



**Southwest Power Pool
REGIONAL ENTITY TRUSTEES MEETING**

June 13, 2016

SPP Corporate Center, Little Rock

A G E N D A

9:00 a.m. – 12:00 p.m.

1. Call to Order/Introductions Dave Christiano
2. Antitrust Guidelines Dave Christiano
3. Approval of Meeting Minutes – April 25, 2016 Dave Christiano
4. SPP RE 2017 Business Plan & BudgetDebbie Currie

Action Requested: Approve SPP RE 2017 Business Plan & Budget, subject to adjustment for violation penalty payments received prior to July 1, 2016, plus other non-substantive changes required for filing with NERC.

5. 2016 State of Reliability Report Mike Hughes
6. New Action Items Dave Christiano
7. Upcoming Meetings Dave Christiano

July 25, 2016: Rapid City
Oct. 24, 2016: 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 25, 2016

Santa Fe, El Dorado Hotel

A G E N D A

8:00 a.m. – 3:00 p.m.

Meeting Materials

1. Call to Order/Introductions.....Dave Christiano
Dave Christiano called the meeting to order at 8:00 a.m. He welcomed NERC Board Member Jan Schori, Michael Gildea from FERC, SPP Director Larry Altenbaumer, and former SPP RE Chairman John Meyer.

2. Antitrust GuidelinesDave Christiano
Debbie Currie reviewed the guidelines with Attendees.

3. Approval of Meeting Minutes – 1/25/16 and 3/22/16Dave Christiano
A correction was noted for the March 22 meeting. The paragraph reading:

“Mr. Christiano and Mr. Burrows recently attended a teleconference with SPP CEO Nick Brown and the Corporate Governance Committee; they decided to create a sub-group for Members in the northern part of the SPP footprint who are not in the SPP RE footprint.”

has been amended to the following:

“Mr. Christiano and Mr. Burrows recently attended a teleconference with SPP CEO Nick Brown and the Corporate Governance Committee. The Corporate Governance Committee decided to create a Task Force consisting of the Corporate Governance Committee members, excluding those representing systems that are not Registered Entities in the SPP RE footprint, and including Messrs. Burrows and Christiano.”

With this correction, the Trustees approved the minutes.

4. 2016 Summer Reliability Assessment Lanny Nickell
The SPP assessment area, including the Integrated System, shows adequate reserves (28%). SPP is required to perform loss of load studies every two years to ensure the current 13.6% reserve margin is adequate. Based on the studies and the work of the Capacity Margin Task Force, a recommendation to lower the reserve margin to 12% will be made at SPP’s Board Meeting on April 26. The Trustees endorsed the Summer Reliability Assessment for submittal to NERC. NERC will no longer be publishing a report from this data.

5. SPP RE Trustee ReplacementDave Christiano

About a year ago, SPP initiated an effort to add to its Board of Directors for planning and business continuity purposes. The SPP Board changed the Bylaws to allow them to add up to two board members, and the SPP RE Trustees decided to add a fourth member. With Mr. Meyer’s resignation, the Corporate Governance Committee has hired a search firm to place two additional SPP RE Trustees in the July 2016 timeframe.

6. Preliminary 2017 SPP RE Business Plan and Budget.....Debbie Currie

The preliminary 2017 budget is \$10.9 million, an increase of \$770,000 or approximately 8%. The majority of the increase is due to the 2017 audit schedule, including four CIP audits that moved from 2016 to 2017 due to the delay in the effective date of CIP V5. Other contributors include the addition of a fourth Trustee and an increase in the use of SPP Engineering shared staff that support the Reliability Assessments.

The Trustees endorsed the 2017 Preliminary Business Plan and Budget for submittal to NERC and posting for comments through the end of May.

7. YTD Financial Update.....Debbie Currie

SPP RE is slightly below budget (\$127k) at the end of the first quarter. SPP currently has four open positions, two carried from 2015 and two due to attrition in the first quarter of 2016. We are actively seeking to fill the two positions that came open in the first quarter. Primarily due to the delay in CIP V5, SPP RE projects a budget variance of \$400k at year’s end.

8. NERC Planning Committee Report Noman Williams

The Planning Committee approved the scope of the Essential Reliability Services Working Group (ERSWG) and its associated Distributed Energy Task Force. The ERSWG will be developing measures and guidelines in 2016, with a whitepaper to be finalized in 2017.

The PC is monitoring the development of IEEE Standard 1547 on distributed resources on the power system. The standard is an equipment-based standard, and NERC believes this is an opportunity to engage IEEE to include reliability components.

FERC has issued a Notice of Inquiry on frequency response. There is concern that the models used to gauge frequency response do not show the lack of generator response that is seen in real-time. There has also been a loss in expertise on frequency response modeling and there is a steep learning curve.

9. CIP Update Kevin Perry

The Standard Drafting Team members have been selected for revisions to the CIP standards. At the time of the presentation, it was not known if a member had been selected from the SPP area. It was later reported that Jennifer Flandermeyer, KCPL, was selected as a drafting team member. An overview of the CIP team’s extensive

outreach activity was given, as well as an update on the conversion of TFEs from CIP V3 to CIP V5.

A detailed review of the recent cyber-attack on the Ukraine’s distribution system was given. While the application of the CIP Standards could have thwarted a number of activities associated with this attack, the early stages of the attack activity occurred mostly in the corporate IT systems environment that is not subject to CIP Standards. The Ukraine attackers gained access to the electric operating system via corporate systems that did not require multi-factor authentication. Obtaining legitimate operator credentials allowed the attackers to open breakers at 27 substations across three distribution companies.

10. Recent System Events / FAC UpdateAlan Wahlstrom

Six Category 1 events occurred in the first quarter, compared to four Category 1 events in the first quarter of 2015. Two involved the loss of three or more elements (Category 1a) and four of the events were related to the partial loss of monitoring and control (Category 1h).

Remediation of discrepancies found as a result of the FAC Alert are progressing well. Only two companies have remaining work; it may be complete by the end of 2016.

11. FERC/NERC/RE Joint Review of Restoration Plans ReportAlan Wahlstrom

In September 2014, FERC initiated a review of several large utilities’ restoration plans to assess their ability to recover from a widespread outage or blackout and to verify that the Reliability Standards support the restoration plans. The review concluded that, for the most part, the plans were thorough. A number of recommendations were made.

12. Enforcement Report Joe Gertsch

Enforcement processed 17 violations in the first quarter, 25 violations are expected to be processed in the second quarter, and the year-end goal is 82 based on the caseload at the start of 2016. Because the majority of incoming violations are minimal risk, there has been a shift from NOPs (Notice of Penalty) to Compliance Exceptions and FFTs (Find, Fix, Track). SPP has three high-impact violations: the mitigation plan is complete and verified for one, another is an MRRE (Multi-Region Registered Entity) violation and SPP RE is not the lead, and the mitigation plan for one of them has not been initiated.

13. General Manager’s ReportRon Ciesiel

A number of topics were reviewed, including FERC’s approval of the Regional Delegation Agreements, the election of Dave Christiano as SPP RE Trustees Chair due to John Meyer’s resignation, the search for two additional Trustees, violations, vegetation contacts, relay misoperations, and new standards.

14. YTD Staff Performance Goals and MetricsRon Ciesiel

The status of SPP RE’s fifteen metrics for 2016 were reviewed. At the end of the first quarter, a number of metrics do not have data, as the onsite auditing work does not



typically begin until the second quarter. Nevertheless, work is progressing as expected for the year.

15. Outreach Update.....Ron Ciesiel

The March Compliance Workshop was well attended. The agenda for the upcoming CIP Workshop (May 24-25 in Little Rock) was reviewed. NERC CEO Gerry Cauley will be the keynote speaker.

16. NERC COMMITTEE REPORTS – Comments or Questions

- a. Compliance and Certification Committee.....Jennifer Flandermeyer
- b. Critical Infrastructure Protection.....Eric Ervin
- c. System Protection and ControlOPEN
- d. Operating Committee..... Jim Useldinger

17. New Action Items.....Debbie Currie

No new action items were noted.

18. Future Meetings.....Dave Christiano

- June 13, 2016: Little Rock (budget meeting)
- July 25, 2016: Rapid City
- October 24, 2016: Little Rock

Chairman Christiano adjourned the meeting at 1:57 p.m.

Respectfully submitted,
Emily Pennel
SPP RE Trustees Secretary

REGIONAL ENTITY TRUSTEE MEETING

April 25, 2016

ATTENDANCE LIST

NAME

ORGANIZATION

NAME	ORGANIZATION
Beth Emery	GridLiance
Michael Dosselle	SPP
Terry Jarrett	Husch Blackwell / GridLiance
Terrn Pyle	OGE
Michael Gildear	FERC
MIKE SIEDSCHLAG	HDR
John Rhee	OGE
LANNY NICKEL	SPP
Mike Wise	GSEC
Lori Spence	MISO
Jan Schori	NERC BOT
Thomas Maldonado	Xcel Energy
LARRY ALLENBAUMER	SPP Director
Jim Jacoby	AEP
Paul May	EDE
John Olsen	Westar
BARY WARREN	GRIDLIANCE/SOUTH MICH
John Meyer	Independent Consulting
Terry Jarrett	GridLiance / Husch
Bill HARRISON	Golden Spread Elec. Coop.
Noman Williams	SCMICH

BARY WARREN	South Central MCM/BSID/UNICEF
Henry Skilton	SPP Director
Ellen Watkins	Sunflower Electric
Earl Chesid	SPP RE
Alvin Cui	SPP RE
Joe Greetside	SPP RE
Alan Whittier	SPP RE
David B. Perry	SPP RE
Bruce Jelen ^{DIC}	SPP Director
Gerry Burrows ^{DIC}	SPP RE Trustee
Dore Christian ^{DIC}	SPP RE Trustee

TELECONFERENCE ATTENDEES

Emily Kennel	via	Webex
Lesza Oakes	"	"
Jennifer Flanderswey	"	"
Steven Kelle	"	"
Brent Baker	"	"
Trest Carlson	"	"
Andrea Doucette	"	"
Jim Useldinger	"	"
Jeff Knottick	"	"
Bo Jones	"	"
Chris Holey	"	"
Chris Bills	"	"
Ken Van Buren	"	"
Jeremy Withers	"	"
Joshie Lubedi	"	"



