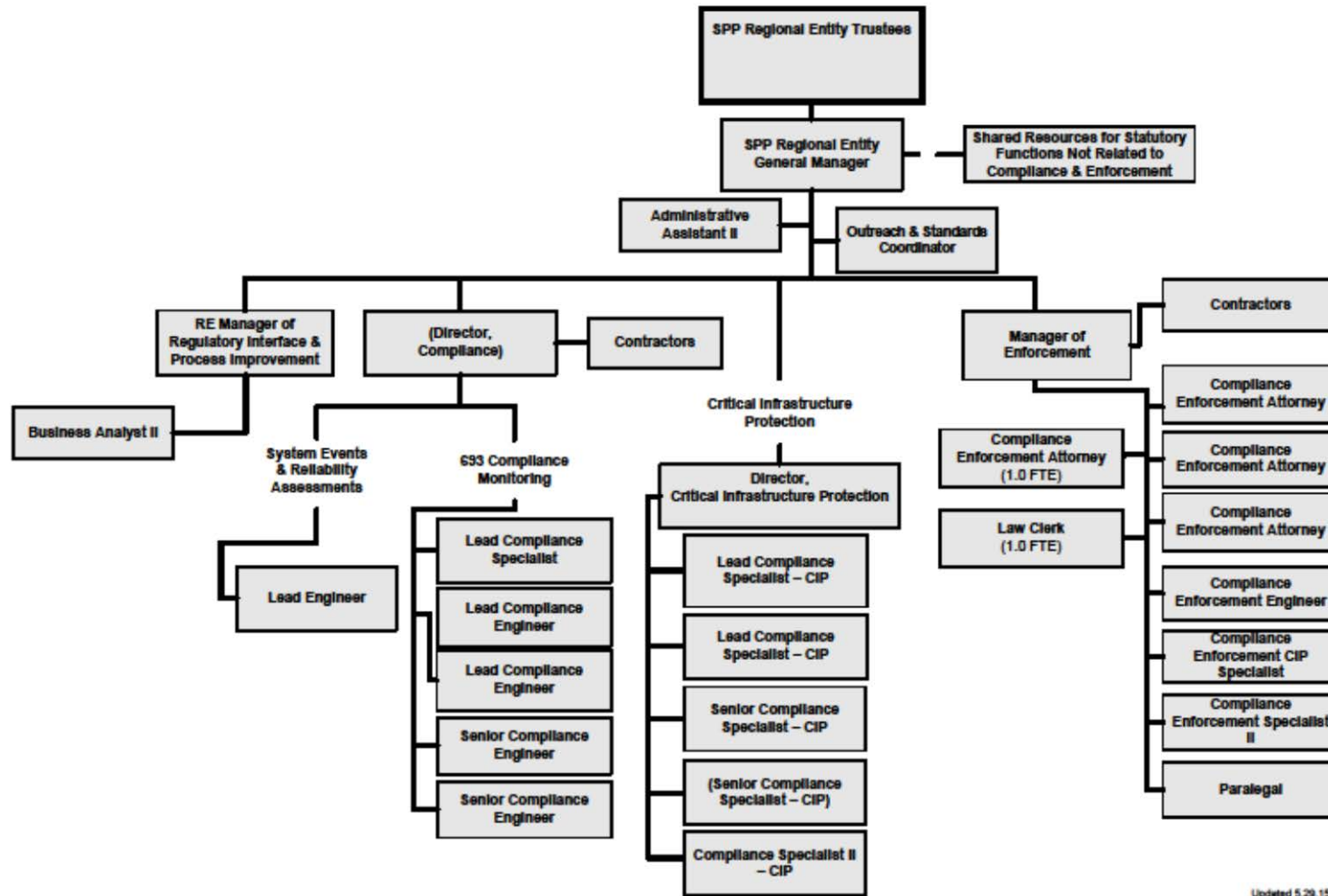
### Organizational Chart – 2015



Updated 5.29.15



### Organizational Chart – 2016 Proposed



Updated 5.29.15

# Revisions to the Regional Delegation Agreement (RDA)

June 15, 2015

Debbie Currie  
Manager of Regulatory Interface  
and Process Improvement  
[dcurrie.re@spp.org](mailto:dcurrie.re@spp.org)  
501.688.8228



