



REGIONAL ENTITY TRUSTEES MEETING

APRIL 24, 2017

Tulsa, Oklahoma - Doubletree Warren Place

A G E N D A

8:00 a.m. – 3:00 p.m.

1. Call to Order/Introductions.....Dave Christiano
2. Antitrust GuidelinesMonica Evans
3. Approval of Meeting Minutes – 1/30/17Dave Christiano
 - a. ** Report on Executive Session 1/30/2017*
4. Trustee Roundtable.....Dave Christiano
5. Preliminary 2018 SPP RE Business Plan and Budget.....Debbie Currie
 - * Action item - Approve Preliminary Business Plan and Budget*
6. NERC Planning Committee Report Noman Williams
7. CIP Update.....Shon Austin
8. Quarterly System Events.....Alan Wahlstrom
9. Enforcement ReportJoe Gertsch
10. General Manager’s ReportRon Ciesiel
11. YTD Staff Performance Goals and Metrics.....Ron Ciesiel
12. YTD Financial UpdateDebbie Currie
13. Outreach Update Emily Pannel
14. 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
15. New Action Items..... Emily Pannel



16. Future MeetingsDave Christiano

June 28, 2017: Little Rock, AR (budget meeting)

July 24, 2017: Denver, CO

October 30, 2017: Little Rock, AR

SPP Regional Entity Antitrust Guidelines

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

**REGIONAL ENTITY TRUSTEES MEETING
JANUARY 30, 2017
Dallas, TX
MINUTES
MATERIALS
8:00 a.m. – 3:00 p.m.**

- 1. Call to Order/IntroductionsDave Christiano**
Chairman Christiano called the meeting to order at 8:00 a.m.
- 2. Antitrust Guidelines..... Dave Christiano**
Attendees reviewed the guidelines.
- 3. Approval of Meeting Minutes – 10/24/2016 Dave Christiano**
The minutes were unanimously approved with no additions or corrections.
- 4. Accept 2016 Goals and Metrics Performance * Action item Ron Ciesiel**
The performance for each of the fifteen goals was reviewed. Goal Four was a total miss; this is the first time in five years that there has been a zero performance contribution for any metric. The overall performance is 104.18%.

The group discussed Goal Four. Joe Gertsch reported that the year started with 36 violations and 13 remained to be processed. The real driver for missing the metric was a particularly difficult situation for a Registered Entity. Enforcement is emphasizing processing these violations early in the year, and the group has established monthly goals for the case managers to process the 30 violations for the 2017 metric.

The 2016 performance of 104.18% was unanimously approved.

- 5. Approve 2017 Goals and Metrics * Action item..... Ron Ciesiel**
The Trustees reviewed the 13 metrics and changes that were made for metrics carried forward from 2016. The subjective measurement from the outreach goal was removed and an overall performance scaling metric (Goal 14) was created based on SPP RE's annual satisfaction survey.

The group discussed how Goal 14 would have impacted the 104.18% performance on the 2016 goals. Goal 14 establishes a 100% performance range of 3.25 to 3.75. The 2016 satisfaction survey score of 4.0 would have resulted in an extrapolated scaling of about 105% to the 2016 performance.

Discussion was held on how the metrics reflected the focus on risk-based compliance. Ron referred to the 2016 metric on completing an IRA for all of the Registered Entities. The audit method for some Registered Entities can be changed as a result of evaluating their risk to reliability, but large Registered Entities will not see much of a change. The metrics most reflective of risk-based monitoring are the audit report

metrics and the cost metric for 2017, due to the large number of on-site and off-site audits that will be conducted in 2017.

The group discussed the tie between SPP RE's metrics and NERC's goals. Not all of the SPP RE metrics directly correspond to a NERC goal, but the 2017 Goals and Metrics document overall reflects NERC goals.

Chairman Christiano asked that one or more of the metrics be adjusted as a "stretch goal." The off-site audit report metric (Goal 7) and the cost metric (Goal 11) were adjusted to stretch goals. The days to produce off-site audit reports was reduced from 45 days to 40 days, and Goal 11's 100% performance target of -5% was changed to -10%.

With these changes, the 2017 Goals and Metrics were unanimously approved.

6. Approve SPP RE Strategic Plan 2017-2020* Action Item Ron Ciesiel

Ron reviewed the history and development of SPP RE's strategic plan. The plan has been updated to align with NERC's goals, and the timeframe aligns with SPP RE's current Regional Delegation Agreement. The SPP RE Strategic Plan 2017-2020 was unanimously approved.

7. NERC Operating Committee Jim Useldinger

Jim reviewed the December 13-14 meeting of the NERC Operating Committee (OC). NERC President Gerry Cauley met with the OC and noted that technical committees should focus on aligning their work with NERC's priorities. The OC approved a number of documents, including the *Distributed Energy Resources Report* and Reliability Guidelines on *Inadvertent Interchange* and *Integrating Reporting ACE with the NERC Standards*. The Standards Committee asked the OC to form a team of technical experts to develop material for IROL issues related to how certain interconnection limits are established.

8. SPP RE Merit Pool Ron Ciesiel

Due to the long budget cycle, the 2017 merit pool for SPP RE staff was budgeted and approved at 3% last June. At the end of 2016, SPP, Inc. approved a 3% merit pool. According to SPP's recent salary survey, nine SPP RE employees were below market level. Funds from the merit pool were used to make adjustments to these salaries, leaving an overall merit pool of 2.5%. The 2018 budget will have a separate line item for market salary adjustments.

9. 2016 Annual Report Ron Ciesiel

The Trustees reviewed the 2016 annual report. Overall, SPP RE had a good year. We are seeing maturity within the Registered Entities' compliance programs, as well as with SPP RE's internal practices and procedures. Stabilization of the standards is also occurring, and over the next year there will be a significant decline in the number of new standards coming into effect.

10. CIP Update.....Kevin Perry

Kevin reviewed the CIP standards that will be effective April 1, 2017 and the upcoming CIP revisions that are moving through the NERC standards process. In our region there have been 31 self-reported violations and 9 violations found at audit since the CIP V5 standards became effective on July 1, 2016. Firewall rules seem to be the most problematic issue, as five audits have resulted in five violations in this area.

11. Trustee Meeting Policy Discussion..... Ron Ciesiel

Between the public quarterly Trustee meetings, a monthly Trustee phone call has traditionally been held to catch up on any timely issues. Votes are not taken in these meetings. A question arose as to whether these phone calls constitute a “meeting” and should be publicly noticed. After discussion, it was determined that these meetings could continue as they have in the past.

12. Quarterly System Events &h FAC Update Alan Wahlstrom

Alan reported that 6 events occurred in the fourth quarter of 2016. The majority of the events in 2016 are low category events falling into *Category 1(a) –loss of three elements* and *Category 1(h) EMS events*. SPP RE had 15 events in 2016, compared to 10 in 2015. Alan also reviewed NERC lessons learned.

13. Enforcement Report Joe Gertsch

SPP RE had 74 total violations in 2016, which is a significant increase over 2015. A large number of PRC-19, PRC-24 and MOD-25 violations came in during the third quarter. We ended the year with a caseload of 154 active violations. So far in 2017, we are already seeing higher numbers than at this time last year.

14. General Manager’s Report Ron Ciesiel

Since SPP is a leading region for windfarms, SPP RE had a large number of PRC-019, PRC-024 and MOD-025 violations. These have a relatively minor impact and will be processed through the lower-end of the enforcement actions. Misoperations continue to be a focus, and the FAC Alert is nearing completion.

15. Financial Report..... Debbie Currie

Debbie reviewed the 2016 budget performance, the 2017 budget, and the schedule for the 2018 budget preparation. The change in the SPP, Inc. overhead charge has stabilized a large expense item that contributed to previous years’ variances.

16. OutreachEmily Pennel

The Spring Workshop will be held March 28-29 in Little Rock. Registered Entities and SPP RE staff are presenting. Nine breakout sessions will be conducted, with one track for CIP and one track for attendees who are new to compliance. Due to the CIP team’s busy audit schedule, the CIP Workshop will be held for only one day on June 27. The fall workshop is Oct. 24-25 in Dallas.

17. NERC COMMITTEE REPORTS – Comments or Questions

- a. Planning.....Noman Williams
- b. Critical Infrastructure Protection.....Eric Ervin
- c. Compliance and Certification Committee Jennifer Flandermeyer

18. New Action Items Emily Pennel

- 1. Periodically add a note in the monthly newsletter to remind Registered Entities that SPP RE has funds available for travel reimbursement for participation on Standard Drafting Teams.
- 2. Put out an advisory on CIP005-R1 Part 1.3 to highlight issues that are being found in audits and to encourage Registered Entities to participate in upcoming workshops where the topic will be discussed.
- 3. Prepare a comparison of violations between SPP RE and the other regions.

19. Future Meetings Dave Christiano

The proposed date for the June budget meeting is June 28, following the CIP Workshop in Little Rock.

April 24, 2017, Tulsa
TBD June 2017- Little Rock-Budget Meeting
July 24, 2017, Denver
October 30, 2017, Little Rock

The meeting was adjourned at 2:15.

Respectfully,
Emily Pennel
SPP RE Trustees Secretary

The meeting was followed by a closed Executive Session for the SPP RE Trustees and RE General Manager.



Southwest Power Pool, Inc.

RE TRUSTEE MEETING

January 30, 2017 - 8 am - 3 pm

Doubletree Near the Galleria -- Dallas, Texas

• ATTENDANCE LIST •

Name	Company
Alan Wahlstrom	SPPRE
Monica Evans	SPPRE
Tom Hestermann	Sunflower
Bruce Scherr	SPP DIRECTOR
Debbie Currie	SPP RE
Tracy Stewart	SWPA
Fred Meyer	EDF
Joe Gutsch	SPP RE
Kevin B. Aug	SPP RE
Chris Ramsey	WFEC
Mark Croson	SPP
Terril Pyle	OGE
Lori Spence	MISO
Michael Deselle	SPT
Jim Jacoby	AEP
Paul Mehlhoff	Sunflower
DARRELL PIATT	FERC
Mike Wise	GSEC



Southwest Power Pool, Inc.

RE TRUSTEE MEETING

January 30, 2017 - 8 am - 3 pm

Doubletree Near the Galleria – Dallas, Texas

• ATTENDANCE LIST •

Name	Company
ROD CROSSL	SPP RE SPP RE
MARK MAHER	SPP RE
GERRY BURROWS	SPP RE
Steve Whitley	SPP RE
Bruce Scherv	SPP DIRECTOR
MARK CRISSON	SPP DIRECTOR
Fred Meyer	The Empire Distric Electric Co,
BRETT BAKER	EMPIRE DISTRICT
TERRI RYLE	OGE
TRACLEY STEWART	SWPA
John Allen (call-in)	Springfield
Mike Murray (call-in)	Independence
Robert Pick (call-in)	NPPD
Jim Useldinger (call-in)	Grid Liance
Bo Jones (call-in)	Westar
Steven Keller (call-in)	SPP
Ted Bell (call-in)	SPP RE
Phyllis Bernard	SPP BOD Director

2018 Preliminary Business Plan & Budget

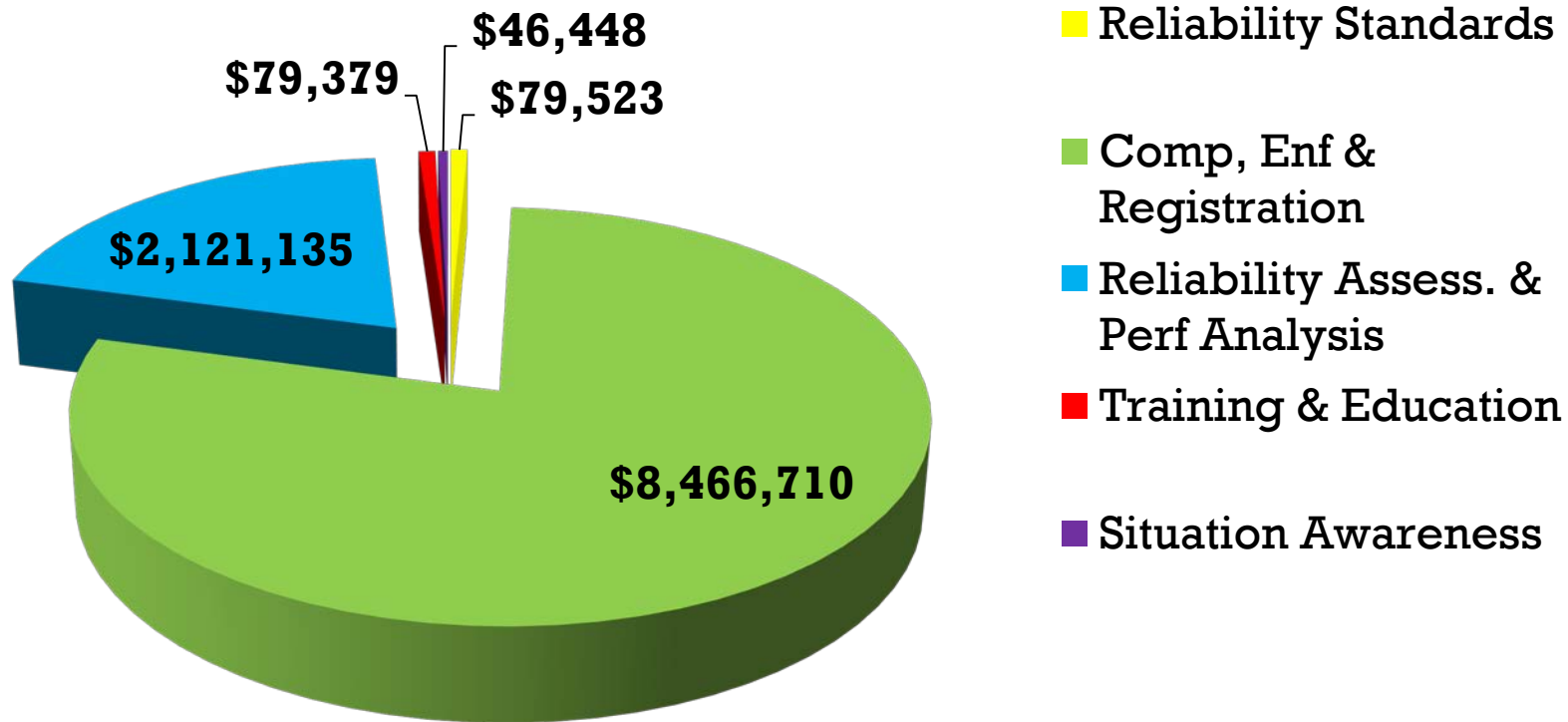
April 24, 2017

Debbie Currie

RE Manager of Regulatory Interface and Process Improvement

2018 Preliminary Budget Overview

Proposed Budget - \$10.8 Million



2017-2018 Budget Comparison

Resource Item	Approved 2017	Preliminary 2018	Increase / (Decrease)	% Increase / (Decrease)
SPP RE Direct FTEs	28.00	28.00	0.0	0%
SPP Shared FTEs	5.25	4.30	(1.0)	(18%)
Total FTEs	33.25	32.30	(1.0)	(3%)
Direct Expenses (millions)	\$7.2	\$7.1	(\$7k)	<(1%)
SPP, Inc. Indirect Expenses (millions)	\$3.7	\$3.6	(\$65k)	(2%)
Total Expenses (millions)	\$10.9	\$10.8	(\$72k)	<(1%)
Total Funding Requirement (millions)	\$9.5	\$10.0	\$555k	6%
RE Assessments (millions)	\$9.1	\$9.7	\$635k	7%