2017 Business Plan & Budget

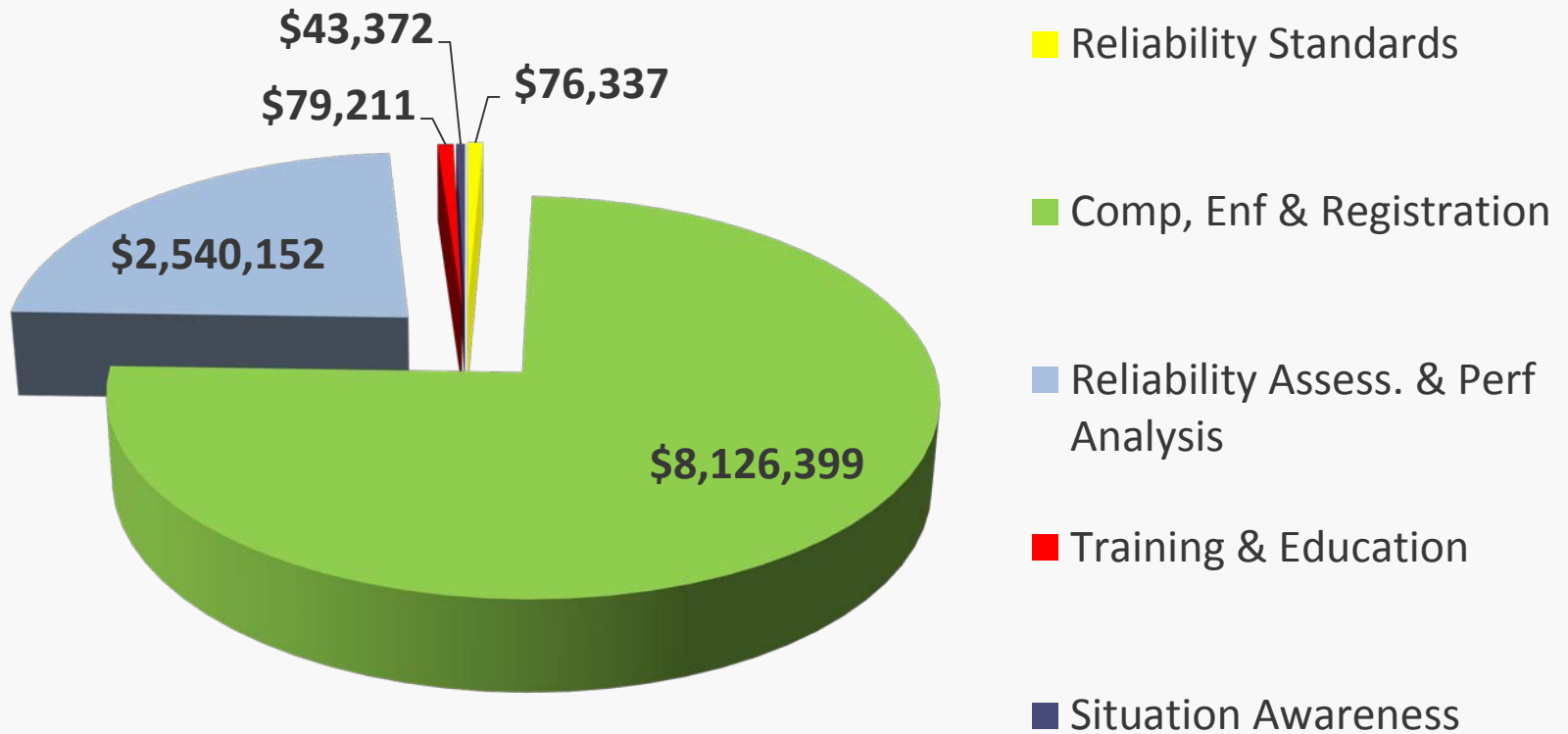
June 13, 2016

Debbie Currie

**RE Manager of Regulatory Interface
and Process Improvement**

2017 Budget Overview

Budget - \$10.9 Million



2016-2017 Budget Comparison Overview

Resource Item	Approved 2016	Preliminary 2017	Increase / (Decrease)	% Increase / (Decrease)
SPP RE Direct FTEs	28.00	28.00	0.0	0%
SPP Shared FTEs	4.25	5.25	1.0	24%
Total FTEs	32.25	33.25	1.0	3%
Direct Expenses (millions)	\$6.7	\$7.2	\$499k	8%
SPP, Inc. Indirect Expenses (millions)	\$3.4	\$3.7	\$270k	8%
Total Expenses (millions)	\$10.1	\$10.9	\$770k	8%
Total Funding Requirement (millions)	\$8.8	\$9.5	\$640k	7%
RE Assessments (millions)	\$8.6	\$9.1	\$466k	5%

2016-2017 Budget Comparison Direct Expenses

Cost Item	Increase/ (Decrease)	Explanation
Personnel	\$ 571k	1.0 FTE increase; 2017 full-year merit increase; 5% attrition rate
Consultants/Professional Services	\$ 42k	Number of Audits; Risk-Based Compliance Monitoring; Increased Staff Experience and Improved RE Processes; Engineering Data Validation IT Project; Additional Trustee
Meetings/Office Costs	\$ 30k	Inflationary Increase in Office & Workshop Costs
Travel	\$ (143k)	Several MRRE Audits & Reduction in Standard Drafting Team Travel Funds
Total Direct Expenses *	\$ 499k	N/A
SPP Inc. Indirect Expenses	\$ 270k	Inflationary increase plus additional 1.0 FTE
Total Increase in Budgeted Expenses	\$ 770k	N/A
* Includes SPP RE General & Administrative Services and Legal and Regulatory program expenses		

2016-2017 Budget Comparison FTEs

Total FTEs by Program Area	Budget 2016	Projection 2016	Direct FTEs 2017 Budget	Shared FTEs ¹ 2017 Budget	Total FTEs 2017 Budget	Change from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.15	0.15	0.13	0.00	0.13	-0.03
Compliance and Organization Registration and Certification	21.35	21.35	21.75	0.00	21.75	0.40
Training and Education	0.50	0.50	0.00	0.00	0.00	-0.50
Reliability Assessment and Performance Analysis	5.63	5.63	1.50	5.25	6.75	1.13
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	27.75	27.75	23.50	5.25	28.75	1.00
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	32.25	32.25	28.00	5.25	33.25	1.00

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

2016-2017 Budget Comparison Program Summary

Program	Budget 2016	Projection 2016	Budget 2017	Change 2017 Budget v 2016 Budget	% Change
Reliability Standards	109,518	76,937	76,377	(33,141)	-30.3%
Compliance Enforcement and Regist	7,787,038	7,792,968	8,126,399	339,361	4.4%
Reliability Assess and Perf Analysis	1,912,600	1,914,013	2,540,152	627,552	32.8%
Training and Education	245,432	245,639	79,211	(166,222)	-67.7%
Situation Awareness	41,232	41,262	43,372	2,141	5.2%
	10,095,819	10,070,819	10,865,511	769,691	7.6%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	10,095,819	10,070,819	10,865,511	769,691	7.6%

2017 Budget Summary

- **2017 budget** **\$10.9 million**
- **Increase in expenses** **\$0.77 million /7.6%**
 - **Additional Trustee**
 - **4 CIP Onsite Audits carried over from 2016**
 - **Cost partially offset by 3 MRRE CIP Audits; SPP RE not the lead region**
 - **Carryover for Engineering Data Tool Completion**
 - **Reduction in funds allocated for Standard Drafting Team travel reimbursement**
- **Increased 1.0 FTE in RAPA Program Shared Staff**

2017 Budget Schedule

Dates	NERC	Regional Entity
July 6		Final RE budget submittal due
July 15	Final 2017 BP&Bs posted to NERC website	
August 11	Business plan, budgeted financials, and assessments presented to NERC Board of Trustees for approval	
August 24	Submit package to FERC	



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

2017 Business Plan and Budget Southwest Power Pool Regional Entity

Approved by SPP Regional Entity Trustees

June 13, 2016

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2017 Budget	U.S.	Canada	Mexico
Statutory FTEs	33.25			
Non-statutory FTEs	-			
Total FTEs	33.25			
Statutory Expenses	\$ 10,865,511			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 10,865,511			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (1,403,208)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (1,403,208)			
Total Statutory Funding Requirement	\$ 9,462,303			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 9,462,303			
Statutory Funding Assessments	\$ 9,462,303	\$ 9,462,303		
Non-Statutory Fees	\$ -	\$ -		
NEL	225,657,039	225,657,039		
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. The current RDA was approved by FERC in March of 2016.¹ 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

¹ http://www.nerc.com/FilingsOrders/us/FERCOrdersRules/LetterOrder_RDAs_20160323_RR15-12.pdf;
http://www.nerc.com/FilingsOrders/us/Regional%20Delegation%20Agreements%20DL/SPP_RDA_Effective_2016_0101.pdf

reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 115 registered entities located within the SPP RE's footprint, an eight-state area that includes all or a portion of Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

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

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

Membership and Governance

Pursuant to the SPP bylaws, SPP RE is governed by up to four independent Regional Entity Trustees,² 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 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 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

2017 Key Assumptions

The key assumptions underlying the SPP RE 2017 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2017 BP&B. The assumptions that are of particular importance to the SPP RE's 2017 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 FERC Docket No. ER16-430-000, Letter Order approving a Revision to the Bylaws expanding the RE Board of Trustees by one additional seat.

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 the 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 continue to implement the risk-based Compliance Monitoring and Enforcement Program (CMEP) 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 2019 (ERO Strategic Plan)³, NERC and the Regional Entities developed a set of Common

³ <http://www.nerc.com/gov/Annual%20Reports/ERO%20Enterprise%20Strategic%20Plan%202016-2019.pdf>

Assumptions⁴ that are now used to guide budget resource projections for each regional entity and the ERO overall.

SPP RE-specific goals and deliverables include:

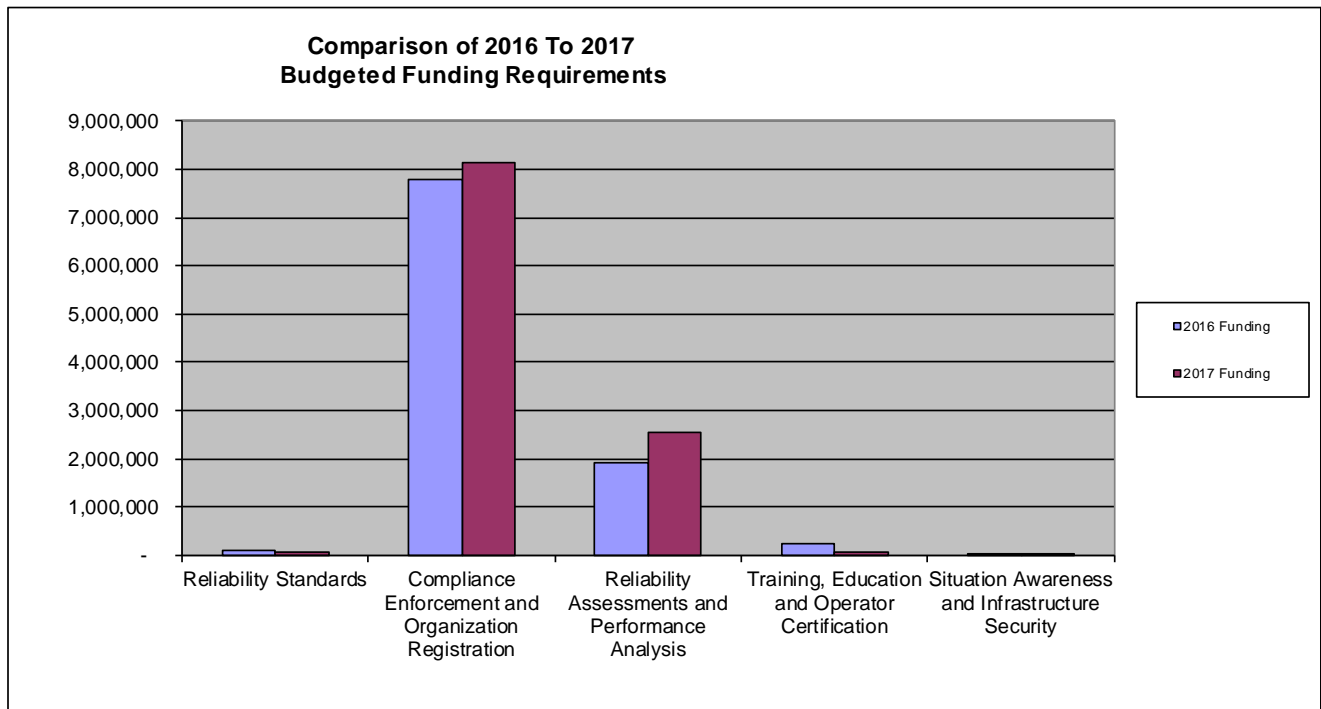
- Effectively and efficiently perform the delegated functions of registration, compliance monitoring and enforcement, reliability assessments, performance analysis, and situational awareness with independence, without conflict of interest, with objectivity and fairness.
- Conduct outreach activities, including compliance workshops, training seminars and videos, and newsletters, that facilitate a learning environment and promote a strong culture of reliability excellence and compliance.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

⁴ See NERC 2017 Business Plan and Budget, Exhibit A.

2017 Overview of Cost Impacts

The \$10.9 million operating budget reflects an approximate \$0.77 million increase or 7.6%. Funding assessments increased by \$466 thousand or 5.4%, from \$8.63 million to \$9.09 million. A summary of the funding by program area is shown in the chart below.

Program	Budget 2016	Projection 2016	Budget 2017	Change	
				2017 Budget v 2016 Budget	% Change
Reliability Standards	109,518	76,937	76,377	(33,141)	-30.3%
Compliance Enforcement and Registration	7,787,038	7,792,968	8,126,399	339,361	4.4%
Reliability Assess and Perf Analysis	1,912,600	1,914,013	2,540,152	627,552	32.8%
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Situation Awareness	41,232	41,262	43,372	2,141	5.2%
	10,095,819	10,070,819	10,865,511	769,691	7.6%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	10,095,819	10,070,819	10,865,511	769,691	7.6%



As shown in the chart that follows, there is a net increase of 1.0 in budgeted Full Time Equivalents (FTE). The increase in Shared Staff is needed to accommodate the increasing RAPA reliability

assessment and special study requirements. Some minor changes have also been made between the program areas to reflect the time spent by RE staff members on reliability standards and the RAPA data groups and the time spent by the RAPA employee on Situational Awareness. In addition, the time spent by CIP audit staff performing CIP V5 transition outreach is expected to diminish in 2017.