# RDA Revisions

## 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 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 Revisions (cont'd)

## 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 Revisions (cont'd)

## Governing Law

- Amends governing law from New Jersey to Georgia

## 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
- **SPP RE afforded the same *pro forma* renewal clause as all other regions**
  - **SPP RE continuing to be part of SPP, Inc. was fully discussed at SPP's Strategic Planning Meeting held in May**

# 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 (CMEP)

- SPP RE continues to engage SERC to oversee the CMEP responsibility for SPP RTO, unless changed by the MRRE (Multi-Regional Registered Entity) program
- SPP RE's hearing body remains the SPP RE Trustees

# 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's Board approved the *pro forma* RDA at their May meeting
  - *SPP RE and other Regions execute RDAs in June*
- NERC files RDAs with FERC no later than July 1

## EXECUTION VERSION

### 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 in **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 in **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 in **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 in **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 in **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 in **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 in **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 in **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 in **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 in **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 an initial term of five years (the “Term”), ending on December 31, 2020. Thereafter, the Term shall automatically extend for one additional five-year term unless either Party shall provide written notice of termination of this Agreement to the other no later than one year prior to the then effective expiration of the Term. In such event, this Agreement shall terminate upon the expiration of then effective Term, unless otherwise mutually agreed to by the Parties.

(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, email or overnight courier:

If to NERC:

North American Electric Reliability  
Corporation  
1325 G Street 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, SPP RE General Manager  
Email: rciesiel.re@spp.org

**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

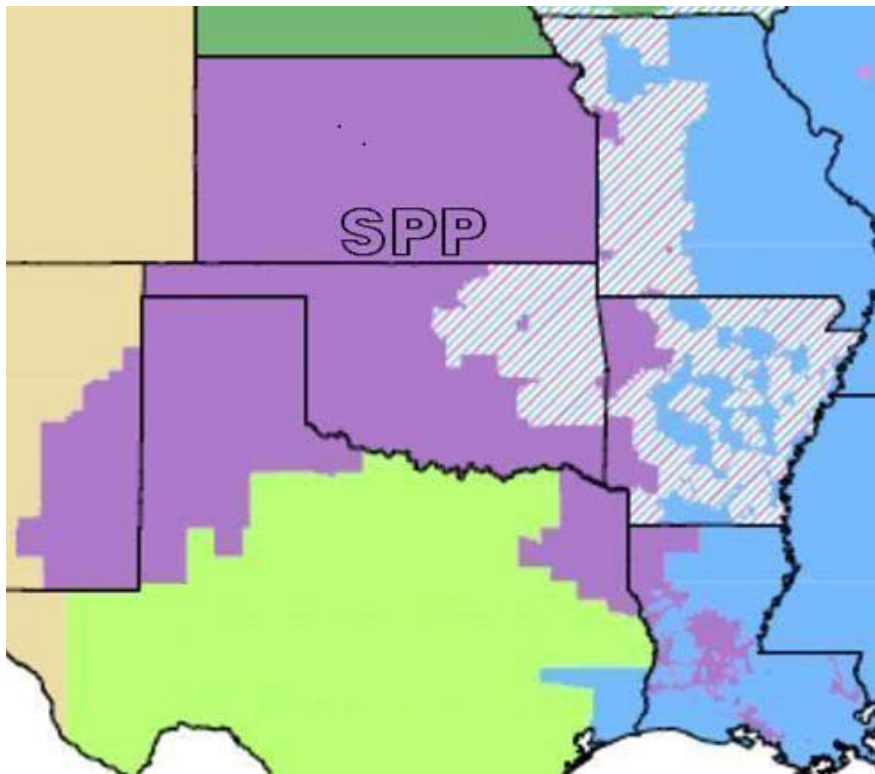
The geographic boundaries of Southwest Power Pool (SPP) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

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 in **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, other than penalty monies received from an operational function or division or affiliated entity of 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. Except as otherwise approved by the Commission, any penalty monies received from an operational

function or division or affiliated entity of SPP shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

## 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 Regional Entity, including records used to prepare SPP Regional Entity'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.