2017-2018 Budget Comparison Direct Expenses

Cost Item	Increase/ (Decrease)	Explanation
Personnel	\$14k	~1.0 FTE decrease; 2018 full-year merit increase 3%; market salary adjustment 1%; attrition rate 5%
Consultants/Professional Services	\$77k	Number of Audits; Fourth Trustee; Completion of Engineering Data Tool
Meetings/Office Costs	(\$13k)	Meetings held at Corporate Campus
Travel	(\$86k)	Several MRRE Audits and Alignment with Historic Travel Costs
Total Direct Expenses *	(\$7k)	N/A
SPP Inc. Indirect Expenses	(\$65k)	Reduction of 1.0 FTE Shared Staff
Total Decrease in Budgeted Expenses	(\$72k)	N/A
* Includes SPP RE General & Administrative Services and Legal and Regulatory program expenses		

2017-2018 Budget Comparison FTEs

Total FTEs by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs ¹ 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.13	0.13	0.13	0.00	0.13	0.00
Compliance and Organization Registration and Certification	21.75	21.75	21.75	0.00	21.75	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	6.75	6.75	1.50	4.30	5.80	-0.95
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.75	28.75	23.50	4.30	27.80	-0.95
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	33.25	33.25	28.00	4.30	32.30	-0.95

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

2017-2018 Budget Comparison Program Summary

Program	Budget 2017	Projection 2017	Budget 2018	Change 2018 Budget v 2017 Budget	% Change
Reliability Standards	76,377	76,377	79,523	3,146	4.1%
Compliance Enforcement and Register	8,126,399	8,126,399	8,466,710	340,312	4.2%
Reliability Assess and Perf Analysis	2,540,152	2,540,152	2,121,135	(419,017)	-16.5%
Training and Education	79,211	79,211	79,379	168	0.2%
Situation Awareness	43,372	43,372	46,448	3,076	7.1%
	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%

2018 Business Plan/Budget (BP&B) Preparation Schedule

Dates	NERC	Regional Entity
May 1	RE Preliminary BP&Bs Due to NERC	
May 18	NERC Draft BP&B posted	Draft RE BP&Bs posted on NERC.com
May 25	Finance & Audit Committee Conference Webinar to review RE BP&Bs	
June 28		SPP RE Trustee meeting for approval of 2018 BP&B

2018 BP&B Preparation Schedule

Dates	NERC	Regional Entity
July 5		Final RE budget submittal due
July 13	Final 2018 BP&Bs posted to NERC website	
August 10	Business plan, budgeted financials, and assessments presented to NERC Board of Trustees for approval	
August 24	Submit package to FERC	



Debbie Currie

dcurrie.re@spp.org

501-688-8228

2018 Business Plan and Budget Southwest Power Pool Regional Entity

Approved by SPP Regional Entity Trustees

June xx, 2017

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Introduction

(in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	25.33			
Non-statutory FTEs	-			
Total FTEs	25.33			
Statutory Expenses	\$ 10,793,195			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 10,793,195			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (775,930)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (775,930)			
Total Statutory Funding Requirement	\$ 10,017,265			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 10,017,265			
Statutory Funding Assessments	\$ 10,017,265	\$ 10,017,265		
Non-Statutory Fees	\$ -	\$ -		
NEL	227,488,700	227,488,700		
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).

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

Specifically, SPP RE is responsible for developing regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 120 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

2018 Key Assumptions

The key assumptions underlying the SPP RE 2018 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2018 BP&B. The assumptions that are of particular importance to the SPP RE's 2018 BP&B include the expectation that:

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.

1. NERC and the Regional Entities will continue to work collaboratively to promote and improve the reliability of the BPS.
2. NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the BPS established by 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.
9. SPP RE will participate on teams to help develop application business requirements and test business functionality for ERO Enterprise application projects.

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 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.

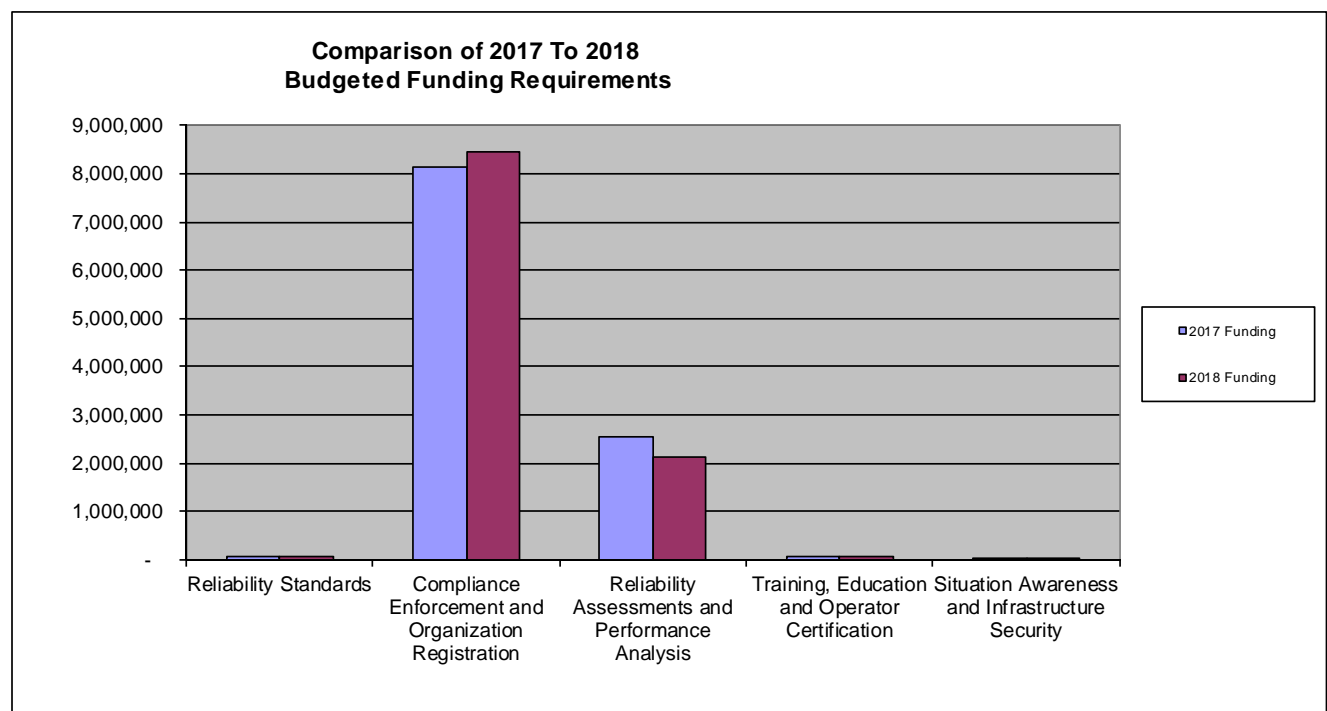
³ <http://www.nerc.com/gov/Annual%20Reports/ERO%20Enterprise%20Strategic%20Plan%202016-2019.pdf>

⁴ See NERC 2018 Business Plan and Budget, Exhibit A.

2018 Overview of Cost Impacts

The \$10.8 million operating budget reflects an approximate \$72 thousand decrease or -0.7%. Funding assessments increased by \$635 thousand or 7.0%, from \$9.09 million to \$9.73million. A summary of the funding by program area is shown in the chart below.

Program	Budget 2017	Projection 2017	Budget 2018	Change	
				2018 Budget v 2017 Budget	% Change
Reliability Standards	76,377	76,377	79,523	3,146	4.1%
Compliance Enforcement and Registration	8,126,399	8,126,399	8,466,710	340,312	4.2%
Reliability Assess and Perf Analysis	2,540,152	2,540,152	2,121,135	(419,017)	-16.5%
Training and Education	79,211	79,211	79,379	168	0.2%
Situation Awareness	43,372	43,372	46,448	3,076	7.1%
	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%



As shown in the chart that follows, there is a net decrease of 0.95 in budgeted Full Time Equivalents (FTE). The decrease in Shared Staff will better align the 2018 manpower requirements with historic usage while accommodating the RAPA reliability assessment and special study requirements requested by NERC.

Total FTEs by Program Area	Budget	Projection	Direct	Shared	Total FTEs	Change
	2017	2017	FTEs 2018 Budget	FTEs ¹ 2018 Budget	2018 Budget	from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.13	0.13	0.13	0.00	0.13	0.00
Compliance and Organization Registration and Certification	21.75	21.75	21.75	0.00	21.75	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	6.75	6.75	1.50	4.30	5.80	-0.95
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.75	28.75	23.50	4.30	27.80	-0.95
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	33.25	33.25	28.00	4.30	32.30	-0.95

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

Compared to the 2017 budget, the net decrease in direct expenses and the net decrease in the SPP, Inc. indirect expenses are approximately \$7 thousand and \$65 thousand, respectively. The decrease in direct expenses is principally due to a reduction in the Engineering shared staff FTEs in the RAPA program area and the completion of the Engineering Data Tool IT project. The decrease in SPP, Inc. indirect expenses is due to the reduction in Shared Staff FTEs.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 2017 Budget & Projection, and 2018 Budget

Funding	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ 9,092,553	\$ 9,092,553	\$ -	\$ 9,727,265	\$ 634,712
Penalty Sanctions	\$ 369,750	369,750	-	290,000	(79,750)
Total SPP RE Funding	\$ 9,462,303	\$ 9,462,303	\$ -	\$ 10,017,265	\$ 554,962
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,462,303	\$ 9,462,303	\$ -	\$ 10,017,265	\$ 554,962
Expenses					
Personnel Expenses					
Salaries	\$ 4,385,605	\$ 4,385,605	\$ -	\$ 4,412,561	\$ 26,956
Payroll Taxes	\$ 335,499	335,499	-	337,561	2,062
Benefits	\$ 358,263	358,263	-	342,305	(15,958)
Retirement Costs	\$ 175,424	175,424	-	176,502	1,078
Total Personnel Expenses	\$ 5,254,791	\$ 5,254,791	\$ -	\$ 5,268,929	\$ 14,138
Meeting Expenses					
Meetings	\$ 120,000	\$ 120,000	\$ -	\$ 107,000	\$ (13,000)
Travel	\$ 537,000	537,000	-	451,500	(85,500)
Conference Calls	\$ -	-	-	-	-
Total Meeting Expenses	\$ 657,000	\$ 657,000	\$ -	\$ 558,500	\$ (98,500)
Operating Expenses					
Consultants & Contracts	\$ 1,020,710	\$ 1,020,710	\$ -	\$ 1,073,100	\$ 52,390
Office Rent	\$ -	-	-	-	-
Office Costs	\$ 10,000	10,000	-	10,000	-
Professional Services	\$ 212,100	212,100	-	236,988	24,888
Miscellaneous	\$ -	-	-	-	-
Depreciation	\$ -	-	-	-	-
Total Operating Expenses	\$ 1,242,810	\$ 1,242,810	\$ -	\$ 1,320,088	\$ 77,278
Total Direct Expenses	\$ 7,154,601	\$ 7,154,601	\$ -	\$ 7,147,517	\$ (7,084)
SPP Inc. Indirect Expenses	\$ 3,710,910	3,710,910	\$ -	\$ 3,645,678	\$ (65,232)
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 3,710,910	\$ 3,710,910	\$ -	\$ 3,645,678	\$ (65,232)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,865,511	\$ 10,865,511	\$ -	\$ 10,793,195	\$ (72,316)
Change in Assets	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
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)	\$ 10,865,511	\$ 10,865,511	\$ -	\$ 10,793,195	\$ (72,316)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277

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

Section A – Statutory Programs
2018 Business Plan and Budget



Section A — 2018 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.125	0.125	-
Direct Expenses	\$ 47,286	\$ 49,444	\$ 2,158
Indirect Expenses- SPP Inc.	\$ 13,951	\$ 14,109	\$ 158
Indirect Expenses- SPP RE	\$ 15,140	\$ 15,970	\$ 830
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 76,377	\$ 79,523	\$ 3,146

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.

2018 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.

2018 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 no change to the resource requirements for this program area.

Reliability Standards Program

**Statement of Activities and Capital Expenditures
2017 Budget & Projection, and 2018 Budget**

	Reliability Standards				
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 74,769	\$ 74,769	\$ -	\$ 78,219	\$ 3,450
Penalty Sanctions	1,608	1,608	-	1,304	(304)
Total SPP RE Funding	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Expenses					
Personnel Expenses					
Salaries	\$ 18,969	\$ 18,969	\$ -	\$ 20,902	\$ 1,933
Payroll Taxes	1,451	1,451	-	1,599	148
Benefits	1,107	1,107	-	1,107	-
Retirement Costs	759	759	-	836	77
Total Personnel Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	25,000	25,000	-	25,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 47,286	\$ 47,286	\$ -	\$ 49,444	\$ 2,158
SPP Inc. Indirect Expenses	\$ 13,951	\$ 13,951	\$ -	\$ 14,109	\$ 158
SPP RE Indirect Expenses	15,140	15,140	-	15,970	830
Total Indirect Expenses	\$ 29,091	\$ 29,091	\$ -	\$ 30,079	\$ 988
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 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)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 1
FTEs	0.13	0.13	0.00	0.13	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	21.75	21.75	-
Direct Expenses	\$ 4,316,813	\$ 4,544,126	\$ 227,313
Indirect Expenses- SPP Inc.	\$ 2,427,437	\$ 2,454,906	\$ 27,469
Indirect Expenses- SPP RE	\$ 1,382,149	\$ 1,467,679	\$ 85,530
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 8,126,399	\$ 8,466,710	\$ 340,312

Program Scope and Functional Description

The Compliance Monitoring and Enforcement (CMEP) and Organization Registration and Certification programs are required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. There are approximately 120 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 RE, SPP RE has included \$75,000 in its budget to compensate SERC for performing the 2018 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) 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, self-reports and self-logging 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 \$745,000 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 \$100,000 in its budget for enforcement consulting costs.

2018 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 2017 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

2018 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;
- Conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations;
- Coordinated oversight of Multi-Region Registered Entities (MRREs);
- Perform 6 to 8 on-site FERC Order 693 compliance audits;
- Perform 18 to 20 off-site FERC Order 693 compliance audits;
- Perform 8 to 10 on-site CIP compliance audits of registered entities with High or Medium 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 2018 Compliance Monitoring and Enforcement Program Annual Implementation Plan;
- Perform Compliance Investigations, as necessary;
- Perform secondary review of initial findings of possible violations;
- Create Notices of Alleged Violation and Proposed Penalties and Sanctions (NAVAPS) and Notices of Confirmed Violations (NOCV);
- Process Find, Fix and Track (FFTs) and Compliance Exceptions;
- Negotiate and develop settlements of violations;
- Verify that findings of non-compliance are and/or have been appropriately mitigated; and
- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2018.