Total FTEs by Program Area	Budget	Projection	Direct	Shared	Total FTEs	Change
	2016	2016	FTEs 2017 Budget	FTEs ¹ 2017 Budget	2017 Budget	from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.15	0.15	0.13	0.00	0.13	-0.03
Compliance and Organization Registration and Certification	21.35	21.35	21.75	0.00	21.75	0.40
Training and Education	0.50	0.50	0.00	0.00	0.00	-0.50
Reliability Assessment and Performance Analysis	5.63	5.63	1.50	5.25	6.75	1.13
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	27.75	27.75	23.50	5.25	28.75	1.00
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	32.25	32.25	28.00	5.25	33.25	1.00

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

Compared to the 2016 budget, the net increase in direct expenses and the net increase in the SPP, Inc. indirect expenses are approximately \$499 thousand and \$270 thousand, respectively. The increase in direct expenses is principally due to an annual merit increase in salaries, an increase in the RAPA Shared Staff FTEs and the inclusion of funds for completion of the Engineering Data Validation tool. The increase in SPP, Inc. indirect expenses is due to a nominal inflationary increase and the increased RAPA Shared Staff FTE.⁵ 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.

⁵ A table showing the derivation of the Indirect Expense is presented in Section E.

Statement of Activities and Capital Expenditures 2016 Budget & Projection, and 2017 Budget

	2016 Budget	2016 Projection	Variance 2016 Projection v 2017 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 8,626,751	\$ 8,626,751	\$ -	\$ 9,092,553	\$ 465,802
Penalty Sanctions	\$ 193,000	193,000	-	369,750	176,750
Total SPP RE Funding	\$ 8,819,751	\$ 8,819,751	\$ -	\$ 9,462,303	\$ 642,552
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,819,751	\$ 8,819,751	\$ -	\$ 9,462,303	\$ 642,552
Expenses					
Personnel Expenses					
Salaries	\$ 3,896,492	\$ 3,896,492	\$ -	\$ 4,385,605	\$ 489,113
Payroll Taxes	\$ 298,082	298,082	-	335,499	37,417
Benefits	\$ 333,564	333,564	-	358,263	24,699
Retirement Costs	\$ 155,860	155,860	-	175,424	19,565
Total Personnel Expenses	\$ 4,683,997	\$ 4,683,997	\$ -	\$ 5,254,791	\$ 570,793
Meeting Expenses					
Meetings	\$ 90,000	\$ 90,000	\$ -	\$ 120,000	\$ 30,000
Travel	\$ 680,200	655,200	(25,000)	537,000	(143,200)
Conference Calls	\$ -	-	-	-	-
Total Meeting Expenses	\$ 770,200	\$ 745,200	\$ (25,000)	\$ 657,000	\$ (113,200)
Operating Expenses					
Consultants & Contracts	\$ 965,042	\$ 965,042	\$ -	\$ 1,020,710	\$ 55,668
Office Rent	\$ -	-	-	-	-
Office Costs	\$ 8,000	8,000	-	10,000	2,000
Professional Services	\$ 153,450	153,450	-	212,100	58,650
Miscellaneous	\$ 74,445	74,445	-	-	(74,445)
Depreciation	\$ -	-	-	-	-
Total Operating Expenses	\$ 1,200,937	\$ 1,200,937	\$ -	\$ 1,242,810	\$ 41,873
Total Direct Expenses	\$ 6,655,134	\$ 6,630,134	\$ (25,000)	\$ 7,154,601	\$ 499,466
SPP Inc. Indirect Expenses	\$ 3,440,685	3,440,685	\$ -	\$ 3,710,910	\$ 270,225
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 3,440,685	\$ 3,440,685	\$ -	\$ 3,710,910	\$ 270,225
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,095,819	\$ 10,070,819	\$ (25,000)	\$ 10,865,511	\$ 769,691
Change in Assets	\$ (1,276,068)	\$ (1,251,068)	\$ 25,000	\$ (1,403,208)	\$ (127,140)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 10,095,819	\$ 10,070,819	\$ (25,000)	\$ 10,865,511	\$ 769,691
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,276,068)	\$ (1,251,068)	\$ 25,000	\$ (1,403,208)	\$ (127,140)

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

Section A – Statutory Programs
2017 Business Plan and Budget



Section A — 2017 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	0.150	0.125	(0.025)
Direct Expenses	\$ 71,613	\$ 47,286	\$ (24,327)
Indirect Expenses- SPP Inc.	\$ 16,003	\$ 13,951	\$ (2,052)
Indirect Expenses- SPP RE	\$ 21,902	\$ 15,140	\$ (6,762)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 109,518	\$ 76,377	\$ (33,141)

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 0.125 FTEs represents the time spent by an 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.

2017 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.

2017 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; and
- Participate on in-depth reviews to further improve the Reliability Standards as needed.

Resource Requirements

There is a minor change to the budgeted FTEs for this program area (0.15 reduced to 0.125).

Reliability Standards Program

Statement of Activities and Capital Expenditures					
2016 Budget & Projection, and 2017 Budget					
Reliability Standards					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 108,474	\$ 108,474	\$ -	\$ 74,769	\$ (33,705)
Penalty Sanctions	1,043	1,043	-	1,608	564
Total SPP RE Funding	\$ 109,518	\$ 109,518	\$ -	\$ 76,377	\$ (33,141)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 109,518	\$ 109,518	\$ -	\$ 76,377	\$ (33,141)
Expenses					
Personnel Expenses					
Salaries	\$ 18,010	\$ 18,010	\$ -	\$ 18,969	\$ 959
Payroll Taxes	1,378	1,378	-	1,451	73
Benefits	1,505	1,505	-	1,107	(398)
Retirement Costs	720	720	-	759	38
Total Personnel Expenses	\$ 21,613	\$ 21,613	\$ -	\$ 22,286	\$ 673
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	50,000	25,000	(25,000)	25,000	(25,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 50,000	\$ 25,000	\$ (25,000)	\$ 25,000	\$ (25,000)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 71,613	\$ 46,613	\$ (25,000)	\$ 47,286	\$ (24,327)
SPP Inc. Indirect Expenses	\$ 16,003	\$ 16,003	\$ -	\$ 13,951	\$ (2,052)
SPP RE Indirect Expenses	21,902	14,321	(7,580)	15,140	(6,762)
Total Indirect Expenses	\$ 37,905	\$ 30,324	\$ (7,580)	\$ 29,091	\$ (8,814)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 109,518	\$ 76,937	\$ (32,580)	\$ 76,377	\$ (33,141)
Change in Assets	\$ -	\$ 32,580	\$ 32,580	\$ -	\$ 1
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 109,518	\$ 76,937	\$ (32,580)	\$ 76,377	\$ (33,141)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 32,580	\$ 32,580	\$ -	\$ 1
FTEs	0.15	0.15	0.00	0.13	-0.03

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	21.35	21.75	0.40
Direct Expenses	\$ 4,218,955	\$ 4,316,813	\$ 97,858
Indirect Expenses- SPP Inc.	\$ 2,277,787	\$ 2,427,437	\$ 149,650
Indirect Expenses- SPP RE	\$ 1,290,296	\$ 1,382,149	\$ 91,853
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 7,787,038	\$ 8,126,399	\$ 339,361

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 115 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 \$41,000 in its budget to compensate SERC for performing the 2017 CMEP activities and Risk Assessments 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 possible non-compliance with a reliability standard.

A total of 12.0 FTEs are assigned to the Compliance Groups, and include: the SPP RE Director of Compliance, allocated at 0.5 FTEs, five Operations & Planning (O&P or 693) auditor positions, Director of Critical Infrastructure Protection, five CIP audit positions, and one Outreach Coordinator, allocated at 0.5 FTEs.

In addition to the SPP RE Staff, SPP RE uses consultants to assist the SPP RE with operations and planning (693) and CIP audits. On average, two consultants participate on each SPP RE onsite 693 audit team and one consultant participates on SPP's offsite 693 audit team and onsite CIP audit teams. SPP RE has included \$477,610 in its budget for compliance consulting costs.

Enforcement Group

The FTEs assigned to the Enforcement group are responsible for performing assigned Compliance Monitoring and Enforcement Program activities. These activities include but are not limited to: 1) the de novo review of all issues of noncompliance identified by the Compliance Monitoring Group; 2) conducting discovery; 3) documenting and filing all issues of noncompliance in accordance with the NERC Rules of Procedure; 4) preparing and issuing required Registered Entity notices, e.g., Find, Fix and Track (FFTs), Compliance Exceptions, Possible Violation, Alleged Violation and Proposed Penalty or Sanction, and Confirmed Violation; 5) reviewing, accepting, tracking and verifying completion of mitigation plans and mitigating activities; 6) engaging in settlement negotiations to resolve issues of noncompliance; 7) representing the SPP RE in hearings of contested violations; and 8) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 9.75 FTEs are assigned to this group, and include: the Manager of Enforcement, four enforcement attorneys, two compliance enforcement specialists, one mitigation plan engineer, one paralegal and one legal clerk. To recognize that Enforcement staff (0.25 FTEs) participate in NERC's Reliability standard development activities and the Reliability and Performance Analysis (RAPA) data groups, 0.125 FTEs has been allocated to the Reliability Standards Program and 0.125 FTEs to the RAPA 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.

2017 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 are anticipated to 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 seek and 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 2016 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

2017 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;
- Implement the risk-based CMEP and conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations;
- Coordinated oversight of Multi-Region Registered Entities (MRREs);
- Perform 8 to 10 on-site FERC Order 693 compliance audits;
- Perform 12 to 15 off-site FERC Order 693 compliance audits;
- Perform 10 to 13 on-site CIP compliance audits of registered entities with High or Medium Impact BES Cyber Systems;
- SPP RE anticipates that audits of registered entities with only Low Impact BES Cyber Systems can be conducted off-site. The SPP RE will work with the affected registered entities to identify appropriate forms of evidence of compliance that can be evaluated without being on-site. The CIP audit team expects to go on-site only if an audit finding cannot be determined through other means;
- Perform spot check, self-certifications, and periodic data submittals of specified standards as dictated by NERC's 2017 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 2017; and

- Provide general CIP V5 outreach support for all Registered Entities in all impact categories (High, Medium and Low BES Cyber Systems).

Resource Requirements

Personnel

The Compliance program area reflects a net increase of 0.40 FTEs which reflects the return of 0.50 FTES from the Training & Education program specifically designated as CIP V5 outreach in the 2016 Business Plan & Budget and the enforcement staff's participation on the RAPA data groups.

Contracts and Consultants

The use of consultants is expected to be reduced from 2016 due to a number of CIP audits being conducted on Multi-Region Registered Entities for which SPP RE is not the lead region.

Statement of Activities and Capital Expenditures
2016 Budget & Projection, and 2017 Budget
Compliance and Organization Registration and Certification

	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 7,638,549	\$ 7,638,549	\$ -	\$ 7,846,675	\$ 208,126
Penalty Sanctions	148,488	148,488	-	279,724	131,236
Total SPP RE Funding	\$ 7,787,038	\$ 7,787,038	\$ -	\$ 8,126,399	\$ 339,361
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 7,787,038	\$ 7,787,038	\$ -	\$ 8,126,399	\$ 339,361
Expenses					
Personnel Expenses					
Salaries	\$ 2,373,788	\$ 2,373,788	\$ -	\$ 2,665,150	\$ 291,362
Payroll Taxes	181,595	181,595	-	203,884	22,289
Benefits	214,183	214,183	-	234,563	20,380
Retirement Costs	94,952	94,952	-	106,606	11,654
Total Personnel Expenses	\$ 2,864,518	\$ 2,864,518	\$ -	\$ 3,210,203	\$ 345,685
Meeting Expenses					
Meetings	\$ 15,000	\$ 15,000	\$ -	\$ 35,000	\$ 20,000
Travel	400,200	400,200	-	282,000	(118,200)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 415,200	\$ 415,200	\$ -	\$ 317,000	\$ (98,200)
Operating Expenses					
Consultants & Contracts	\$ 883,042	\$ 883,042	\$ -	\$ 778,610	\$ (104,432)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	4,750	4,750	-	11,000	6,250
Miscellaneous	51,445	51,445	-	-	(51,445)
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 939,237	\$ 939,237	\$ -	\$ 789,610	\$ (149,627)
Total Direct Expenses	\$ 4,218,955	\$ 4,218,955	\$ -	\$ 4,316,813	\$ 97,858
SPP Inc. Indirect Expenses	\$ 2,277,787	\$ 2,277,787	\$ -	\$ 2,427,437	\$ 149,650
SPP RE Indirect Expenses	1,290,296	1,296,227	5,931	1,382,149	91,853
Total Indirect Expenses	\$ 3,568,083	\$ 3,574,014	\$ 5,931	\$ 3,809,586	\$ 241,503
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,787,038	\$ 7,792,968	\$ 5,931	\$ 8,126,399	\$ 339,361
Change in Assets	\$ -	\$ (5,931)	\$ (5,931)	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 7,787,038	\$ 7,792,968	\$ 5,931	\$ 8,126,399	\$ 339,361
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (5,931)	\$ (5,931)	\$ -	\$ (1)
FTEs	21.35	21.35	-	21.75	0.40

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	5.625	6.750	1.125
Direct Expenses	\$ 1,005,091	\$ 1,353,461	\$ 348,370
Indirect Expenses- SPP Inc.	\$ 600,119	\$ 753,343	\$ 153,224
Indirect Expenses- SPP RE	\$ 307,390	\$ 433,348	\$ 125,958
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 1,912,600	\$ 2,540,152	\$ 627,552

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 staff and Shared Staff members available as consultants to the Regional Entity support NERC's efforts in preparing a number of reliability assessments each year including a long-term reliability assessment (LTRA) report, seasonal assessment reports, and a probabilistic 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 RE direct staff participates in numerous meetings each year with the Shared Staff during the development of the models and the performance of studies leading up to the issuance of the annual reliability assessment reports. Once each report has been prepared, SPP RE direct staff performs an independent assessment and the SPP RE, in the spirit of transparency, discusses the process, assumptions, and findings at a webinar and/or a public Trustees meeting. The assessments are subject to endorsement by the Trustees.