Resource Requirements

Personnel

The Compliance Program area staffing remains unchanged from 2017.

Contracts and Consultants

The use of consultants is expected to increase due to the audit schedule.

Statement of Activities and Capital Expenditures
2017 Budget & Projection, and 2018 Budget
Compliance and Organization Registration and Certification

Funding	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 7,846,675	\$ 7,846,675	\$ -	\$ 8,239,822	\$ 393,147
Penalty Sanctions	279,724	279,724	-	226,888	(52,835)
Total SPP RE Funding	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Expenses					
Personnel Expenses					
Salaries	\$ 2,665,150	\$ 2,665,150	\$ -	\$ 2,736,426	\$ 71,276
Payroll Taxes	203,884	203,884	-	209,337	5,453
Benefits	234,563	234,563	-	225,018	(9,545)
Retirement Costs	106,606	106,606	-	109,457	2,851
Total Personnel Expenses	\$ 3,210,203	\$ 3,210,203	\$ -	\$ 3,280,238	\$ 70,035
Meeting Expenses					
Meetings	\$ 35,000	\$ 35,000	\$ -	\$ 17,000	\$ (18,000)
Travel	282,000	282,000	-	224,000	(58,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 317,000	\$ 317,000	\$ -	\$ 241,000	\$ (76,000)
Operating Expenses					
Consultants & Contracts	\$ 778,610	\$ 778,610	\$ -	\$ 1,012,000	\$ 233,390
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	11,000	11,000	-	10,888	(112)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 789,610	\$ 789,610	\$ -	\$ 1,022,888	\$ 233,278
Total Direct Expenses	\$ 4,316,813	\$ 4,316,813	\$ -	\$ 4,544,126	\$ 227,313
SPP Inc. Indirect Expenses	\$ 2,427,437	\$ 2,427,437	\$ -	\$ 2,454,906	\$ 27,469
SPP RE Indirect Expenses	1,382,149	1,382,149	-	1,467,679	85,530
Total Indirect Expenses	\$ 3,809,586	\$ 3,809,586	\$ -	\$ 3,922,585	\$ 112,999
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (1)
FTEs	21.75	21.75	-	21.75	-

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	6.750	5.800	(0.950)
Direct Expenses	\$ 1,353,461	\$ 1,108,474	\$ (244,987)
Indirect Expenses- SPP Inc.	\$ 753,343	\$ 654,642	\$ (98,701)
Indirect Expenses- SPP RE	\$ 433,348	\$ 358,019	\$ (75,329)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 2,540,152	\$ 2,121,135	\$ (419,017)

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 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.

2018 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 2017.

2018 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

SPP RE direct staff expects to remain consistent with 2017. Based on historic manpower requirements needed to conduct the annual reliability assessments and special engineering studies requested by NERC the Shared Staff FTEs is expected to decrease by 0.95 FTE.

Contracts and Consultants

Due to the completion of the Engineering Data Validation Tool in 2017, the consultant budget is reduced by \$146,000.

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Reliability Assessment and Performance Analysis

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 2,453,341	\$ 2,453,341	\$ -	\$ 2,060,631	\$ (392,710)
Penalty Sanctions	86,811	86,811	-	60,504	(26,307)
Total SPP RE Funding	\$ 2,540,152	\$ 2,540,152	\$ -	\$ 2,121,135	\$ (419,017)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,540,152	\$ 2,540,152	\$ -	\$ 2,121,135	\$ (419,017)
Expenses					
Personnel Expenses					
Salaries	\$ 895,372	\$ 895,372	\$ -	\$ 814,249	\$ (81,123)
Payroll Taxes	68,496	68,496	-	62,290	(6,206)
Benefits	62,778	62,778	-	54,365	(8,413)
Retirement Costs	35,815	35,815	-	32,570	(3,245)
Total Personnel Expenses	\$ 1,062,461	\$ 1,062,461	\$ -	\$ 963,474	\$ (98,987)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	110,000	110,000	-	110,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 110,000	\$ 110,000	\$ -	\$ 110,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 181,000	\$ 181,000	\$ -	\$ 35,000	\$ (146,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 181,000	\$ 181,000	\$ -	\$ 35,000	\$ (146,000)
Total Direct Expenses	\$ 1,353,461	\$ 1,353,461	\$ -	\$ 1,108,474	\$ (244,987)
SPP Inc. Indirect Expenses	\$ 753,343	\$ 753,343	\$ -	\$ 654,642	\$ (98,701)
SPP RE Indirect Expenses	433,348	433,348	-	358,019	(75,329)
Total Indirect Expenses	\$ 1,186,691	\$ 1,186,691	\$ -	\$ 1,012,661	\$ (174,030)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,540,152	\$ 2,540,152	\$ -	\$ 2,121,135	\$ (419,017)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 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)	\$ 2,540,152	\$ 2,540,152	\$ -	\$ 2,121,135	\$ (419,017)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	6.75	6.75	-	5.80	(0.95)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses*	\$ 60,000	\$ 60,000	\$ -
Indirect Expenses- SPP Inc.	\$ -	\$ -	\$ -
Indirect Expenses- SPP RE	\$ 19,211	\$ 19,379	\$ 168
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 79,211	\$ 79,379	\$ 168
* 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.

2018 Key Assumptions

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

2018 Goals and Key Deliverables

- Host three compliance workshops, one focused on CIP;
- Publish a monthly newsletter;
- Present at least ten 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%).

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Training and Education

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ -	\$ -
SPP RE Indirect Expenses	19,211	19,211	-	19,379	168
Total Indirect Expenses	\$ 19,211	\$ 19,211	\$ -	\$ 19,379	\$ 168
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ (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)	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0
FTEs	-	-	-	-	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.13	0.13	-
Direct Expenses	\$ 22,286	\$ 24,444	\$ 2,158
Indirect Expenses- SPP Inc.	\$ 13,951	\$ 14,109	\$ 158
Indirect Expenses- SPP RE	\$ 7,135	\$ 7,895	\$ 760
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 43,372	\$ 46,448	\$ 3,076

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.

2018 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.

2018 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 2017 Budget & Projection, and 2018 Budget

Situation Awareness and Infrastructure Security

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 41,765	\$ 41,765	\$ -	\$ 45,144	\$ 3,379
Penalty Sanctions	1,608	1,608	-	1,304	(304)
Total SPP RE Funding	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,076
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,076
Expenses					
Personnel Expenses					
Salaries	\$ 18,969	\$ 18,969	\$ -	\$ 20,902	\$ 1,933
Payroll Taxes	1,451	1,451	-	1,599	148
Benefits	1,107	1,107	-	1,107	-
Retirement Costs	759	759	-	836	77
Total Personnel Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
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	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
SPP Inc. Indirect Expenses	\$ 13,951	\$ 13,951		\$ 14,109	\$ 158
SPP RE Indirect Expenses	7,135	7,135		7,895	760
Total Indirect Expenses	\$ 21,086	\$ 21,086	\$ -	\$ 22,004	\$ 918
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,077
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ (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)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,077
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (1)
FTEs	0.13	0.13	-	0.13	-

Administrative Services

	Administrative Services					
	Direct Expense and Fixed Assets (in whole dollars)			FTEs		
	2017 Budget	2018 Budget	Inc(Dec)	2017 Budget	2018 Budget	Inc(Dec)
General and Administrative	\$ 1,856,983	\$ 1,868,942	11,958	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	\$ 1,856,983	\$ 1,868,942	11,958	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 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 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 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.

2018 Key Assumptions

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

2018 Goals and Key Deliverables

- Ensure that SPP RE fulfills the responsibilities of the Regional Delegation Agreement between SPP and NERC;
- Ensure that SPP RE is adequately staffed and has the resources needed to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC; and
- Continue to explore opportunities to enhance the effectiveness and efficiency of SPP RE in promoting and improving the reliability of the bulk power system.

Resource Requirements**Personnel**

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

Technical Committees and Member Forums**Program Scope and Functional Description**

SPP RE provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas. The expenses incurred by SPP RE for these forums are included in the direct expenses of the applicable program.

SPP RE also conducts a minimum of three public workshops per year where registered entities are able to interact with SPP RE Staff and NERC staff and discuss reliability issues. These expenses are included in the Training, Education, and Operator Certification Program.

2018 Key Assumptions

- SPP RE liaisons to SPP working groups are projected to attend approximately 30 SPP working group meetings in 2018.

2018 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.

2018 Key Assumptions

N/A

2018 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.

2018 Key Assumptions

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

2018 Goals and Key Deliverables

- To provide adequate information technology support for SPP RE to fulfill the responsibilities of the RE 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.

2018 Key Assumptions

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

2018 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.

2018 Key Assumptions

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

2018 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 2017 Budget & Projection, and 2018 Budget

ADMINISTRATIVE SERVICES

Funding	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
Total SPP RE Funding	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Membership Dues	\$ -	-	-	\$ -	-
Federal Grants	\$ -	-	-	\$ -	-
Services & Software	\$ -	-	-	\$ -	-
Workshops	\$ -	-	-	\$ -	-
Interest	\$ -	-	-	\$ -	-
Miscellaneous	\$ -	-	-	\$ -	-
Total Funding (A)	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Expenses					
Personnel Expenses					
Salaries	\$ 787,145	\$ 787,145	\$ -	\$ 820,082	\$ 32,937
Payroll Taxes	60,217	\$ 60,217	-	\$ 62,736	2,520
Benefits	58,708	\$ 58,708	-	\$ 60,708	2,000
Retirement Costs	31,486	\$ 31,486	-	\$ 32,803	1,317
Total Personnel Expenses	\$ 937,555	\$ 937,555	\$ -	\$ 976,330	\$ 38,774
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 30,000	\$ 5,000
Travel	120,000	\$ 120,000	-	\$ 92,500	(27,500)
Conference Calls	-	\$ -	-	\$ -	-
Total Meeting Expenses	\$ 145,000	\$ 145,000	\$ -	\$ 122,500	\$ (22,500)
Operating Expenses					
Consultants & Contracts	\$ 61,100	\$ 61,100	\$ -	\$ 26,100	\$ (35,000)
Office Rent	-	\$ -	-	\$ -	-
Office Costs	10,000	\$ 10,000	-	\$ 10,000	-
Professional Services	201,100	\$ 201,100	-	\$ 226,100	25,000
Miscellaneous	-	\$ -	-	\$ -	-
Depreciation	-	\$ -	-	\$ -	-
Total Operating Expenses	\$ 272,200	\$ 272,200	\$ -	\$ 262,200	\$ (10,000)
Total Direct Expenses	\$ 1,354,755	\$ 1,354,755	\$ -	\$ 1,361,030	\$ 6,274
SPP Inc. Indirect Expenses	\$ 502,228	\$ 502,228	\$ -	\$ 507,912	\$ 5,684
SPP RE Indirect Expenses	\$ (1,856,983)	\$ (1,856,983)	\$ -	\$ (1,868,942)	\$ (11,958)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
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)	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
FTEs	4.50	4.50	-	4.50	-

Section B – Supplemental Financial Information
2018 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2017-2018

STATUTORY

Beginning Working Capital Reserve (Deficit), December 31, 2016	\$	2,920,957
Less Penalties Received 7/1/2016- 12/31/2016		(220,000)
Less: 2016 Year-End True-Up		(152,069)
Plus: 2017 SPP RE Funding (from LSEs or designees)		9,092,553
Less: 2017 Projected expenses & capital expenditures		(10,865,511)
Projected Working Capital Reserve (Deficit), December 31, 2017		775,930
Desired Working Capital Reserve, December 31, 2018 ²	\$	-
Less: Projected Working Capital Reserve, December 31, 2017		(775,930)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		775,930
2018 Expenses and Capital Expenditures		10,793,195
Less: Penalty sanctions to be used as offset to 2018 assessments ¹		(290,000)
Less: Other Funding Sources		0
Adjustment to achieve desired Working Capital Reserve		(775,930)
2018 SPP RE Assessment		9,727,265

¹ Represents collections on or prior to June 30, 2017. See Table B-2 for full disclosure.

² The SPP RE does not require a working capital reserve in that on a cash basis SPP, Inc. is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

Explanation of Changes in Reserve Policy from Prior Years

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

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 8 of the 2018 RE Business Plan and Budget.

Penalty Sanctions

Penalty monies received from July 1, 2016 through June 30, 2017 will be used to offset assessments in the 2018 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, 2017 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

Penalty Payments		Date Received	Amount Received
Name of Entity			
Entity 1		7/1/16	\$ 220,000.00
Entity 2		2/10/17	\$ 70,000.00
Total Penalties Received			<u>\$ 290,000</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 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 – 2018 Budget versus 2017 Budget

SPP RE has not projected any interest income for 2018 because at the current market interest rate any interest income would be minimal.

Personnel Expenses**Table B-4**

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Salaries					
Salaries	\$ 4,385,605	4,385,605	\$ 4,412,561	\$ 26,956	0.6%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 4,385,605	\$ 4,385,605	\$ 4,412,561	\$ 26,956	0.6%
Total Payroll Taxes	\$ 335,499	\$ 335,499	\$ 337,561	\$ 2,062	0.6%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	297,358	297,358	284,113	(13,245)	-4.5%
Life-LTD-LTC Insurance	21,496	21,496	20,538	(958)	-4.5%
Education	39,409	39,409	37,654	(1,755)	-4.5%
Relocation	-	-	-	-	
Total Benefits	\$ 358,263	\$ 358,263	\$ 342,305	\$ (15,958)	-4.5%
Retirement					
Discretionary 401k Contribution	\$ 175,424	\$ 175,424	\$ 176,502	\$ 1,078	0.6%
Savings Plan	-	-	-	-	
Total Retirement	\$ 175,424	\$ 175,424	\$ 176,502	\$ 1,078	0.6%
Total Personnel Costs	\$ 5,254,791	\$ 5,254,791	\$ 5,268,929	\$ 14,138	0.3%
FTEs	33.25	33.25	32.30	-0.95	-2.9%
Cost per FTE					
Salaries	\$ 131,898	\$ 131,898	\$ 136,612	4,714	3.6%
Payroll Taxes	10,090	10,090	10,451	361	3.6%
Benefits	10,775	10,775	10,598	(177)	-1.6%
Retirement	5,276	5,276	5,464	189	3.6%
Total Cost per FTE	\$ 158,039	\$ 158,039	\$ 163,125	\$ 5,086	3.2%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The increase in salaries is principally due to the budgeted merit and market increases offset by the decrease in Shared Staff FTEs. The decrease in Benefits is primarily due to the decrease in Shared Staff FTEs.

Meetings, Travel and Conference Calls

Table B-5

Meetings, Travel and Conference Calls	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 120,000	\$ 120,000	\$ 107,000	\$ (13,000)	-11%
Travel	537,000	\$ 537,000	\$ 451,500	(85,500)	-16%
Conference Calls	-	\$ -	\$ -	-	
Total Meetings, Travel & Conf Calls	\$ 770,200	\$ 657,000	\$ 558,500	\$ (98,500)	-27%

The decrease in travel expense is primarily due a number of MRRE audits led by other Regional Entities.

Consultants and Contracts

Table B-6

Consultants	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	627,610	627,610	845,000	217,390	35%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	181,000	181,000	35,000	(146,000)	-81%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	60,000	60,000	25,000	(35,000)	-58%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 868,610	\$ 868,610	\$ 905,000	\$ 36,390	4%

Contracts	Projection 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	151,000	151,000	167,000	16,000	11%
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	1,100	-	0%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 152,100	\$ 152,100	\$ 168,100	\$ 16,000	11%
Total Consulting and Contracts	\$ 1,020,710	\$ 1,020,710	\$ 1,073,100	\$ 52,390	5%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The \$36,390 increase in consultant costs is primarily due to an increase in one of the contract auditor's hourly rate and the number of audits scheduled in 2018 offset by the completion of the Engineering Data Validation tool in the RAPA program area. The increase in contract costs is due to the oversight activity being performed by SERC.

Table B-7

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
Total Office Rent	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

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

Table B-8

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	-
Internet	-	-	-	-	-
Office Supplies	10,000	10,000	10,000	-	-
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	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-9

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Independent Trustee Fees	\$ 201,100	\$ 201,100	\$ 226,100	\$ 25,000	12.43%
Outside Legal	-	-	-	-	
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	11,000	11,000	10,888	(112)	
Total Services	\$ 212,100	\$ 212,100	\$ 236,988	\$ 24,888	11.73%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The \$25,000 increase in Independent Trustee Fees is principally due to an increase in meeting compensation.

Table B-10

Miscellaneous Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	
Employee Rewards and Recognition	\$ -	\$ -	\$ -	\$ -	
Community Resp & Employee Engagement	\$ -	\$ -	\$ -	\$ -	
Year-end Employee Recognition Event	\$ -	\$ -	\$ -	\$ -	
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-11

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-12

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

2019, 2020 and 2021 Projections
Table B-13

Statement of Activities and Capital Expenditures										
2018 Budget & Projected 2019, 2020 and 2021 Budgets										
	2018	2019	\$ Change	%	2020	\$ Change	%	2021	\$ Change	%
	Budget	Projection	19 v 18	Change	Projection	20 v 19	Change	Projection	21 v 20	Change
				19 v 18			20 v 19			21 v 20
Funding										
ERO Funding										
ERO Assessments	\$ 9,727,265	\$ 11,116,991	\$ 1,389,726	14.29%	\$ 11,450,501	\$ 333,510	2.9%	\$ 11,794,016	\$ 343,515	2.9%
Penalty Sanctions	290,000	-	(290,000)	-100.00%	-	-	-	-	-	-
Total ERO Funding	\$ 10,017,265	\$ 11,116,991	\$ 1,099,726	11.0%	\$ 11,450,501	\$ 333,510	2.9%	\$ 11,794,016	\$ 343,515	2.9%
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 10,017,265	\$ 11,116,991	\$ 1,099,726	11.0%	\$ 11,450,501	\$ 333,510	3.0%	\$ 11,794,016	\$ 343,515	3.0%
Expenses										
Personnel Expenses										
Salaries	\$ 4,412,561	\$ 4,544,938	\$ 132,377	3.0%	\$ 4,681,286	\$ 136,348	3.0%	\$ 4,821,725	\$ 140,439	3.0%
Payroll Taxes	337,561	347,688	10,127	3.0%	358,118	10,431	3.0%	368,862	10,744	3.0%
Benefits	342,305	352,574	10,269	3.0%	363,151	10,577	3.0%	374,046	10,895	3.0%
Retirement Costs	176,502	181,798	5,295	3.0%	187,251	5,454	3.0%	192,869	5,618	3.0%
Total Personnel Expenses	\$ 5,268,929	\$ 5,426,997	\$ 158,068	3.0%	\$ 5,589,807	\$ 162,810	3.0%	\$ 5,757,501	\$ 167,694	3.0%
Meeting Expenses										
Meetings	\$ 107,000	\$ 110,210	\$ 3,210	3.0%	\$ 113,516	\$ 3,306	3.0%	\$ 116,922	\$ 3,405	3.0%
Travel	451,500	465,045	13,545	3.0%	478,996	13,951	3.0%	493,366	14,370	3.0%
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 558,500	\$ 575,255	\$ 16,755	3.0%	\$ 592,513	\$ 17,258	3.0%	\$ 610,288	\$ 17,775	3.0%
Operating Expenses										
Consultants & Contracts	\$ 1,073,100	\$ 1,105,293	\$ 32,193	3.0%	\$ 1,138,452	\$ 33,159	3.0%	\$ 1,172,605	\$ 34,154	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	236,988	244,098	7,110	3.0%	251,421	7,323	3.0%	258,963	7,543	3.0%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,320,088	\$ 1,359,691	\$ 39,603	3.0%	\$ 1,400,481	\$ 40,791	3.0%	\$ 1,442,496	\$ 42,014	3.0%
Total Direct Expenses	\$ 7,147,517	\$ 7,361,943	\$ 214,426	3.0%	\$ 7,582,801	\$ 220,858	3.0%	\$ 7,810,285	\$ 227,484	3.0%
Indirect Expenses	\$ 3,645,678	\$ 3,755,048	\$ 109,370	3.0%	\$ 3,867,700	\$ 112,651	3.0%	\$ 3,983,731	\$ 116,031	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 10,793,195	\$ 11,116,991	\$ 323,796	3.0%	\$ 11,450,501	\$ 333,510	3.0%	\$ 11,794,016	\$ 343,515	3.0%
Change in Assets	\$ (775,930)	\$ -	\$ 775,930	-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	\$ (775,930)	\$ -	\$ 775,930	-100.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	32.30	32.30	0.00	0.0%	32.30	0.00	0.0%	32.30	0.00	0.0%

Explanation of 2019, 2020 and 2021 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 2018 Business Plan and Budget



Section C — 2018 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 2018 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 2018 SPP budget is not yet available, SPP is providing its Commission-approved 2017 budget and its 2016 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**

	<u>2017 Budget</u>	<u>2016 Actual</u>
Income		
Tariff Administration Service	\$160,482	\$144,546
Fees & Assessments	28,128	26,918
Contract Services Revenue	533	529
Miscellaneous Income	4,959	4,602
Total Income	\$194,103	\$176,595
Expense		
Salary & Benefits	\$91,316	\$90,186
Employee Travel	2,245	1,919
Administrative	5,263	4,764
Assessments & Fees	18,600	18,648
Meetings	1,012	974
Communications	4,207	3,915
Maintenance	17,964	14,775
Services	14,184	14,847
Regional State Committee	272	220
Depreciation & Amortization	30,485	58,120
Other Expense	10,813	5,493
Total Expense	\$196,360	\$213,860
Net Income (Loss)	(\$2,257)	(\$37,265)
Debt Repayment	\$23,227	\$24,194
MWh Forecast (in millions)	383,000	393,000
Net Revenue Requirement	\$160,482	\$151,626
Calculated Admin Fee / MWh	\$0.419	\$0.370
Recommended Admin Fee / MWh	\$0.419	\$0.370
Capital Expense	\$19,479	\$14,179
Headcount	610	608

Section D – Additional Consolidated Financial
Statements
2018 Business Plan and Budget



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

Section D 2018 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 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	Non-Statutory Total
Funding																	
SPP RE Funding																	
SPP RE Assessments	9,727,265	9,727,265	-	9,727,265	78,219	8,239,822	2,060,631	79,379	45,144	-	(775,930)	-	-	-	-	-	-
Penalty Sanctions	290,000	290,000	-	290,000	1,304	226,888	60,504	-	1,304	-	-	-	-	-	-	-	-
Total SPP RE Funding	10,017,265	10,017,265	-	10,017,265	79,523	8,466,710	2,121,135	79,379	46,448	-	(775,930)	-	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	10,017,265	10,017,265	-	10,017,265	79,523	8,466,710	2,121,135	79,379	46,448	-	(775,930)	-	-	-	-	-	-
Expenses																	
Personnel Expenses																	
Salaries	4,412,561	4,412,561	-	4,412,561	20,902	2,736,426	814,249	-	20,902	-	820,082	-	-	-	-	-	-
Payroll Taxes	337,561	337,561	-	337,561	1,599	209,337	62,290	-	1,599	-	62,736	-	-	-	-	-	-
Benefits	342,305	342,305	-	342,305	1,107	225,018	54,365	-	1,107	-	60,708	-	-	-	-	-	-
Retirement Costs	176,502	176,502	-	176,502	836	109,457	32,570	-	836	-	32,803	-	-	-	-	-	-
Total Personnel Expenses	5,268,929	5,268,929	-	5,268,929	24,444	3,280,238	963,474	-	24,444	-	976,330	-	-	-	-	-	-
Meeting Expenses																	
Meetings	107,000	107,000	-	107,000	-	17,000	-	60,000	-	-	30,000	-	-	-	-	-	-
Travel	451,500	451,500	-	451,500	25,000	224,000	110,000	-	-	-	92,500	-	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	558,500	558,500	-	558,500	25,000	241,000	110,000	60,000	-	-	122,500	-	-	-	-	-	-
Operating Expenses																	
Consultants & Contracts	1,073,100	1,073,100	-	1,073,100	-	1,012,000	35,000	-	-	-	26,100	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	10,000	10,000	-	10,000	-	-	-	-	-	-	10,000	-	-	-	-	-	-
Professional Services	236,988	236,988	-	236,988	-	10,888	-	-	-	-	226,100	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,320,088	1,320,088	-	1,320,088	-	1,022,888	35,000	-	-	-	262,200	-	-	-	-	-	-
Total Direct Expenses	7,147,517	7,147,517	-	7,147,517	49,444	4,544,126	1,108,474	60,000	24,444	-	1,361,030	-	-	-	-	-	-
SPP Inc. Indirect Expenses	3,645,678	3,645,678	-	3,645,678	14,109	2,454,906	654,642	-	14,109	-	507,912	-	-	-	-	-	-
SPP RE Indirect Expenses	0	0	-	0	15,970	1,467,679	358,019	19,379	7,895	-	(1,868,942)	-	-	-	-	-	-
Total Indirect Expenses	3,645,678	3,645,678	-	3,645,678	30,079	3,922,585	1,012,661	19,379	22,004	-	(1,361,030)	-	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	10,793,195	10,793,195	-	10,793,195	79,523	8,466,710	2,121,135	79,379	46,448	-	-	-	-	-	-	-	-
Change in Assets	(775,930)	(775,930)	-	(775,930)	-	-	-	-	-	-	(775,930)	-	-	-	-	-	-
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	(775,930)	(775,930)	-	(775,930)	-	-	-	-	-	-	(775,930)	-	-	-	-	-	-
FTEs	32.30	32.3	-	32.30	0.13	21.75	5.80	-	0.13	-	4.50	-	-	-	-	-	-
Percentage of FTEs					0.4%	67.3%	18.0%	0.0%	0.4%	0.0%	13.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs					100%	0.4%	78.2%	20.9%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses					100%	0.3%	78.5%	19.2%	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	3,645,678	3,645,678	-	3,645,678	14,109	2,454,906	654,642	-	14,109	-	507,912	-	-	-	-	-	-
SPP RE Indirect Costs	1,868,942	1,868,942	-	1,868,942	15,970	1,467,679	358,019	19,379	7,895	-	-	-	-	-	-	-	-
Total Indirect Costs	5,514,620	5,514,620	-	5,514,620	30,079	3,922,585	1,012,661	19,379	22,004	-	507,912	-	-	-	-	-	-
Fixed Assets Allocation																	
Penalty Sactions Allocation	290,000	290,000	-	290,000	1,304	226,888	60,504	-	1,304	-	-	-	-	-	-	-	-

Section E – Calculation of SPP, Inc. Indirect Expense 2018 Business Plan and Budget



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE¹

<u>Expense Category²</u>		<u>Overhead Costs Allocation (\$000)</u>
Facilities	\$	506
Information Technology		533
Human Resources/Benefits/Payroll		381
Corporate Services		1,206
2017 Total Costs		2,626
Escalated by 3%	\$	2,705

Shared Staff Overhead Allocation

2016 Overhead Allocation Escalated by 6%	897	A
Ending 2016 FTEs	4.1	B
2018 Budgeted FTEs	4.3	C
Total Cost	941	D

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

Budgeted SPP Inc. Indirect Costs \$ 3,645,677

¹Due to the timing of the budget process/schedule, the fixed estimated indirect expense charge for 2018 is based on 2016 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2018 overhead expenses will be included in the annual 2018 Business Plan and Budget true-up filing.

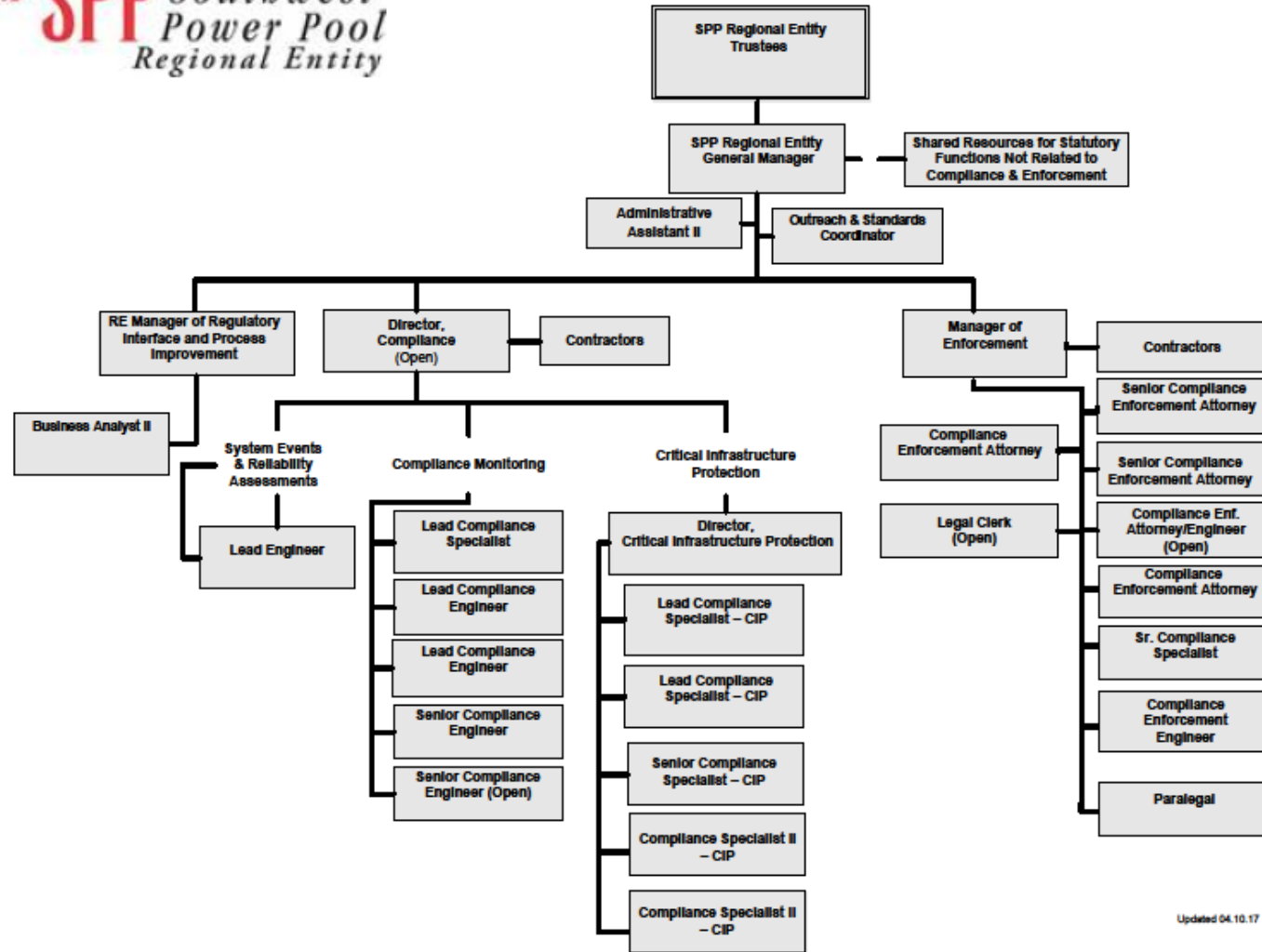
² SPP RE cost allocation is based on an appropriate measure per expense category (square footage, number of devices, headcount, etc.)