SPP Shared Staff also conduct 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 and for cause coding. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

2017 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 support the development of short-term reliability assessments (6-18 month horizon) and special studies requested by NERC;
- SPP RE will continue to support the NERC’s Planning Committee and its standing committees including the Reliability Assessment Subcommittee;
- NERC and the Regional Entities will continue to define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents;
- NERC and the Regional Entities will continue to work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues;
- NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations;
- NERC and the Regional Entities will continue to process and encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing;
- Support cause coding of events for trend analysis purposes; and
- The number of events requiring review and analysis are expected to remain at approximately the same level as 2016.

2017 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 planning coordinators, regional entities, and registered entities to assist with planning and evaluating future systems and current operating conditions;
- Provide regional technical input to NERC’s reliability assessments each year: a long-term reliability assessment report, seasonal assessment reports and shorter-term focused reports. Perform an annual 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;

- Support development of an expanded ERO data collection and analysis system to improve performance analysis of the BPS; and
- Participate actively in the following NERC working groups/committees/task forces:
 - Event Analysis Subcommittee (EAS)
 - 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

Even though SPP RE direct staff expects to remain consistent with 2016, a modest increase is included to recognize that responsibilities for participating on the Performance Analysis Subcommittee, including the data working groups, has shifted to other engineering staff within the RE. Shared Staff is expected to increase by 1.0 FTE due to the increasing number and scope of the annual reliability assessments and special engineering studies being requested by NERC.

Contracts and Consultants

Development of the Engineering Model Data Validation project was halted in early 2016. A change in the project's scope and vendor will cause the project to carry over into 2017. \$150,000 has been budgeted for completion of the project.

Statement of Activities and Capital Expenditures 2016 Budget & Projection, and 2017 Budget

Reliability Assessment and Performance Analysis

	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 1,873,479	\$ 1,873,479	\$ -	\$ 2,453,341	\$ 579,863
Penalty Sanctions	39,122	39,122	-	86,811	47,689
Total SPP RE Funding	<u>\$ 1,912,600</u>	<u>\$ 1,912,600</u>	<u>\$ -</u>	<u>\$ 2,540,152</u>	<u>\$ 627,552</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 1,912,600</u>	<u>\$ 1,912,600</u>	<u>\$ -</u>	<u>\$ 2,540,152</u>	<u>\$ 627,552</u>
Expenses					
Personnel Expenses					
Salaries	\$ 728,223	\$ 728,223	\$ -	\$ 895,372	\$ 167,149
Payroll Taxes	55,709	55,709	-	68,496	12,787
Benefits	56,430	56,430	-	62,778	6,348
Retirement Costs	29,129	29,129	-	35,815	6,686
Total Personnel Expenses	<u>\$ 869,491</u>	<u>\$ 869,491</u>	<u>\$ -</u>	<u>\$ 1,062,461</u>	<u>\$ 192,970</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	105,000	105,000	-	110,000	5,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 5,000</u>
Operating Expenses					
Consultants & Contracts	\$ 25,000	\$ 25,000	\$ -	\$ 181,000	\$ 156,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	2,600	2,600	-	-	(2,600)
Miscellaneous	3,000	3,000	-	-	(3,000)
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 30,600</u>	<u>\$ 30,600</u>	<u>\$ -</u>	<u>\$ 181,000</u>	<u>\$ 150,400</u>
Total Direct Expenses	<u>\$ 1,005,091</u>	<u>\$ 1,005,091</u>	<u>\$ -</u>	<u>\$ 1,353,461</u>	<u>\$ 348,370</u>
SPP Inc. Indirect Expenses	\$ 600,119	\$ 600,119	\$ -	\$ 753,343	\$ 153,224
SPP RE Indirect Expenses	307,390	308,803	1,413	433,348	125,958
Total Indirect Expenses	<u>\$ 907,509</u>	<u>\$ 908,922</u>	<u>\$ 1,413</u>	<u>\$ 1,186,691</u>	<u>\$ 279,182</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 1,912,600</u>	<u>\$ 1,914,013</u>	<u>\$ 1,413</u>	<u>\$ 2,540,152</u>	<u>\$ 627,552</u>
Change in Assets	<u>\$ -</u>	<u>\$ (1,413)</u>	<u>\$ (1,413)</u>	<u>\$ -</u>	<u>\$ 1</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 1,912,600	\$ 1,914,013	\$ 1,413	\$ 2,540,152	\$ 627,552
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ (1,413)</u>	<u>\$ (1,413)</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	5.63	5.63	-	6.75	1.13

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	0.50	-	(0.50)
Direct Expenses*	\$ 147,100	\$ 60,000	\$ (87,100)
Indirect Expenses- SPP Inc.	\$ 53,344	\$ -	\$ (53,344)
Indirect Expenses- SPP RE	\$ 44,988	\$ 19,211	\$ (25,777)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 245,432	\$ 79,211	\$ (166,222)
* 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.

2017 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. 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.

2017 Goals and Key Deliverables

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

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 net (0.5 FTE) decrease is due to the completion of the outreach being conducted prior to the implementation of CIP V5 by the CIP audit staff. Post-CIP V5 implementation outreach will continue to be performed by CIP auditors with the FTEs accounted for in the Compliance Program Area.

Statement of Activities and Capital Expenditures 2016 Budget & Projection, and 2017 Budget

Training and Education

	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 241,955	\$ 241,955	\$ -	\$ 79,211	\$ (162,744)
Penalty Sanctions	3,477	3,477	-	-	(3,477)
Total SPP RE Funding	<u>\$ 245,432</u>	<u>\$ 245,432</u>	<u>\$ -</u>	<u>\$ 79,211</u>	<u>\$ (166,222)</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 245,432</u>	<u>\$ 245,432</u>	<u>\$ -</u>	<u>\$ 79,211</u>	<u>\$ (166,222)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 64,563	\$ 64,563	\$ -	\$ -	\$ (64,563)
Payroll Taxes	4,939	4,939	-	-	(4,939)
Benefits	5,016	5,016	-	-	(5,016)
Retirement Costs	2,583	2,583	-	-	(2,583)
Total Personnel Expenses	<u>\$ 77,100</u>	<u>\$ 77,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (77,100)</u>
Meeting Expenses					
Meetings	\$ 50,000	\$ 50,000	\$ -	\$ 60,000	\$ 10,000
Travel	20,000	20,000	-	-	(20,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ (10,000)</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 147,100</u>	<u>\$ 147,100</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ (87,100)</u>
SPP Inc. Indirect Expenses	\$ 53,344	\$ 53,344	-	\$ -	\$ (53,344)
SPP RE Indirect Expenses	44,988	45,195	-	19,211	(25,777)
Total Indirect Expenses	<u>\$ 98,332</u>	<u>\$ 98,539</u>	<u>\$ 207</u>	<u>\$ 19,211</u>	<u>\$ (79,121)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 245,432</u>	<u>\$ 245,639</u>	<u>\$ 207</u>	<u>\$ 79,211</u>	<u>\$ (166,222)</u>
Change in Assets	<u>\$ -</u>	<u>\$ (207)</u>	<u>\$ (207)</u>	<u>\$ -</u>	<u>\$ (2)</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 245,432	\$ 245,639	\$ 207	\$ 79,211	\$ (166,222)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ (207)</u>	<u>\$ (207)</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	0.50	0.50	-	-	(0.50)

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	0.13	0.13	-
Direct Expenses	\$ 21,362	\$ 22,286	\$ 924
Indirect Expenses- SPP Inc.	\$ 13,336	\$ 13,951	\$ 615
Indirect Expenses- SPP RE	\$ 6,533	\$ 7,135	\$ 602
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 41,232	\$ 43,372	\$ 2,141

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 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.

2017 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.

2017 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 a discussion forum for NERC-requested comments and ballot issues
- 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
 - 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 2016 Budget & Projection, and 2017 Budget

Situation Awareness and Infrastructure Security

	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 40,362	\$ 40,362	\$ -	\$ 41,765	\$ 1,403
Penalty Sanctions	869	869	-	1,608	738
Total SPP RE Funding	\$ 41,232	\$ 41,232	\$ -	\$ 43,372	\$ 2,141
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 41,232	\$ 41,232	\$ -	\$ 43,372	\$ 2,141
Expenses					
Personnel Expenses					
Salaries	\$ 18,010	\$ 18,010	\$ -	\$ 18,969	\$ 959
Payroll Taxes	1,378	1,378	-	1,451	73
Benefits	1,254	1,254	-	1,107	(147)
Retirement Costs	720	720	-	759	38
Total Personnel Expenses	\$ 21,362	\$ 21,362	\$ -	\$ 22,286	\$ 924
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 21,362	\$ 21,362	\$ -	\$ 22,286	\$ 924
SPP Inc. Indirect Expenses	\$ 13,336	\$ 13,336		\$ 13,951	\$ 615
SPP RE Indirect Expenses	6,533	6,563		7,135	602
Total Indirect Expenses	\$ 19,869	\$ 19,899	\$ 30	\$ 21,086	\$ 1,217
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 41,232	\$ 41,262	\$ 30	\$ 43,372	\$ 2,142
Change in Assets	\$ -	\$ (30)	\$ (30)	\$ -	\$ (1)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 41,232	\$ 41,262	\$ 30	\$ 43,372	\$ 2,142
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (30)	\$ (30)	\$ -	\$ (1)
FTEs	0.13	0.13	-	0.13	-

Administrative Services

	Administrative Services					
	Direct Expense and Fixed Assets (in whole dollars)			FTEs		
	2016 Budget	2017 Budget	Inc(Dec)	2016 Budget	2017 Budget	Inc(Dec)
General and Administrative	\$ 1,671,109	\$ 1,856,983	185,874	4.50	4.50	-
Technical Committee and Members Forums	\$ -	\$ -	-	0.00	-	-
Legal and Regulatory	\$ -	\$ -	-	0.00	-	-
Information Technology	\$ -	\$ -	-	0.00	-	-
Human Resources	\$ -	\$ -	-	0.00	-	-
Finance and Accounting	\$ -	\$ -	-	0.00	-	-
Total Administrative Services	\$ 1,671,109	\$ 1,856,983	185,874	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 II, and three to four 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 SPP Bylaws were amended in 2016 to allow up to four RE Trustees therefore an additional Trustee has been budgeted for 2017.

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 Business Analyst II is responsible for managing the CMEP software (webCDMS) and provides support to all SPP RE programs and SPP RE direct staff members.

2017 Key Assumptions

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

2017 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**

The SPP Bylaws were changed to allow for one additional Trustee. 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.

2017 Key Assumptions

- SPP RE liaisons to SPP working groups are projected to attend approximately 30 SPP working group meetings in 2017.

2017 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.

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 required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers and outside legal counsel may be utilized.

2017 Key Assumptions

N/A

2017 Goals and Key Deliverables

N/A

Resource Requirements

Personnel

N/A

Contractors and Consultants

N/A

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.

2017 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; and
- 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.

2017 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.

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.

2017 Key Assumptions

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

2017 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.

2017 Key Assumptions

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

2017 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),

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. 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 2016 Budget & Projection, and 2017 Budget

ADMINISTRATIVE SERVICES

Funding	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ (1,276,068)	\$ (1,276,068)	\$ (0)	\$ (1,403,208)	\$ (127,140)
Penalty Sanctions	\$ -	\$ -	-	\$ -	-
Total SPP RE Funding	\$ (1,276,068)	\$ (1,276,068)	\$ (0)	\$ (1,403,208)	\$ (127,140)
Membership Dues	\$ -	-	-	\$ -	-
Federal Grants	\$ -	-	-	\$ -	-
Services & Software	\$ -	-	-	\$ -	-
Workshops	\$ -	-	-	\$ -	-
Interest	\$ -	-	-	\$ -	-
Miscellaneous	\$ -	-	-	\$ -	-
Total Funding (A)	\$ (1,276,068)	\$ (1,276,068)	\$ (0)	\$ (1,403,208)	\$ (127,140)
Expenses					
Personnel Expenses					
Salaries	\$ 693,898	\$ 693,898	\$ -	\$ 787,145	\$ 93,247
Payroll Taxes	53,083	\$ 53,083	-	\$ 60,217	7,133
Benefits	55,176	\$ 55,176	-	\$ 58,708	3,532
Retirement Costs	27,756	\$ 27,756	-	\$ 31,486	3,730
Total Personnel Expenses	\$ 829,913	\$ 829,913	\$ -	\$ 937,555	\$ 107,642
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Travel	105,000	\$ 105,000	-	\$ 120,000	15,000
Conference Calls	-	\$ -	-	\$ -	-
Total Meeting Expenses	\$ 130,000	\$ 130,000	\$ -	\$ 145,000	\$ 15,000
Operating Expenses					
Consultants & Contracts	\$ 57,000	\$ 57,000	\$ -	\$ 61,100	\$ 4,100
Office Rent	-	\$ -	-	\$ -	-
Office Costs	8,000	\$ 8,000	-	\$ 10,000	2,000
Professional Services	146,100	\$ 146,100	-	\$ 201,100	55,000
Miscellaneous	20,000	\$ 20,000	-	\$ -	(20,000)
Depreciation	-	\$ -	-	\$ -	-
Total Operating Expenses	\$ 231,100	\$ 231,100	\$ -	\$ 272,200	\$ 41,100
Total Direct Expenses	\$ 1,191,013	\$ 1,191,013	\$ -	\$ 1,354,755	\$ 163,742
SPP Inc. Indirect Expenses	\$ 480,096	\$ 480,096	\$ -	\$ 502,228	\$ 22,132
SPP RE Indirect Expenses	\$ (1,276,068)	\$ (1,671,109)	\$ -	\$ (1,856,983)	\$ (580,915)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (1,276,068)	\$ (1,276,068)	\$ (0)	\$ (1,403,208)	\$ (127,140)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,662,962)	\$ (1,276,068)	\$ (0)	\$ (1,403,208)	\$ (127,140)
FTEs	4.50	4.50	-	4.50	-

Section B – Supplemental Financial Information
2017 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2016-2017

STATUTORY

Beginning Working Capital Reserve (Deficit), December 31, 2015	\$	3,261,209
Less Penalties Received 7/1/2015- 12/31/2015		(63,750)
Less: 2015 Year-End True-Up		(184,564)
Reserve for Engineering Data Tool		(165,619)
Plus: 2016 SPP RE Funding (from LSEs or designees)		8,626,751
Less: 2016 Projected expenses & capital expenditures		(10,070,819)
Projected Working Capital Reserve (Deficit), December 31, 2016		1,403,208
Desired Working Capital Reserve, December 31, 2015	² \$	-
Less: Projected Working Capital Reserve, December 31, 2016		(1,403,208)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		(1,403,208)
2016 Expenses and Capital Expenditures		10,865,511
Less: Penalty sanctions to be used as offset to 2017 assessments	¹	(369,750)
Less: Other Funding Sources		0
Adjustment to achieve desired Working Capital Reserve		(1,403,208)
2017 SPP RE Assessment		9,092,553

¹ Represents collections on or prior to June 30, 2016. See Table B-2 for full disclosure.

² The SPP RE does not require a working capital reserve in that on a cash basis SPP, Inc. is able to fund shortfalls in its statutory

Explanation of Changes in Reserve Policy from Prior Years

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

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 8 of the 2016 RE Business Plan and Budget.

Penalty Sanctions

Penalty monies received from July 1, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD.

All penalties received prior to June 30, 2016 are detailed on the following page, 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

Name of Entity	Date Received	Amount Received
Entity 1	12/8/15	\$ 63,750.00
Entity 2	2/19/16	\$ 44,000.00
Entity 3	3/9/16	\$ 27,000.00
Entity 4	3/24/16	\$ 235,000.00
Total Penalties Received		<u>\$ 369,750</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Reliability Standards	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

SPP RE has not projected any interest income for 2017 because at the current market interest rate any interest income would be minimal.

Personnel Expenses**Table B-4**

Personnel Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Salaries					
Salaries	\$ 3,896,492	3,896,492	\$ 4,385,605	\$ 489,113	12.6%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 3,896,492	\$ 3,896,492	\$ 4,385,605	\$ 489,113	12.6%
Total Payroll Taxes	\$ 298,082	\$ 298,082	\$ 335,499	\$ 37,417	12.6%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	276,858	276,858	297,358	20,500	7.4%
Life-LTD-LTC Insurance	20,014	20,014	21,496	1,482	7.4%
Education	36,692	36,692	39,409	2,717	7.4%
Relocation	-	-	-	-	
Total Benefits	\$ 333,564	\$ 333,564	\$ 358,263	\$ 24,699	7.4%
Retirement					
Discretionary 401k Contribution	\$ 155,860	\$ 155,860	\$ 175,424	\$ 19,565	12.6%
Savings Plan	-	-	-	-	
Total Retirement	\$ 155,860	\$ 155,860	\$ 175,424	\$ 19,565	12.6%
Total Personnel Costs	\$ 4,683,997	\$ 4,683,997	\$ 5,254,791	\$ 570,793	12.2%
FTEs	32.25	32.25	33.25	1.00	3.1%
Cost per FTE					
Salaries	\$ 120,821	\$ 120,821	\$ 131,898	11,076	9.2%
Payroll Taxes	9,243	9,243	10,090	847	9.2%
Benefits	10,343	10,343	10,775	432	4.2%
Retirement	4,833	4,833	5,276	443	9.2%
Total Cost per FTE	\$ 145,240	\$ 145,240	\$ 158,039	\$ 12,799	8.8%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The increase in salaries is principally due to the budgeted merit increase combined with the increase in Shared Staff FTEs. The increase in Benefits is primarily due to the increase in Shared Staff FTEs.

Meetings, Travel and Conference Calls**Table B-5**

Meetings, Travel and Conference Calls	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Meetings	\$ 90,000	\$ 90,000	\$ 120,000	\$ 30,000	33%
Travel	680,200	\$ 655,200	\$ 537,000	(143,200)	-21%
Conference Calls	-	\$ -	\$ -	-	
Total Meetings, Travel & Conf Calls	\$ 770,200	\$ 745,200	\$ 657,000	\$ (113,200)	-15%

The decrease in travel expense is primarily due to the number of CIP audits for MRREs and the completion of CIP V5 outreach by the CIP audit team as well as a reduction in funds allocated for reimbursing travel expenses to participate in Standard Drafting Teams.

Consultants and Contracts

Table B-6

Consultants	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	670,042	670,042	627,610	(42,432)	-6%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	25,000	25,000	181,000	156,000	624%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	57,000	57,000	60,000	3,000	5%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 752,042	\$ 752,042	\$ 868,610	\$ 116,568	16%
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	213,000	213,000	151,000	(62,000)	-29%
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	-	-	1,100	1,100	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 213,000	\$ 213,000	\$ 152,100	\$ (60,900)	-29%
Total Consulting and Contracts	\$ 965,042	\$ 965,042	\$ 1,020,710	\$ 55,668	6%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The \$116,568 increase in consultant costs is primarily due to the carry-over of the Engineering Data Validation software tool development into 2017 in the RAPA program. This expense is offset by the reduction in the use of consultants in Compliance due to a number of CIP audits being conducted on Multi-Region Registered Entities for which SPP RE is not the lead region.

Table B-7

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

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

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

Table B-8

Office Costs	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	-
Internet	-	-	-	-	-
Office Supplies	8,000	8,000	10,000	2,000	
Computer Supplies and Maintenance	-	-	-	-	-
Publications & Subscriptions	-	-	-	-	-
Dues	-	-	-	-	-
Postage	-	-	-	-	-
Express Shipping	-	-	-	-	-
Copying	-	-	-	-	-
Reports	-	-	-	-	-
Equipment Repair/Service Contracts	-	-	-	-	-
Bank Charges	-	-	-	-	-
Taxes	-	-	-	-	-
Merchant Card Fees	-	-	-	-	-
Presentation & Publicity	-	-	-	-	-
Total Office Costs	\$ 8,000	\$ 8,000	\$ 10,000	\$ 2,000	

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

Office Costs are included in the SPP, Inc. Indirect Expense. The \$2,000 increase in Office Supplies is a general inflationary cost increase for supplies needed for RE workshops and RE Trustee meetings.

Table B-9

Professional Services	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Independent Trustee Fees	\$ 146,100	\$ 146,100	\$ 201,100	\$ 55,000	37.65%
Outside Legal	-	-	-	-	
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	7,350	7,350	11,000	3,650	
Total Services	\$ 153,450	\$ 153,450	\$ 212,100	\$ 58,650	38.22%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The \$55,000 increase in Independent Trustee Fees is principally due to the addition of one Trustee. The \$3,650 increase in Other professional services is due to full-year licensing of an IT software tool used by the CIP Auditors.

Table B-10

Miscellaneous Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Miscellaneous Expense	\$ 74,445	\$ 74,445	\$ -	\$ (74,445)	-100.00%
Employee Rewards and Recognition	\$ -	\$ -	\$ -	\$ -	
Community Resp & Employee Engagement	\$ -	\$ -	\$ -	\$ -	
Year-end Employee Recognition Event	\$ -	\$ -	\$ -	\$ -	
Total Miscellaneous Expenses	\$ 74,445	\$ 74,445	\$ -	\$ (74,445)	-100.00%

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The \$74,445 decrease in Miscellaneous Expense is due to the re-classification of employee training expenses to Benefits.

Table B-11

Other Non-Operating Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

N/A

Table B-12

Fixed Assets	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

N/A

2017, 2018 and 2019 Projections

Table B-13

Statement of Activities and Capital Expenditures 2017 Budget & Projected 2018, 2019 and 2020 Budgets										
	2017 Budget	2018 Projection	\$ Change 18 v 17	% Change 18 v 17	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19
Funding										
ERO Funding										
ERO Assessments	\$ 9,092,553	\$ 11,191,476	\$ 2,098,923	23.08%	\$ 11,527,221	\$ 335,744	2.9%	\$ 11,873,037	\$ 345,817	2.9%
Penalty Sanctions	369,750	-	(369,750)	-100.00%	-	-	-	-	-	-
Total ERO Funding	\$ 9,462,303	\$ 11,191,476	\$ 1,729,173	18.3%	\$ 11,527,221	\$ 335,744	2.9%	\$ 11,873,037	\$ 345,817	2.9%
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 9,462,303	\$ 11,191,476	\$ 1,729,173	18.3%	\$ 11,527,221	\$ 335,744	3.0%	\$ 11,873,037	\$ 345,817	3.0%
Expenses										
Personnel Expenses										
Salaries	\$ 4,385,605	\$ 4,517,173	\$ 131,568	3.0%	\$ 4,652,688	\$ 135,515	3.0%	\$ 4,792,269	\$ 139,581	3.0%
Payroll Taxes	335,499	345,564	10,065	3.0%	355,931	10,367	3.0%	366,609	10,678	3.0%
Benefits	358,263	369,011	10,748	3.0%	380,081	11,070	3.0%	391,484	11,402	3.0%
Retirement Costs	175,424	180,687	5,263	3.0%	186,108	5,421	3.0%	191,691	5,583	3.0%
Total Personnel Expenses	\$ 5,254,791	\$ 5,412,435	\$ 157,644	3.0%	\$ 5,574,808	\$ 162,373	3.0%	\$ 5,742,052	\$ 167,244	3.0%
Meeting Expenses										
Meetings	\$ 120,000	\$ 123,600	\$ 3,600	3.0%	\$ 127,308	3,708	3.0%	\$ 131,127	3,819	3.0%
Travel	537,000	553,110	16,110	3.0%	569,703	16,593	3.0%	586,794	17,091	3.0%
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 657,000	\$ 676,710	\$ 19,710	3.0%	\$ 697,011	\$ 20,301	3.0%	\$ 717,922	\$ 20,910	3.0%
Operating Expenses										
Consultants & Contracts	\$ 1,020,710	\$ 1,051,331	30,621	3.0%	\$ 1,082,871	31,540	3.0%	\$ 1,115,357	32,486	3.0%
Office Rent	-	-	-	-	-	-	-	-	-	-
Office Costs	10,000	10,300	300	3.0%	10,609	309	3.0%	10,927	318	3.0%
Professional Services	212,100	218,463	6,363	3.0%	225,017	6,554	3.0%	231,767	6,751	3.0%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,242,810	\$ 1,280,094	\$ 37,284	3.0%	\$ 1,318,497	\$ 38,403	3.0%	\$ 1,358,052	\$ 39,555	3.0%
Total Direct Expenses	\$ 7,154,601	\$ 7,369,239	\$ 214,638	3.0%	\$ 7,590,316	\$ 221,077	3.0%	\$ 7,818,026	\$ 227,709	3.0%
Indirect Expenses	\$ 3,710,910	\$ 3,822,237	\$ 111,327	3.0%	\$ 3,936,904	\$ 114,667	3.0%	\$ 4,055,012	\$ 118,107	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 10,865,511	\$ 11,191,476	\$ 325,965	3.0%	\$ 11,527,221	\$ 335,744	3.0%	\$ 11,873,037	\$ 345,817	3.0%
Change in Assets	\$ (1,403,208)	\$ -	\$ 1,403,208	-100.0%	\$ -	\$ -	-	\$ -	\$ -	-
Fixed Assets										
Depreciation	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL CHANGE IN NET ASSETS	\$ (1,403,208)	\$ -	\$ 1,403,208	-100.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	33.25	33.25	0.00	0.0%	33.25	0.00	0.0%	33.25	0.00	0.0%