Section F– Organizational Chart 2018 Business Plan and Budget





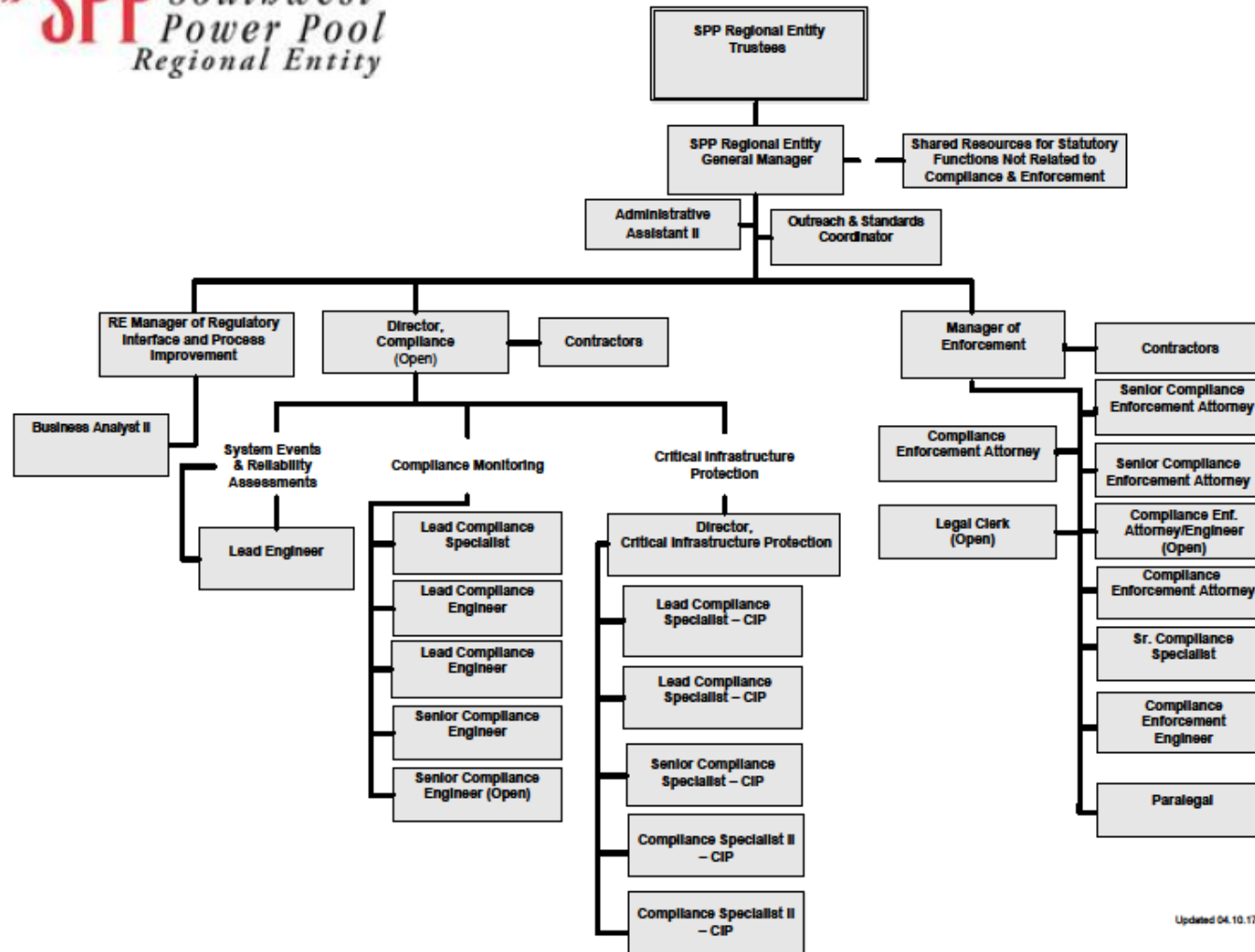
Organizational Chart - 2017



Updated 04.10.17



Organizational Chart - 2018 Proposed



Updated 04.10.17

Essential Reliability Services: Distributed Energy Resources (DER)

Update was provided to the PC on the 2017 work scope related to DER efforts, the timeline, and general discussion on activities planned for the upcoming year. Outline direction of the DER-related activities for 2017. On February 9, 2017, the NERC Board accepted the 2016 DER Report and approved the recommendations as identified in the Report. With the approval of this report, the PC was also presented with an updated ERSWG scope and a request to disband the Distributed Energy Resources Task Force (DERTF). PC approved the motion to disband the Distributed Energy Resources Task Force (DERTF) and the motion to approve updated ERSWG scope.

Reliability Guideline: Forced Oscillations

PC was presented an update on the draft guideline on forced oscillations that include fundamentals of oscillations. The guideline was developed by the SMS and serves as a framework for identifying, analyzing, and mitigating forced oscillations, along with several examples of these oscillations from across North America. The SMS is seeking approval to post for 45-day comment period. PC approved the motion for posting of the draft Reliability Guideline.

Reliability Guideline: Developing Load Model Composition Data

NERC staff reviewed this guideline that is intended to provide Transmission Planners (TPs) and Transmission Owners (TOs) with technical guidelines and reference material for developing reasonable and suitable load composition data for dynamic load models used in stability simulations. This guideline focuses primarily on the load composition aspect of dynamic load modeling. The guideline describes some aspects of dynamic load modeling such as motor performance, protection modeling and performing sensitivity studies. It is meant to provide insights and examples of how to develop load model composition data from various data sources, classify that data, and convert that information into suitable load model parameter values. The draft guideline was posted for a 45-day industry comment period; no comments were submitted and now the final version has been brought back to the committee for a final approval vote. Motion for final approval of the Reliability Guideline was approved

SW Outage Report: Recommendation 16 – Data Change Management

NERC staff reviewed the Data Change Management Processes for RTCA and Planning Models (Southwest Outage Recommendation 16). Recommendation 16 reads: “[Western Electricity Coordinating Council] WECC should ensure consistencies in model parameters between its planning model and its RTCA model and should review all model parameters on a consistent basis to make sure discrepancies do not occur”. MWG and the Regional staff in response to Planning Committee’s request drafted a report addressing areas such as; review of applicable NERC standards to data change management, and current Regional and registered entities practices. The report includes industry best practices, and identifies gaps in data change management processes along with recommended practices. Motion to approve the report was approved by the PC.

Probabilistic Assessment Working Group (PAWG)

PC was provided an update and requested to approve the 2016 Probabilistic Assessment

Report. NERC staff presented on the related activities of the recently established PAWG and reviewed the 2016 Probabilistic Report, which provides probabilistic reliability metrics, Loss of Load Hours (LOLH) and Expected Unserved Energy (EUE) for each assessment area and builds on the deterministic reserve margin metric. The high-level indices were originally included in the 2016 Long-Term Reliability Assessment that was approved by the PC in November 2016. The PC approved the 2016 Probabilistic Assessment Report.

Performance Analysis Subcommittee (PAS)

PAS Chair, reviewed scope updates to the PAS and the three working groups (GADSWG, TADSWG, and DADSWG) that report to the PAS and the proposed charter updates and how they align with the PC Charter. Motion to approve updated scopes for the PAS, GADSWG, TADSWG, and DADSWG was approved.

North American Transmission Forum Update

Ken Keels, NATF reported on modeling and planning activities underway at NATF, current and pending reference documents published for open distribution, and preview of June 2017 joint NATF-NERC Modeling Workshop. Discussion on the need to ensure NERC and NATF is avoiding any duplicative efforts and are aligned in prioritizing and addressing risks.

Power Plant Modeling & Verification Task Force (PPMVTf) | Update

NERC staff provided an overview of recent PPMVTf activities and work underway to develop guidelines and/or Implementation Guidance related to the relevant NERC MOD standards.

Geomagnetic Disturbance Task Force (GMDTF) | Update

GMDTF Chair provided an update on will include the latest on the efforts of the task force in response to FERC Order 830. The presentation will also include a timeline and consideration for PC involvement. The research plan must be filed with FERC by May 29, 2017. After it's submitted, there is a 3-year timeframe to complete the project.

System Analysis and Modeling Subcommittee (SAMS) | Update

SAMS Chair presented on the latest efforts by SAMS, including the joint NATF/SAMS modeling workshop and the development and issuance of an approved model list.

PCPMTF Technical Reference Document

NERC staff provided an overview of a recently released draft technical reference document is intended to provide technical reference material for Plant-level Control and Protection Modeling. This document focuses on studying the effects of plant-level, turbine, and boiler control and protection systems on power system stability. The report outlines the impacts on system stability during grid disturbances. Eventually lead to development of models and modeling practices sufficient to capture the critical control functions. The technical reference document will be sent to the committee for a 30-day review period.

CIP Update

April 24, 2017

Tulsa, OK

Shon Austin

Lead Compliance Specialist

saustin.re@spp.org

501.614.3273

Low Impact Bulk Electric System (BES) Cyber Systems Effective 4/1/17

CIP-003-6/Part 1.2: Low impact BES Cyber System Cyber Security Policies

- Entities must have one or more documented cyber security policies, reviewed and approved by CIP Senior Manager, for assets containing low impact BES Cyber Systems by 4/1/17
- Policies must collectively address:
 - 1.2.1 Cyber security awareness
 - 1.2.2. Physical security controls
 - 1.2.3. Electronic access controls for low impact External Routable Connectivity (LERC) and Dial-up Connectivity; and
 - 1.2.4. Cyber Security Incident response

CIP-003-6 R2: Low impact BES Cyber System Cyber Security Plans

- Implementation of the following plan(s) by 4/1/17:
 - Attachment 1, Section 1 (Cyber Security Awareness)
 - Attachment 1, Section 4 (Cyber Security Incident Response)
 - Includes the initial testing of the entity's Cyber Security Incident response plan under Section 4.5

CIP-003-6 R2: Low impact BES Cyber System Cyber Security Plans

- Implementation of the following plan(s) by 9/1/18:
 - Attachment 1, Section 2 (Physical Security Controls)
 - Attachment 1, Section 3 (Electronic Access Controls)
 - Includes the implementation Registered Entity's plan to meet the objectives of Sections 2 and 3

CIP-003-7 (Revisions)

- Revisions completed in response to directives in FERC Order
- Eliminated “LERC” and “LEAP” definitions
- Embedded concepts directly into requirement language
- Updated reference diagrams
- Added Transient Cyber Asset (TCA) for low impact BES Cyber Systems
 - Including protections for transient devices and removable media used at low impact BES Cyber Systems

CIP-003-7 (Revisions)

- Scheduled to be filed at FERC by 3/31/17
 - FERC having less than three sitting Commissioners, quorum cannot be met
 - Possible ruling towards the end of 2017 at the earliest
 - Potential effective date for the modifications could be the end of 2019

Supply Chain Management (CIP-013-1)

- R1 now focused on high and medium Impact BES Cyber Systems
 - Moved low impact BES Cyber System Requirements to CIP-003
- R1 now split into two requirements:
 - R1 - Develop and obtain CIP Senior Manager approval of plan(s)
 - R2 - Implement plan(s)
 - R3 & R4 - Move these operational requirements into existing CIP standards
 - R5 – Removed
- Standard drafting team is seeking stakeholder input to further develop technical guidance and examples

ERO Updates

- [NATF CIP-014-2 R1](#) - proposed audit approach for CIP-014-2, to be used by ERO Enterprise auditors
- CIP Compliance Task Force (CCTF) - Comprised of subject matter experts regarding compliance and reliability issues that pertain to CIP standards and security best practices

In the News...