Explanation of 2018, 2019 and 2020 Projections

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

- 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

Section C – Non-Statutory Activities

2017 Business Plan and Budget



Section C — 2016 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.⁶

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 2017 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 2017 SPP budget is not yet available, SPP is providing its Commission-approved 2016 budget and its 2015 actual results on the following table:

⁶ 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>2016 Budget</u>	<u>2015 Actual</u>
Income		
Tariff Administrative Service	150,660	143,826
Fees & Assessments	27,520	27,891
Contract Services Revenue	498	975
Miscellaneous Income	3,400	6,040
Total Income	<u>182,079</u>	<u>178,733</u>
Expense		
Salary & Benefits	85,153	84,043
Employee Travel	2,449	1,903
Administrative	5,198	4,928
Assessments & Fees	17,000	13,939
Meetings	983	825
Communications	4,091	3,758
Leases	-	123
Maintenance	16,847	13,553
Services	14,803	12,329
Regional State Committee	263	200
Depreciation & Amortization	59,736	59,285
Other Expense (Income)	10,569	26,317
Total Expense	<u>217,092</u>	<u>221,203</u>
Net Income (Loss)	<u><u>(\$35,013)</u></u>	<u><u>(\$42,470)</u></u>
Debt Repayment	\$24,194	\$24,887
Billing Determinant (MWh)	407,200	373,649
Net Revenue Requirement	\$150,495	\$142,587
Calculated Admin Fee / MWh	\$ 0.370	\$ 0.382
Recommended Admin Fee / MWh	\$ 0.370	\$ 0.390
Capital Expense	\$22,279	\$19,143
Headcount	599	596

Section D – Additional Consolidated Financial
Statements
2017 Business Plan and Budget



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

Section D 2017 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2017 Budget	Functions in Delegation Agreement														Non-Statutory Functions		
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 306)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	Non-Statutory Total
Funding																	
SPP RE Funding																	
SPP RE Assessments	9,092,553	9,092,553	-	9,092,553	74,769	7,846,675	2,453,341	79,211	41,765	-	(1,403,208)	-	-	-	-	-	-
Penalty Sanctions	369,750	369,750	-	369,750	1,608	279,724	86,811	-	1,608	-	-	-	-	-	-	-	-
Total SPP RE Funding	9,462,303	9,462,303	-	9,462,303	76,377	8,126,399	2,540,152	79,211	43,372	-	(1,403,208)	-	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	9,462,303	9,462,303	-	9,462,303	76,377	8,126,399	2,540,152	79,211	43,372	-	(1,403,208)	-	-	-	-	-	-
Expenses																	
Personnel Expenses																	
Salaries	4,385,605	4,385,605	-	4,385,605	18,969	2,665,150	895,372	-	18,969	-	787,145	-	-	-	-	-	-
Payroll Taxes	335,499	335,499	-	335,499	1,451	203,884	68,496	-	1,451	-	60,217	-	-	-	-	-	-
Benefits	358,263	358,263	-	358,263	1,107	234,563	62,778	-	1,107	-	58,708	-	-	-	-	-	-
Retirement Costs	175,424	175,424	-	175,424	759	106,606	35,815	-	759	-	31,486	-	-	-	-	-	-
Total Personnel Expenses	5,254,791	5,254,791	-	5,254,791	22,286	3,210,203	1,062,461	-	22,286	-	937,555	-	-	-	-	-	-
Meeting Expenses																	
Meetings	120,000	120,000	-	120,000	-	35,000	-	60,000	-	-	25,000	-	-	-	-	-	-
Travel	537,000	537,000	-	537,000	25,000	282,000	110,000	-	-	-	120,000	-	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	657,000	657,000	-	657,000	25,000	317,000	110,000	60,000	-	-	145,000	-	-	-	-	-	-
Operating Expenses																	
Consultants & Contracts	1,020,710	1,020,710	-	1,020,710	-	778,610	181,000	-	-	-	61,100	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	10,000	10,000	-	10,000	-	-	-	-	-	-	10,000	-	-	-	-	-	-
Professional Services	212,100	212,100	-	212,100	-	11,000	-	-	-	-	201,100	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,242,810	1,242,810	-	1,242,810	-	789,610	181,000	-	-	-	272,200	-	-	-	-	-	-
Total Direct Expenses	7,154,601	7,154,601	-	7,154,601	47,286	4,316,813	1,353,461	60,000	22,286	-	1,354,755	-	-	-	-	-	-
SPP Inc. Indirect Expenses	3,710,910	3,710,910	-	3,710,910	13,951	2,427,437	753,343	-	13,951	-	502,228	-	-	-	-	-	-
SPP RE Indirect Expenses	(0)	(0)	-	(0)	15,140	1,382,149	433,348	19,211	7,135	-	(1,856,983)	-	-	-	-	-	-
Total Indirect Expenses	3,710,910	3,710,910	-	3,710,910	29,091	3,809,586	1,186,691	19,211	21,086	-	(1,354,755)	-	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	10,865,511	10,865,511	-	10,865,511	76,377	8,126,399	2,540,152	79,211	43,372	-	-	-	-	-	-	-	-
Change in Assets	(1,403,208)	(1,403,208)	-	(1,403,208)	-	-	-	-	-	-	(1,403,208)	-	-	-	-	-	-
Fixed Assets																	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)/Dec in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	(1,403,208)	(1,403,208)	-	(1,403,208)	-	-	-	-	-	-	(1,403,208)	-	-	-	-	-	-
FTEs	33.25	33.3	-	33.25	0.13	21.75	6.75	-	0.13	-	4.50	-	-	-	-	-	-
Percentage of FTEs					100%	65.4%	20.3%	0.0%	0.4%	0.0%	13.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs					100%	75.7%	23.5%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses					100%	8.8%	74.4%	23.3%	1.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indirect Cost Allocation																	
SPP Inc. Indirect Costs	3,710,910	3,710,910	-	3,710,910	13,951	2,427,437	753,343	-	13,951	-	502,228	-	-	-	-	-	-
SPP RE Indirect Costs	1,856,983	1,856,983	-	1,856,983	15,140	1,382,149	433,348	19,211	7,135	-	-	-	-	-	-	-	-
Total Indirect Costs	5,567,893	5,567,893	-	5,567,893	29,091	3,809,586	1,186,691	19,211	21,086	-	502,228	-	-	-	-	-	-
Fixed Assets Allocation																	
Penalty Sanctions Allocation	369,750	369,750	-	369,750	1,608	279,724	86,811	-	1,608	-	-	-	-	-	-	-	-

Section E – Calculation of SPP, Inc. Indirect Expense 2017 Business Plan and Budget



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE¹

<u>Expense</u> <u>Category</u> ²	Overhead Costs Allocation <u>(\$000)</u>
Facilities	\$ 446
Information Technology	595
Human Resources/Benefits/Payroll	310
Corporate Services	1,169
2015 Total Costs	<u>2,520</u>
Escalated by 3%	\$ 2,596

Shared Staff Overhead Allocation

2015 Overhead Allocation Escalated by 3%	850 A
Ending 2015 FTEs	4 B
2017 Budgeted FTEs	5.25 C
Total Cost	<u>1,115 D</u>

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

Budgeted SPP Inc. Indirect Costs	\$ 3,710,910
---	---------------------

¹Due to the timing of the budget process/schedule, the fixed estimated indirect expense charge for 2017 is based on 2015 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2017 overhead expenses will be included in the annual 2017 Business Plan and Budget true-up filing.

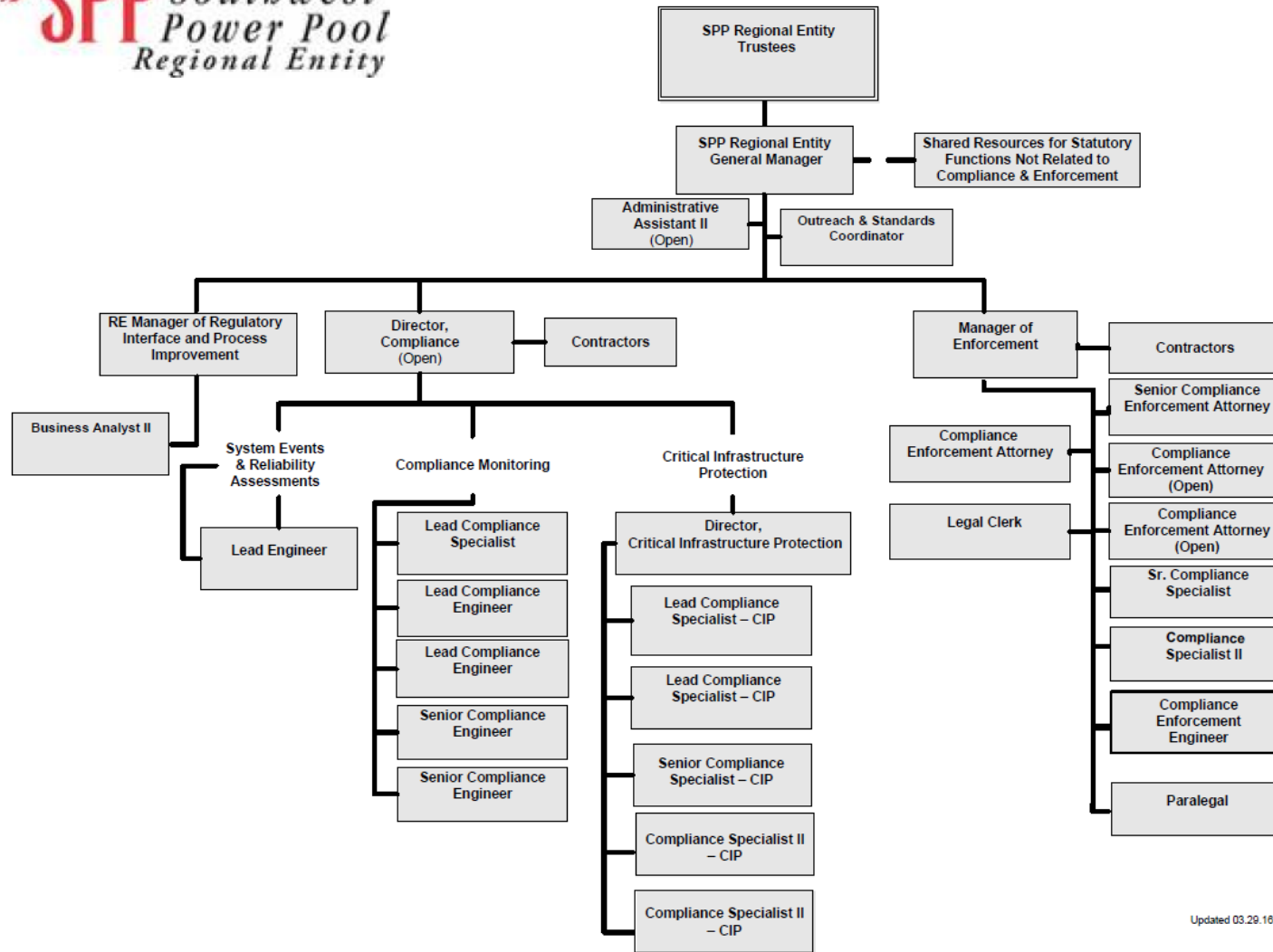
² SPP RE cost allocation is based on an appropriate measure per expense category (square footage, number of devices, headcount, etc.)

Section F– Organizational Chart 2017 Business Plan and Budget





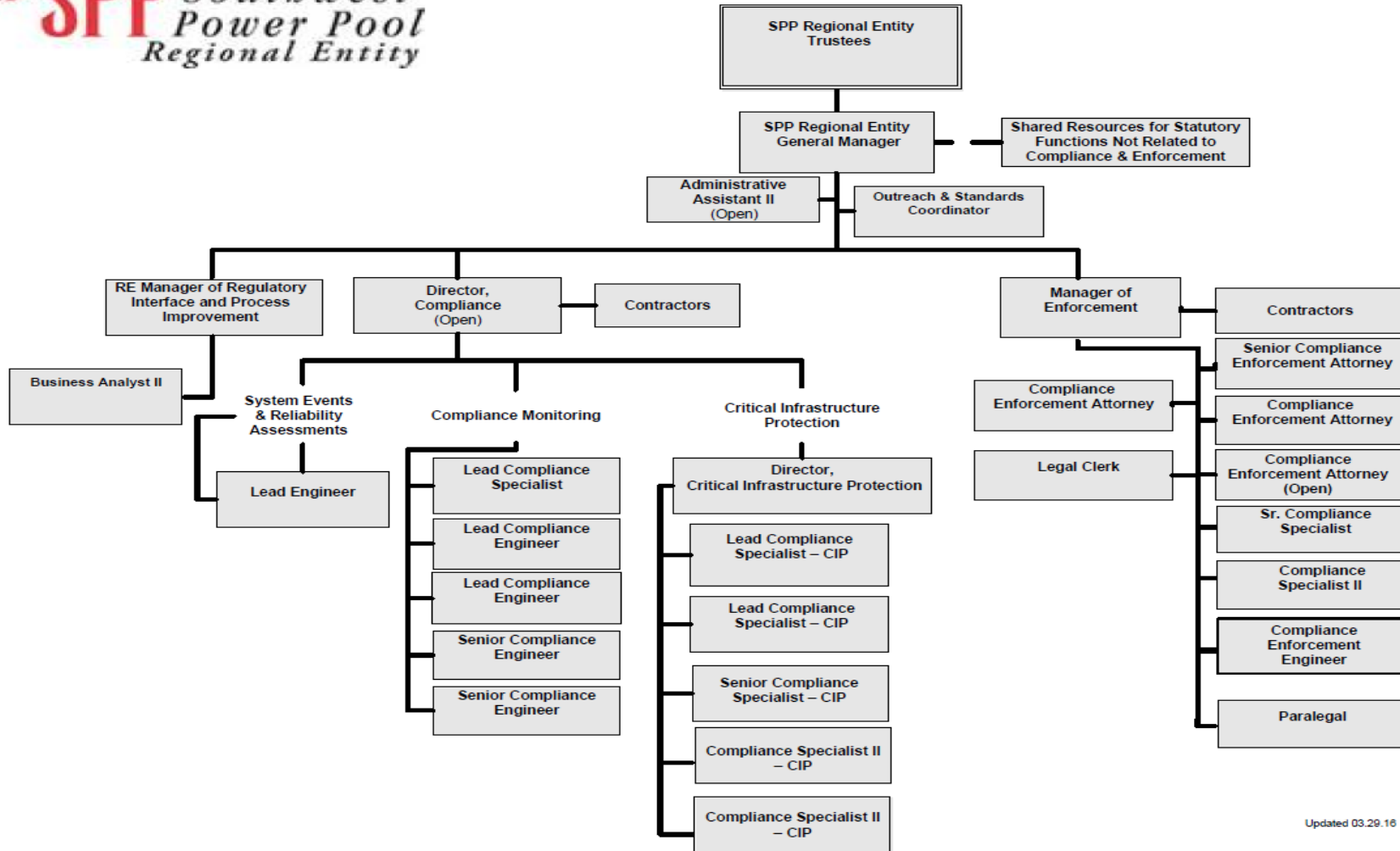
Organizational Chart - 2016



Updated 03.29.16



Organizational Chart - 2017 Proposed



Updated 03.29.16



Outreach Update

June 13, 2016

Little Rock, Arkansas

Mike Hughes
SPP RE Lead Compliance Engineer

State of Reliability 2016

May 2016

RELIABILITY | ACCOUNTABILITY



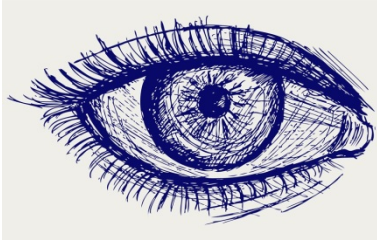
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

State of Reliability Report

- Provides an objective view of reliability performance
- Identifies trends and risks to reliability
- Serves as risk-informed input to:
 - Prioritize steps to manage risk
 - Standards projects
- Enforcement Metrics



Look back



Look Forward



NERC Severity Risk Index (SRI)

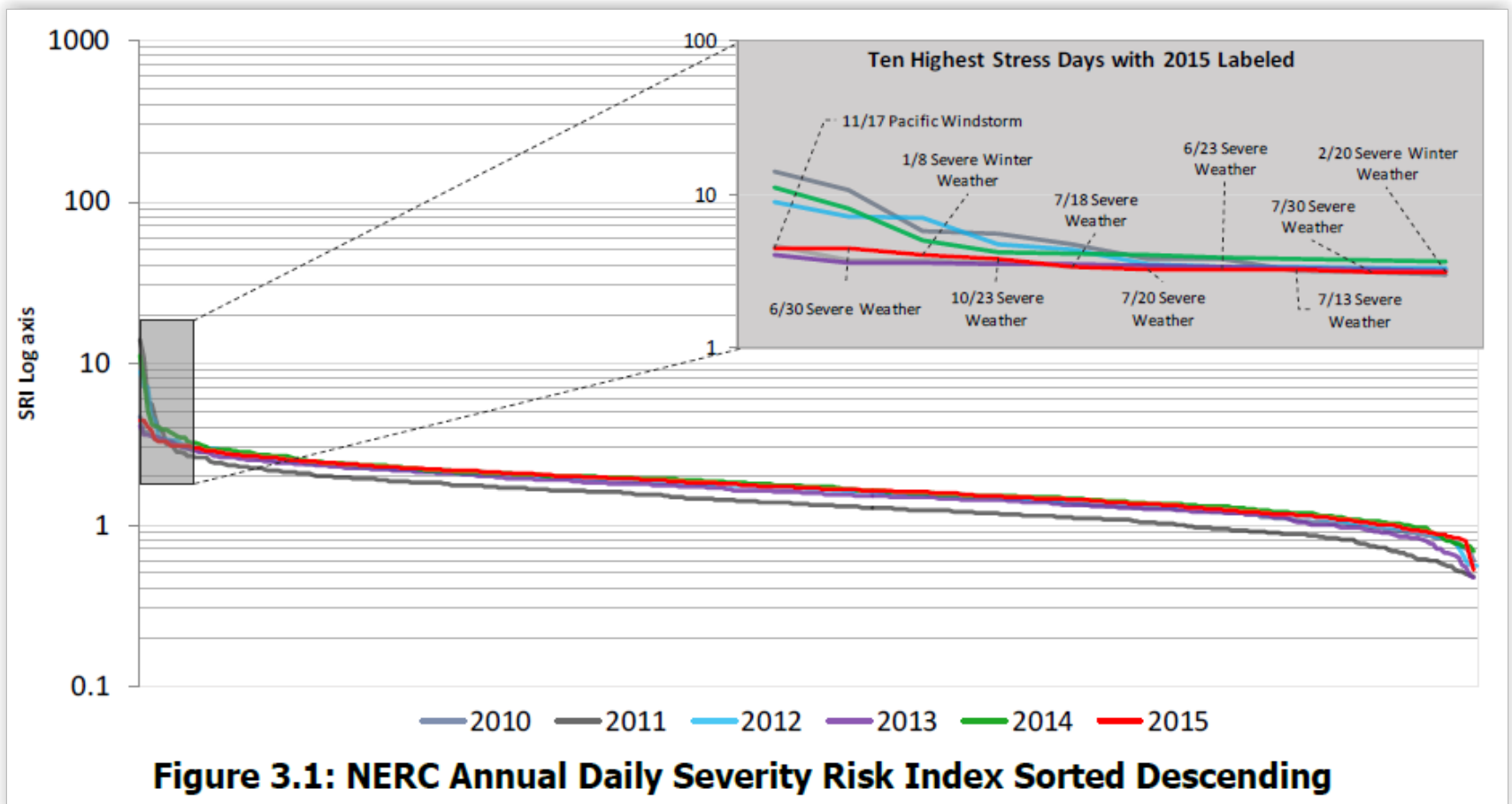
- **Generation**
- **Transmission**
- **Load Loss**

2015 Top Ten SRI Days

Table 3.1: Top Ten SRI Days in 2015

Date	NERC SRI and Components				G/T/L	Weather Influenced Verified by OE-417 ¹ or Other sources ²	Rank	Event Type	Region
	SRI	Weighted Generation	Weighted Transmission	Weighted Load Loss					
11/17/2015	4.45	1.24	1.49	1.72		Yes ¹	1	Storm, Flooding, Straightline Winds	WECC
6/30/2015	4.40	2.87	1.47	0.10		Yes ¹	2	Severe Weather	WECC
1/8/2015	4.02	3.52	0.25	0.24		Yes ¹	3	Severe Winter Weather	SERC
10/23/2015	3.79	1.32	2.43	0.43		Yes ²	4	Excessive Rainfall, Thunder/Lightning Storm	TRE, SPP, SERC
7/18/2015	3.38	1.37	1.20	0.80		Yes ¹	5	Severe Weather	MRO, WECC
7/20/2015	3.30	1.89	1.31	0.05		Yes ²	6	Thunderstorm/Showers	Widespread
6/23/2015	3.24	1.49	0.81	0.94		Yes ¹	7	Severe Weather	RFC, NPCC
7/13/2015	3.20	2.12	0.70	0.42		Yes ¹	8	Severe Weather	RFC
7/30/2015	3.10	2.06	0.68	0.37		Yes ²	9	Summer Weather	Widespread
2/20/2015	3.10	2.73	0.21	0.18		Yes ¹	10	Severe Winter Weather	SERC

SRI Comparison

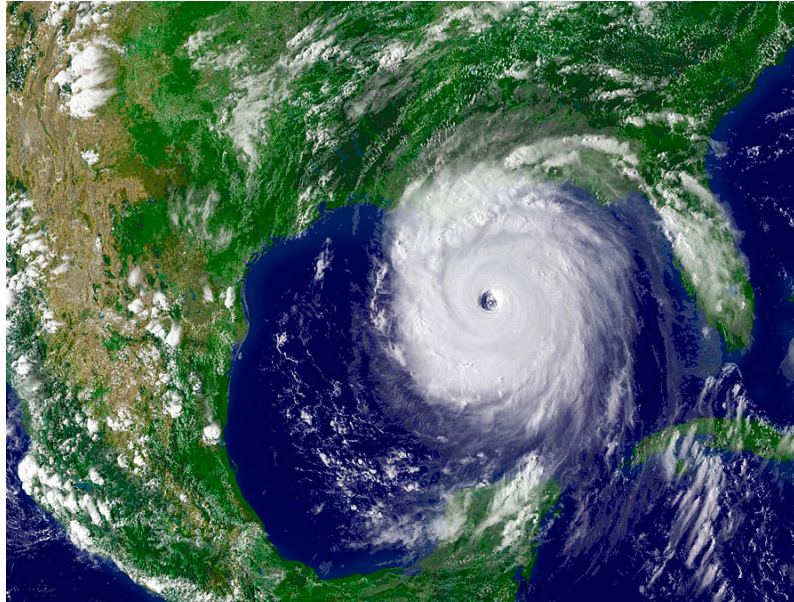


Key Finding 1: Protection System Misoperations Decline



Recommendation: NERC should, in collaboration with industry, improve knowledge of risk scenarios by focusing education on the instantaneous ground overcurrent protection function and on improving relay commissioning tests.

Key Finding 2: BPS Resiliency to Severe Weather Improved



Recommendation: NERC should consider performing daily SRI calculations on a regional basis.

Key Finding 3: Human Error Has Decreased



Recommendation: NERC should focus on human performance training and education through conferences and workshops that increase knowledge of possible risk scenarios.