- [2017 DHS-FBI-USSS Joint Threat Assessment](#) - Presidential Address to a Joint Session of Congress, Washington, DC

- Concerns of:

- Unaffiliated lone offenders
- Homegrown violent extremists
- Domestic extremists
- Foreign terrorist organizations

with sustained interest in attacking gatherings, landmarks, and critical infrastructure

SPP RE CIP Violations since 7/1/16

Standard/Rqmt	Self-Report	Audit / Spot Check	Self-Certification
CIP-002-5.1/R1		1	
CIP-003-6/R3	1		
CIP-003-6/R4			1
CIP-003-6/R5			
CIP-004-6/R2	2		
CIP-004-6/R4	3		
CIP-004-6/R5	3		
CIP-005-5/R1	2	7	
CIP-005-5/R2	0	2	
CIP-006-6/R1	2		
CIP-006-6/R2	2	1	
CIP-007-6/R1	2		1
CIP-007-6/R2	8		
CIP-007-6/R3	2		
CIP-007-6/R4	2	1	1
CIP-007-6/R5	6		
CIP-008-5/R3	1		
CIP-009-6/R1	1		
CIP-010-2/R1	7	2	
CIP-011-2/R1	2		
Total	46	14	3

Q1 System Events

Alan Wahlstrom
Lead Engineer

April 2017

Q1 SPP RE Events

- **Nine events occurred during Q1 2017**
- **All events were in lowest assignable risk category**
 - **Six category 1a. *Loss of three or more elements***
 - **Three category 1h. *Partial loss of EMS***

Loss of Real Time Contingency Analysis

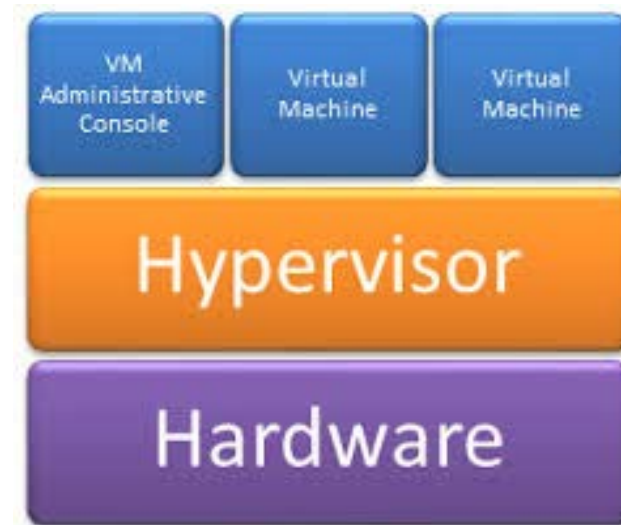
Category 1h

- **Real-Time Contingency Analysis (RTCA) tool would not solve**
- **Loss of data from neighboring areas and from two of its own RTUs**
- **Changed states of neighbors' breakers in model**



SCADA Outage - Category 1h

- Outage resulted in loss of operator ability to remotely monitor and control Bulk Electric System
- Initiating cause was hardware failure on primary hypervisor
- Caused virtual machines (VMs) running on the hypervisor to roll over to the other hypervisor and restart, as expected
- When VMs restarted, System Monitor service failed to run because Windows had not established necessary network connections
- Outage was resolved by transferring to ACC servers (from a PCC workstation) using System Monitor located on an ACC server



Contingency Analysis program failed to run - Category 1h

- Transmission Control Center's (TCC) RTCA tool failed to solve for 32 minutes
- EMS personnel logged into EMS, went to the display, and selected RTCA to run
- It solved successfully
- EMS personnel could not duplicate issue
- *Best practice learned:*
Modify the script to issue alarm when RTCA has not run for 10 minutes instead of 30, giving Transmission Operations and EMS support staff more time to correct any issues



Loose Static Wire - Category 1a

- Loose static wire caused one 115 KV circuit to open
- Misoperation caused two additional 115 KV circuits to operate
- 25 MW load loss and 5 MW generation loss



Static wire failure - Category 1a

- Ice caused a static wire to fall on double circuit 345 KV
- Ice attenuated carrier signal, allowing two additional lines to trip and two reactors
- Additional lines were tripped by operator due to high voltages



Ice storm line outage - Category 1a

- **Several lines out of service due to ice storm**
- **Fault occurred on 115 KV line, causing 115 KV bus and 230/115 KV transformer to de-energize**
- **Fault was cleared and 115 KV line energized, revealing another fault on additional 115 KV line**
- **Line relays on faulted 115 KV line failed to trip, causing first line to trip again**

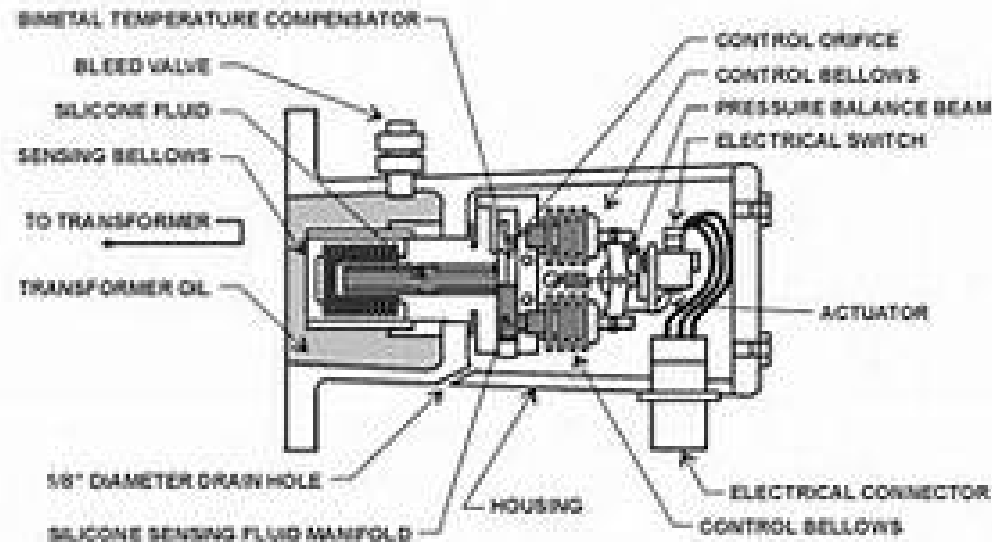


Human Error Power Supply - Category 1a

- **Station Maintenance Mechanics inadvertently re-energized DC system with reverse polarity**
- **Caused breaker failure lockout relays to operate, which tripped all 138 KV breakers in the Switch Station**
- **Caused breaker failure transfer trip signals to be sent to remote ends of each line connected to Switch Station**

Multiple Element Trip Category 1a

- Fault on 345 KV line causing lightning arrester to fail
- Two 345 KV lines tripped
- 345 KV/161 KV transformer Sudden Pressure Relay operated (misoperation)



NERC LESSONS LEARNED

Slow Circuit Breaker Operation Due to Lubrication Issues

- In 2015 and 2016, 19 circuit breaker fail-to-trip operations reported
- 12 were slow-to-trip circuit breakers
- Transmission circuit breakers are a maintenance challenge because of extended time in field without re-lubrication
- Mechanism failures have been traced to faulty lubricants and/or questionable lubrication practices

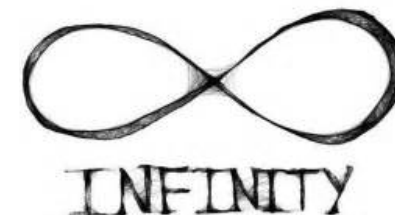


Slow Circuit Breaker Operation Due to Lubrication Issues

- **Circuit breaker owners should have policy on what types of lubricants to use and when to replace**
- **Use vendor-recommended lubrication maintenance practices**
- **Use periodic breaker timing tests or breaker analyzer checks to discover sticky breaker issues prior to having a breaker failure**

Loss of State Estimator (SE) Due to Propagated Database Values with Invalid Data

- Entity encountered an operational problem, causing SE to become non-convergent
- RTCA stopped running
- SE was failing on encountering database points containing invalid data, referred to as NaN (Not a Number)
- Vendor identified a bug in EMS software



Loss of State Estimator (SE) Due to Propagated Database Values with Invalid Data

- Halt incoming ICCP and/or RTU data exchange (to “hold” last known good data) immediately before reinitializing SE
- Check SE result after re-initialization while still using last known good data
- If no “NaN” or other invalid data problems are encountered, restore ICCP data exchange

Enforcement Update

April 24, 2017

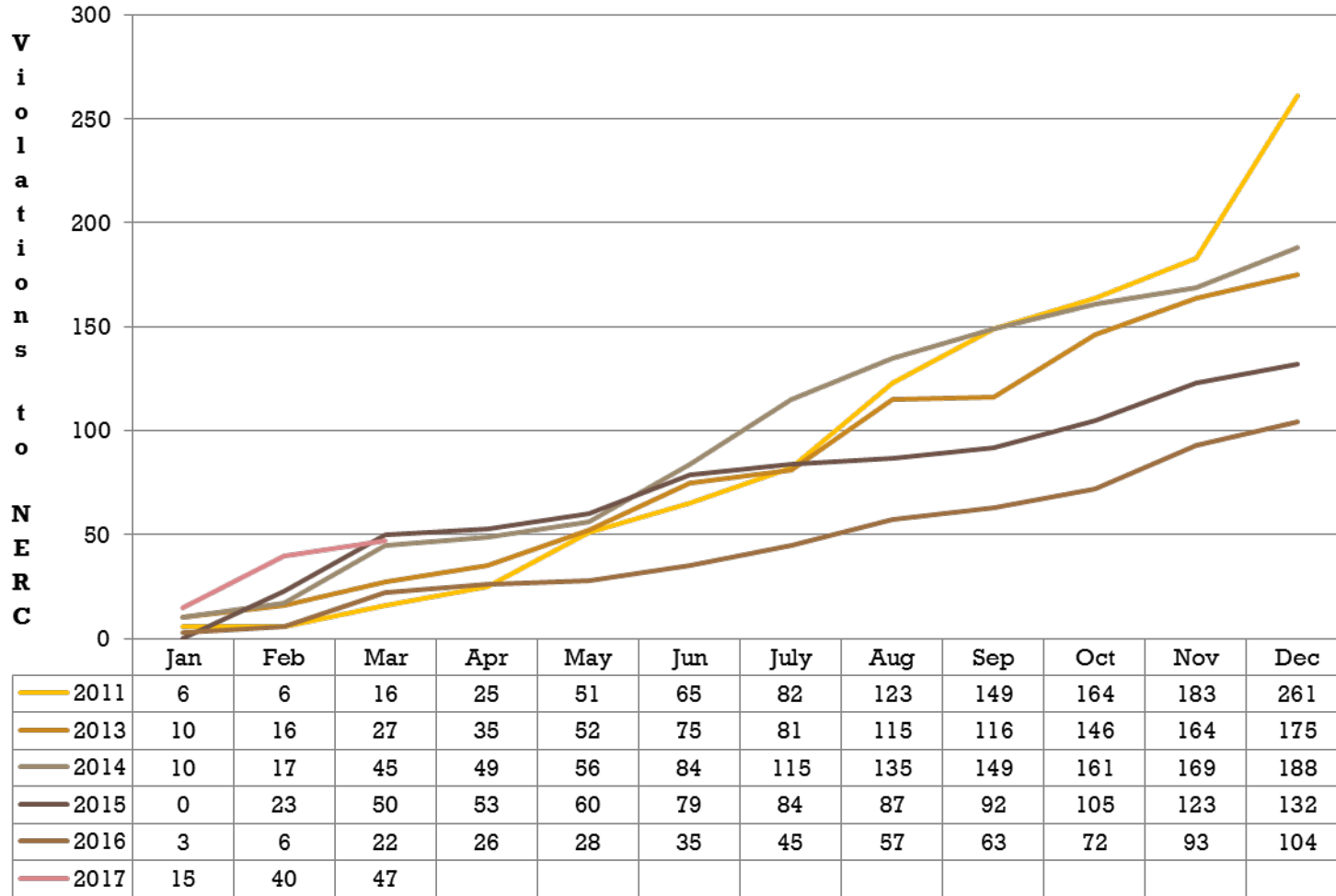
Joe Gertsch
Manager of Enforcement
jgertsch.re@spp.org
501.688.1672

Enforcement Activity Summary

SPP RE Enforcement Activities March 31, 2017	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	January	February	March	Total 2017
Notice of Preliminary Screen Issued	-	-	-	-	-	-	-	121	89	174	24	21	8	53
Notice of Possible Violations Issued	6	56	132	254	239	173	189	107	71	141	3	24	2	29
Notice of Alleged Violation (NAVAPS)														
NAVAPS Issued	6	45	10	7	0	2	1	6	0	7	0	0	0	0
Notice of Confirmed Violation (NOCV)														
NOCV Sent to Entity/NERC	0	8	25	15	4	1	0	1	0	0	0	0	0	0
NOCV BOTCC Approved	0	7	11	29	4	1	0	1	0	0	0	0	0	0
Settlements / Full Notice of Penalty														
To NERC for Approval	0	0	0	89	118	52	5	15	28	1	0	6	0	6
BOTCC Approved	0	0	0	50	81	103	14	30	24	5	0	0	0	0
Settlements / Spreadsheet NOP														
To NERC for Approval	0	0	0	16	22	49	43	59	8	0	0	0	0	0
BOTCC Approved	0	0	0	0	38	49	65	46	8	0	0	0	0	0
Find, Fix, Track														
To NERC for Approval	-	-	-	-	43	78	86	62	13	4	0	1	0	1
BOTCC Approval	-	-	-	-	36	74	95	61	14	4	0	0	1	1
Compliance Exception														
	-	-	-	-	-	-	-	1	69	68	13	16	5	34
Dismissals														
To NERC/SPP RE SRT for Approval	0	0	1	16	75	43	41	44	14	31	3	1	2	6
NERC/SPP RE SRT Approved		0	1	16	75	43	41	44	14	31	3	1	2	6
Notice of Penalty														
Approved by FERC	0	5	13	57	180	184	141	118	15	17	0	0	0	0
Violations Awaiting NERC Approval														11
Active Violations - Caseload														167
Caseload Index (months)*														15.5

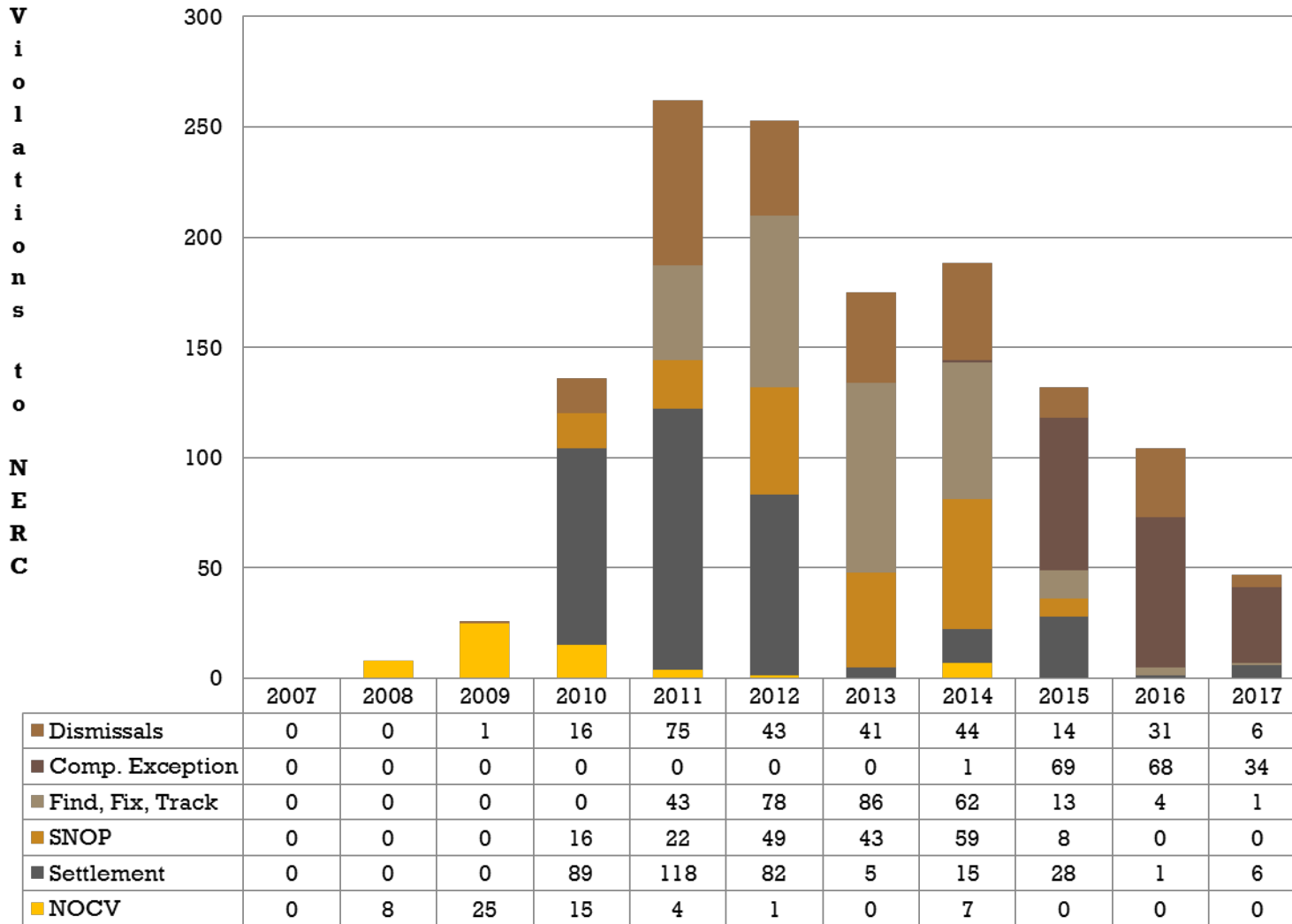
* Based on previous 12 months processing (129)