Key Finding 4: No Category 4 or 5 Events in 2015



Recommendation: NERC should continue to develop and publish lessons learned from qualifying system events.

Key Finding 5: Improved Modeling of Blackout Risk Assessments



Recommendation: NERC should provide leadership in collaborative efforts to improve dynamic model validation, including the use of synchrophasor technology.

Key Finding 6: Essential Reliability Services Trend is Stable; Faces Potential Challenges



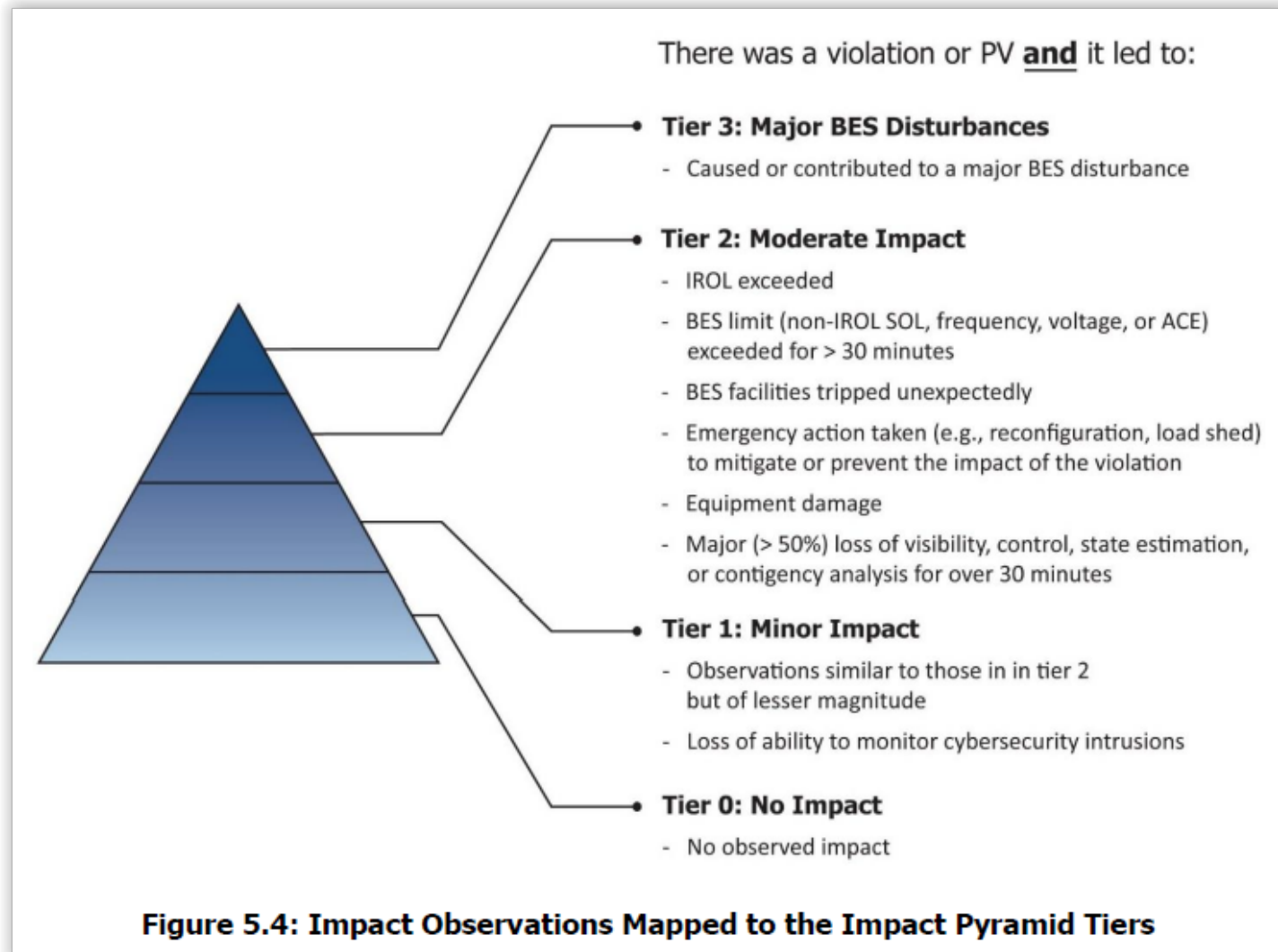
Recommendation: The ERO should lead efforts to monitor [and mitigate] the impacts of resource mix changes.

Key Finding 7: No Load Loss Due to Cybersecurity Events



Recommendation: NERC should support collaborative efforts to strengthen situational awareness for cyber and physical security while providing timely and coordinated information to industry.

Enforcement Metrics



Most Frequently Filed Standards

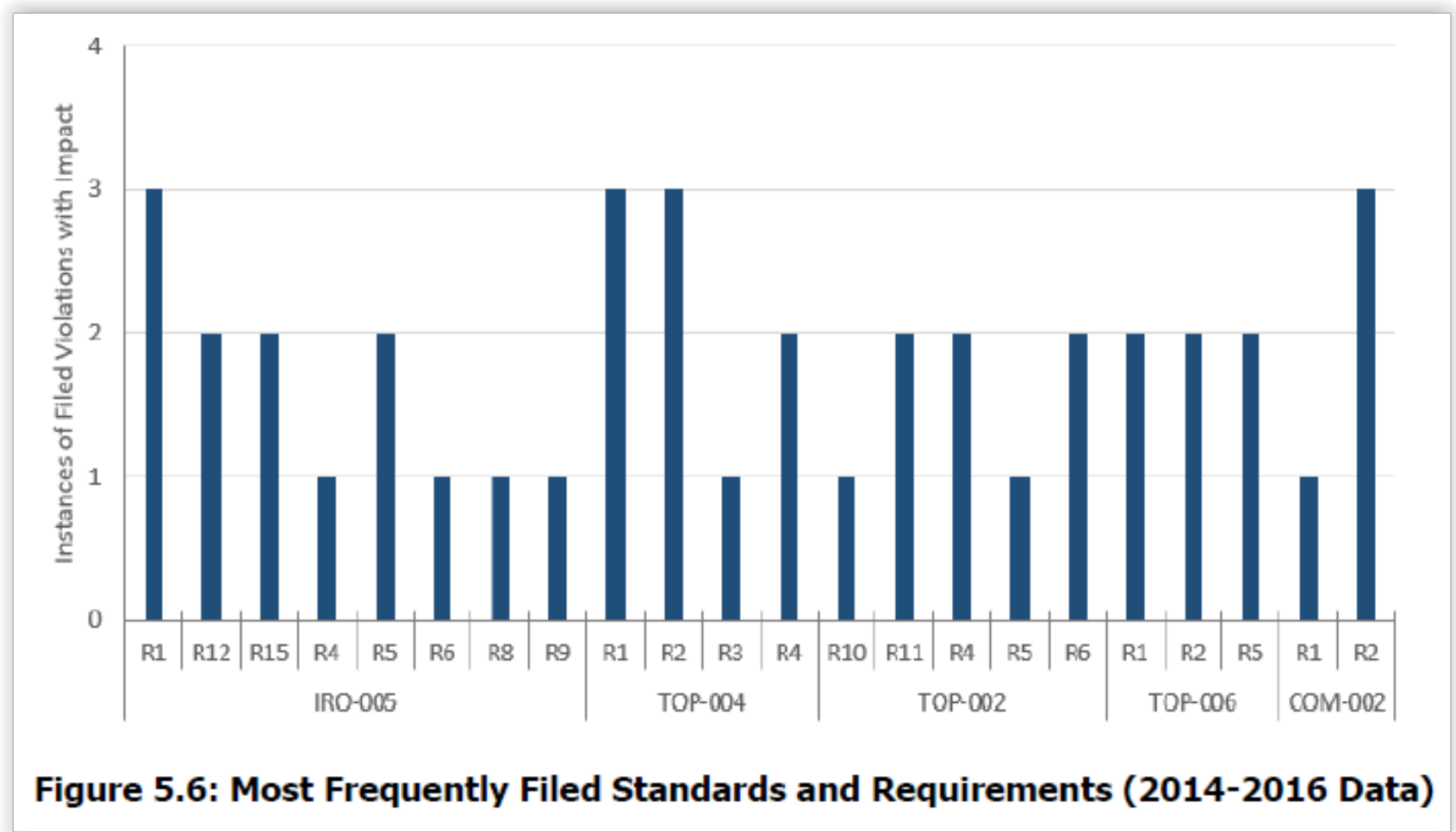
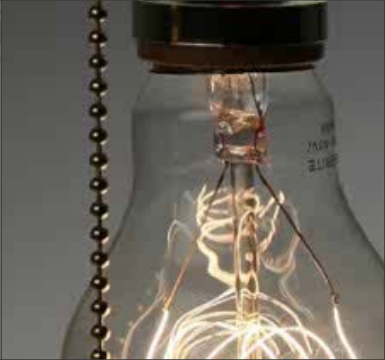
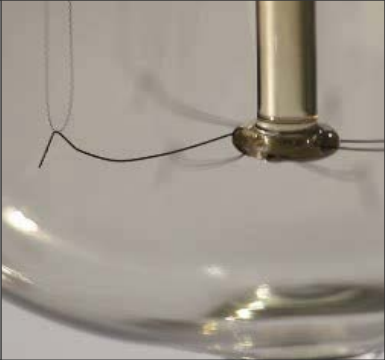
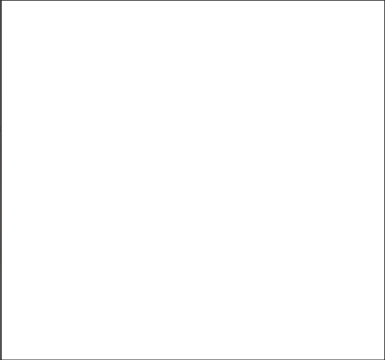
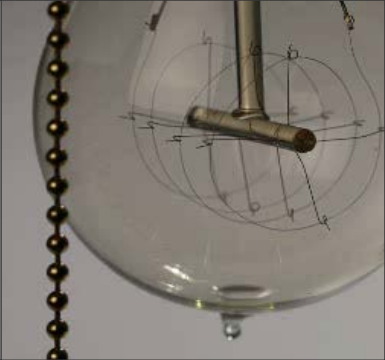
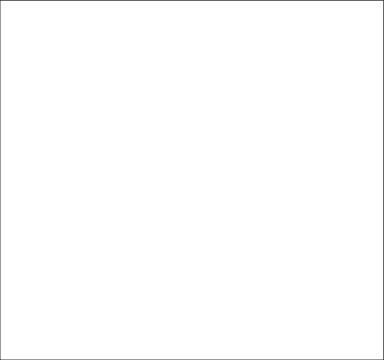
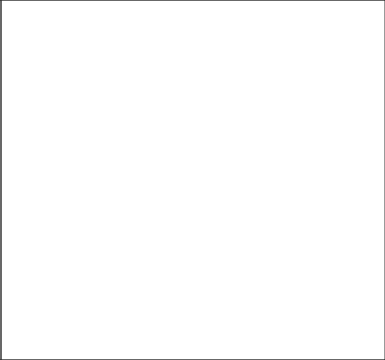
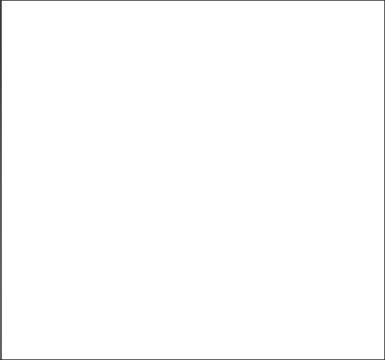
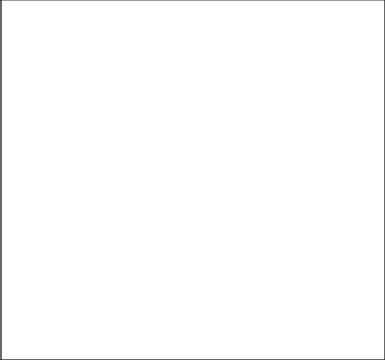
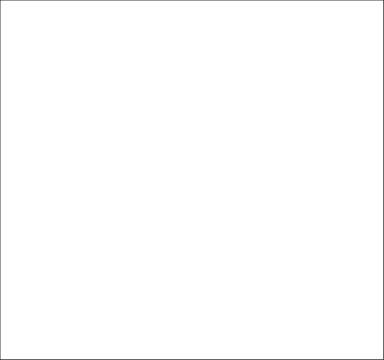


Figure 5.6: Most Frequently Filed Standards and Requirements (2014-2016 Data)



Questions





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