Enforcement Monthly Violation Processing



Running Total Violations

Enforcement Processing Methods



SPP RE Caseload – March 31, 2017

- 167 - Active SPP RE Violations
 - 21 - Settlement
 - 146 - Settlement Not Requested (NAVAPS/NOCV/CE/FFT)
 - 32 – Multi Region Registered Entity (MRRE) - SPP RE Lead on 8
 - 31 – PRC-019, PRC-024, MOD-025
- 71 - 693 Violations
- 96 - CIP Violations
- Discovery Method
 - 41 - Audit
 - 93 - Self Report
 - 28 - Self Certification
 - 2 – Spot Check
 - 3 - Log

Caseload Aging

- SPP RE – 143 violations
- Average age - 256 days

<u>Age (days)</u>	<u>Violations</u>
> 300	29
201 – 300	29
101 – 200	35
51 – 100	27
1 - 50	23

- Pre-2015 violations: 28
- MRRE: 24 violations, average age - 381 days

SPP RE 2017 Violation Dismissals

Consolidation with another violation	1
Transfer Dismissal.....	2
Self-Report wrong standard and/or requirement	0
Provided exculpatory evidence	0
Incorrect Interpretation of Standard	<u>3</u>
Total	6

March Mitigation Plan Summary

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

Submitted	7/17
Accepted	4/12
Certified Complete	10/26
Completion Verified	8/22
Mitigating Activity Completed	0/7
- **Active Violations with no Mitigation Plans**

Initiated	74 (15)
-----------	---------

Active Violations without Mitigation Plans

- Discovery Method

Compliance Audit	8
Spot Check	2
Self- Certification	17
Self-Report	47

Average age - 126 days

<u>Age (days)</u>	<u>Violations</u>
> 300	1
201 – 300	16
101 – 200	14
51 – 100	24
1 - 50	19



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

General Manager's Report

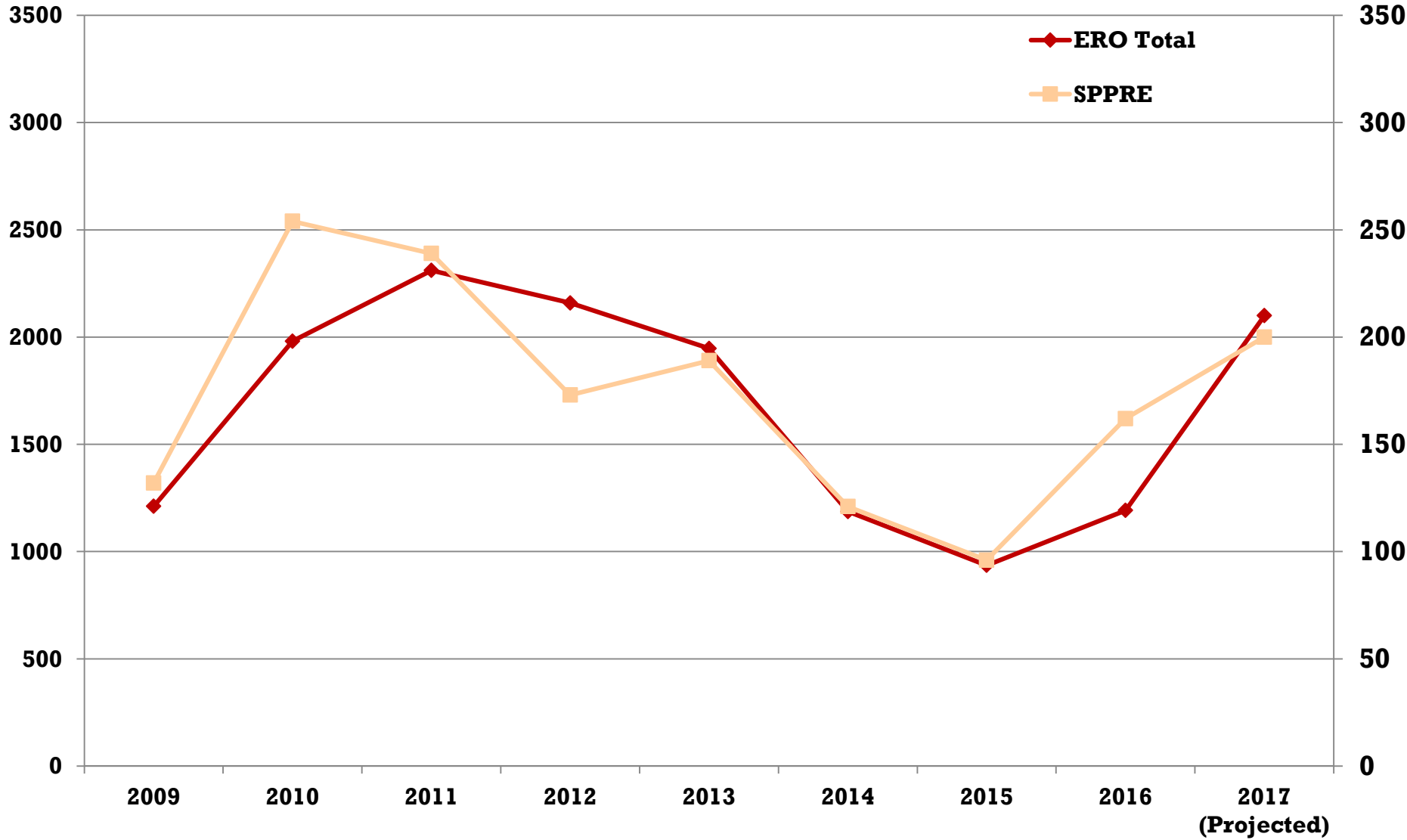
April 24, 2017

Tulsa, OK

Ron Ciesiel

SPP RE General Manager

Violations by Year



Most Violated Standards

Based on rolling 12 months through 3/31/17 [Represents ~ 83% of total violations]

SPP RE Rank	Standard	Description	Violations Current Period	Violations Previous Period	△	Risk Factor
1*	MOD-025	Generator Capability Testing	34	0	+34	Medium
2*	PRC-024	Generator Relay Settings (Hz & V)	29	0	+29	Med./Lower
3*	CIP-007	Systems Security Management	25	8	+17	Medium
4*	PRC-019	Generator Regulating Controls	18	0	+18	Medium
5*	PRC-005	Protection System Maintenance	18	9	+9	High/Med.
6*	CIP-005	Electronic Security Perimeters	11	6	+5	Medium
7*	CIP-004	Personnel & Training	10	2	+8	Med./Lower
8*	VAR-002	Network Voltage Schedules	9	5	+4	Med./Lower
9*	CIP-010	Change Management	8	0	+8	Medium
10*	CIP-006	Physical Security of Cyber Assets	6	6	-	Medium
	All	SPP RE Top 10 Total Incoming	168	36	+132	

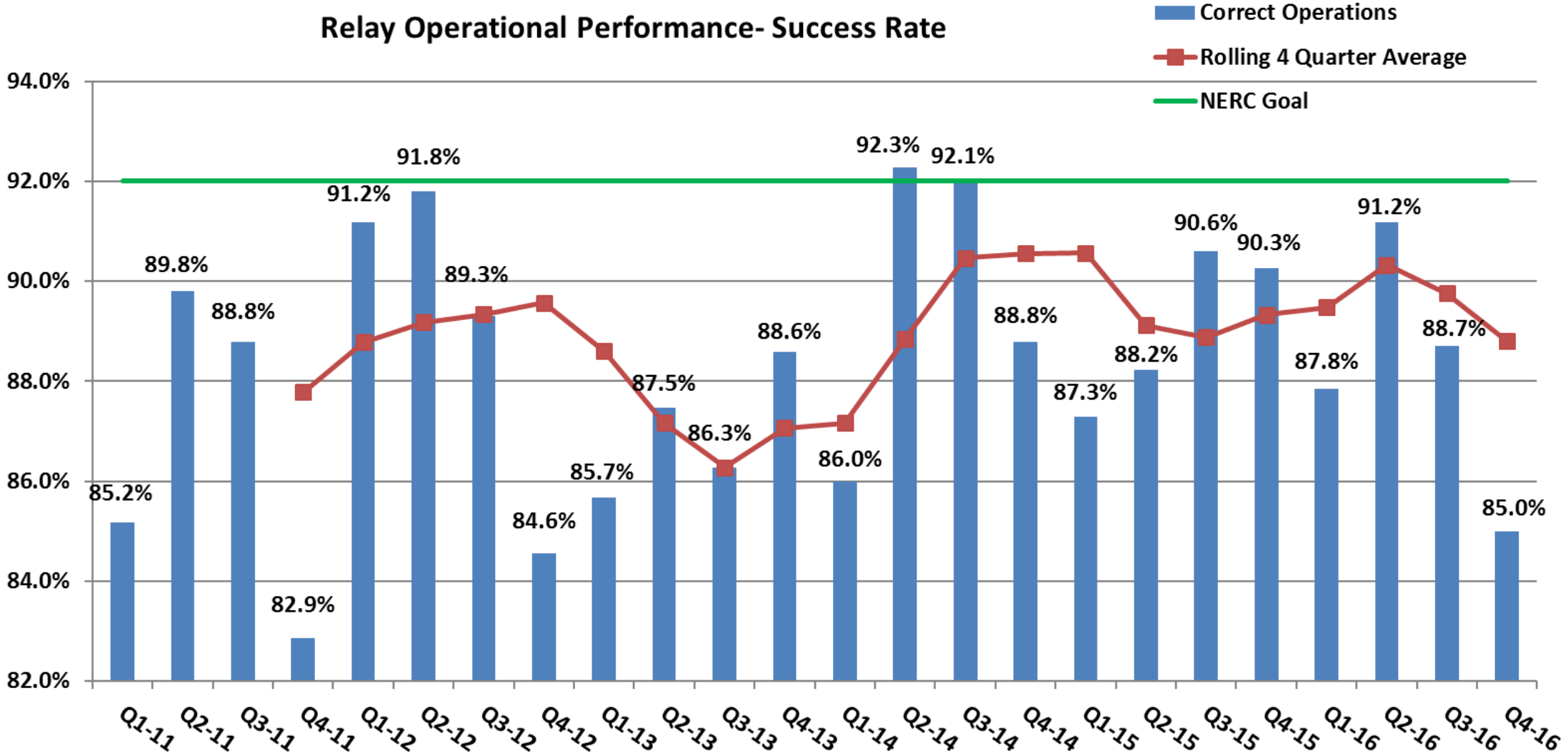
The current period is the most recent 12 months.

The previous period is the previous 12 months.

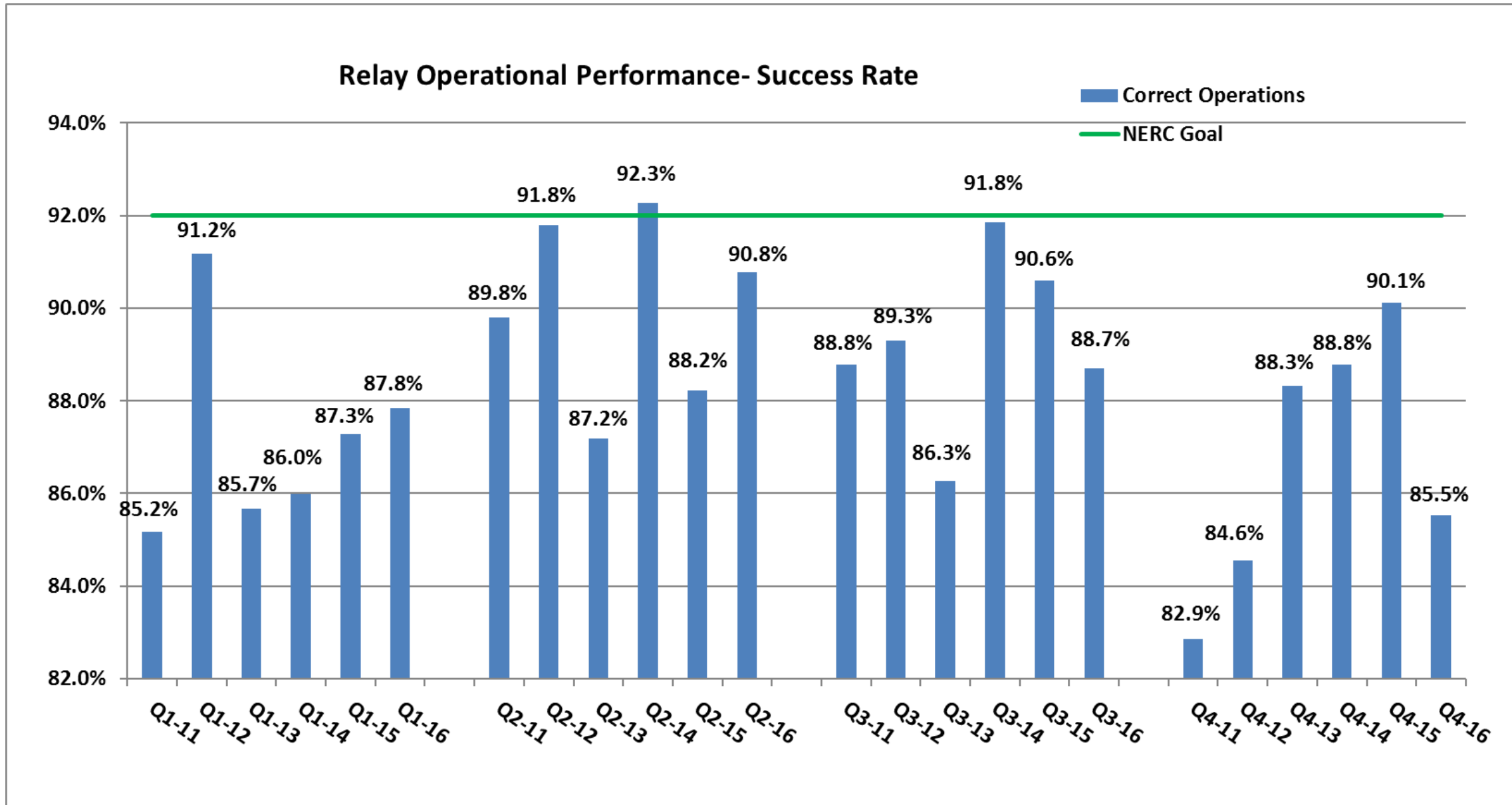
* NERC Top 10 as of December 31, 2016 (from 2016 ERO CMEP Annual Report)

SPP RE Misoperation Report as of Q4-16

Relay Operational Performance- Success Rate



Relay Operation Success Rate (Quarter Grouping)

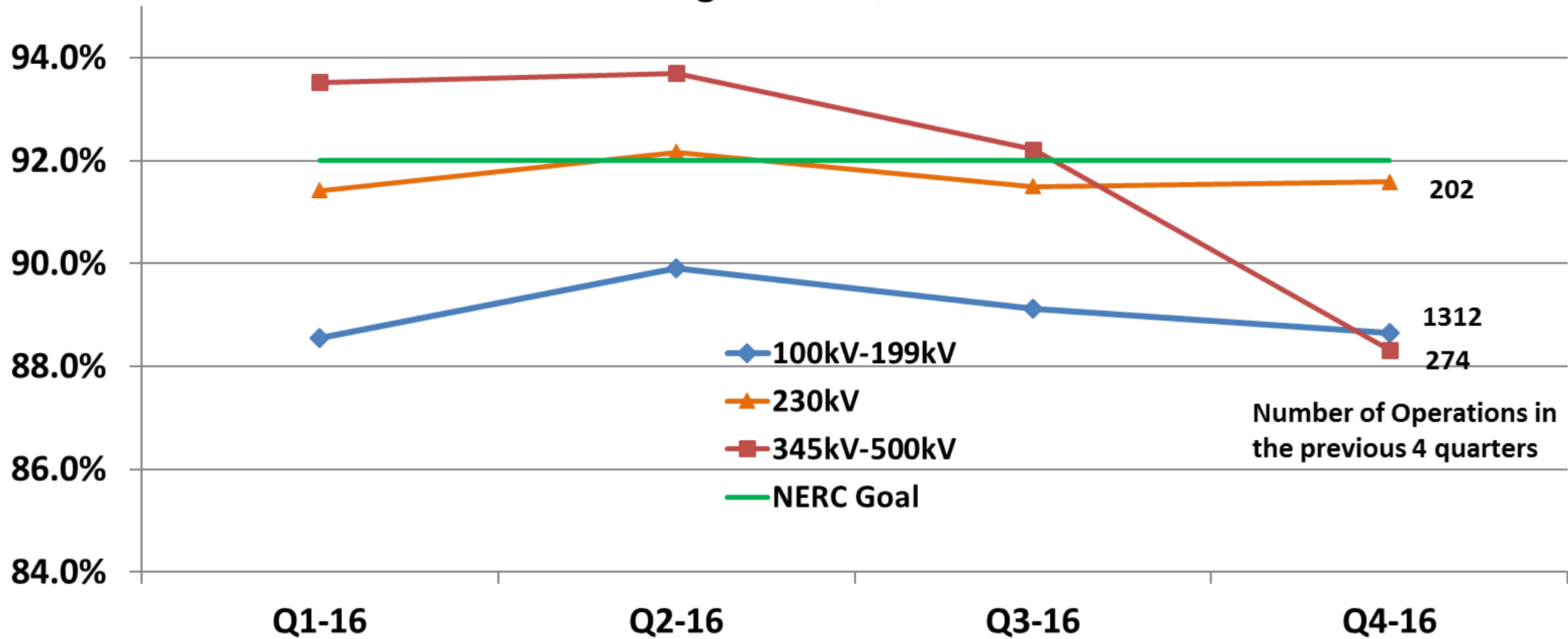


Success Rate by Voltage Category

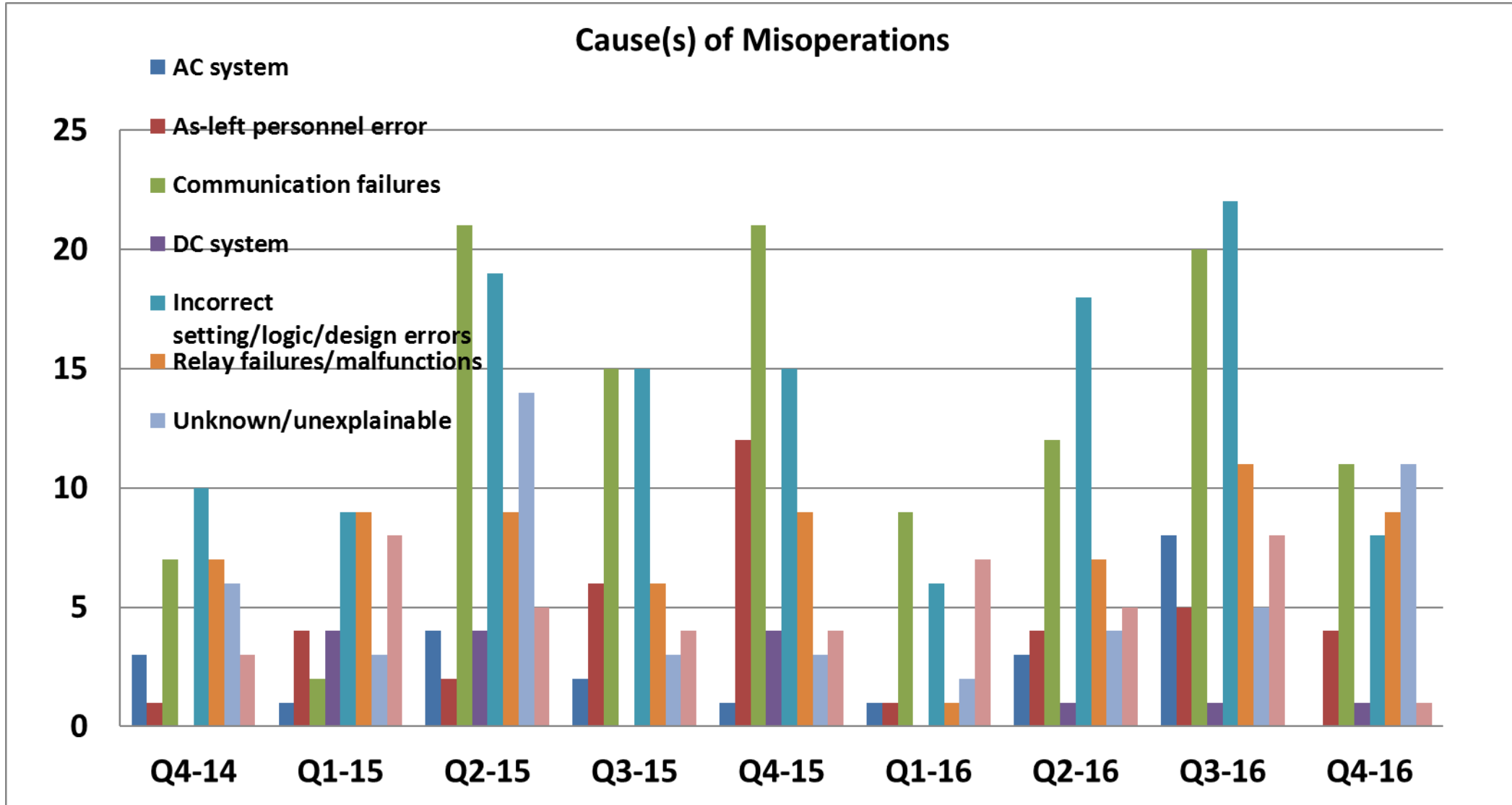
Rolling 4 Quarter Operation Success Rate by Voltage Category

SPP RE

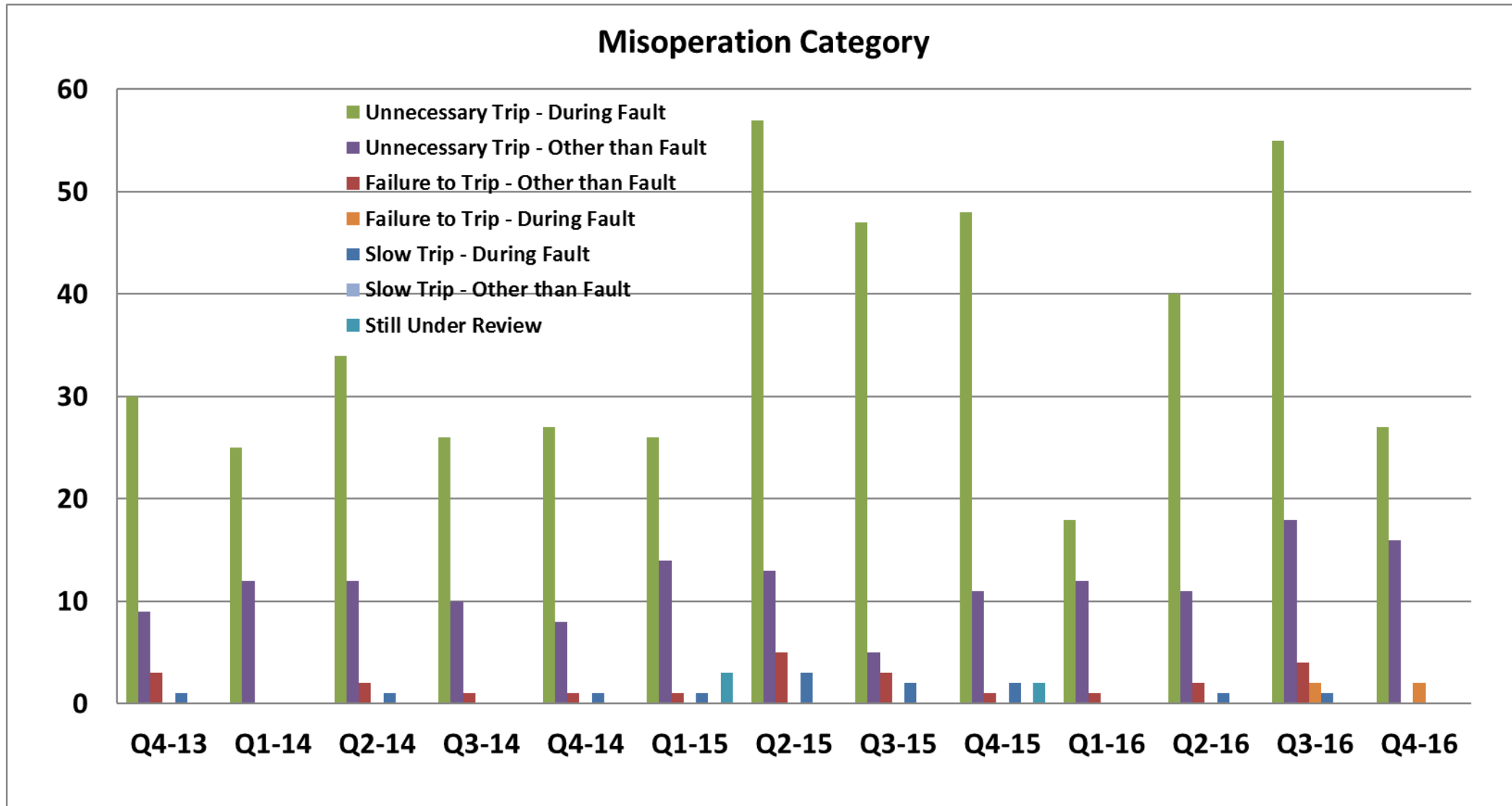
Ending Fourth Quarter 2016



Causes of Misoperations Q4-14 to Q4-16



Misoperations by Type



Additional Information

New Standards: April 1, 2017

- CIP-003-6-Cyber Security-Security Management Controls (Requirements 1.2-2)
- CIP-010-2 – Cyber Security Configuration change Management and Vulnerability Assessments (Requirement 4)
- EOP-004-3 – Event Reporting
- EOP-010-1 — Geomagnetic Disturbance Operations
- EOP-011-1 – Emergency Operations
- FAC-010-3 – System Operating Limits Methodology for the Planning Horizon

New Standards: April 1, 2017

- [FAC-011-3 – System Operating Limits Methodology for the Operations Horizon](#)
- [IRO-001-4 – Reliability Coordination: Responsibilities](#)
- [IRO-002-4 – Reliability Coordination: Monitoring and Analysis](#)
- [IRO-008-2 – Reliability Coordinator Operational Analyses and Real-time Assessments](#)
- [IRO-010-2 – Reliability Coordinator Data Specification and Collection \(Requirement R3\)](#)
- [IRO-014-3 – Coordination Among Reliability Coordinators](#)

New Standards: April 1, 2017

- [IRO-017-1 – Outage Coordination](#)
- [MOD-029-2a – Rated System Path Methodology](#)
- [MOD-030-3 – Flowgate Methodology](#)
- [PRC-010-1 – Undervoltage Load Shedding](#)
- [PRC-015-1 – Remedial Action Scheme Data and Documentation](#)
- [PRC-016-1 – Remedial Action Scheme Misoperations](#)
- [PRC-017-1 – Remedial Action Scheme Maintenance and Testing](#)

New Standards: April 1, 2017

- [PRC-023-4 – Transmission Relay Loadability](#)
- [TOP-001-3 – Transmission Operations](#)
- [TOP-002-4 – Operations Planning](#)
- [TOP-003-3 – Operational Reliability Data \(Requirement R5\)](#)

New Standards: April 2, 2017

- PRC-004-5(i) – Protection System Misoperation Identification and Correction
- PRC-010-2 – Undervoltage Load Shedding

New Standards: July 1, 2017

- CIP-004-6-Cyber Security – Personnel & Training (Requirements 2.3,4.3, 4.4)
- CIP-006-6-Cyber Security - Physical Security of BES Cyber Systems (Requirement 3.1)
- CIP-008-5-Cyber Security – Incident Reporting and Response Planning (Requirement 2.1)
- CIP-009-6-Cyber Security – Recovery Plans for BES Cyber Systems (Requirement 2.1-2.2)
- CIP-010-2-Cyber Security Configuration Change Management and Vulnerability Assessments (Requirement 3.1)

New Standards: July 1, 2017

- [MOD-033-1 — Steady-State and Dynamic System Model Validation](#)
- [TPL-007-1 Transmission System Planned Performance for Geomagnetic Disturbance Events](#)

New Standards: October 1, 2017

- [COM-001-3 Communications](#)

New Standards: January 1, 2018

- BAL-002-2 – Disturbance Control Standard – Contingency Reserve for Recovery from a Balancing Contingency Event
- PRC-026-1 Relay Performance During Stable Power Swings (Requirement 1)

New Standards: April, 2018

- PRC-004-5(i) Protection System Misoperation Identification and Correction
- PRC-010-2 Undervoltage Load

SPP RE Metrics Reporting as of March 31, 2017

Within Target

Outside Target but w/in Alloted Range

Outside Alloted Range

1. Maintain Caseload

2. Mit. Accept/Reject

3. Mit. Plan Completion

4. Process Pre-2016 Violations

Maintain a One-Year Caseload

FFT	Settle	Dismiss	NOCV	Comp. Ex	Total	Yr. Passed	25.0%
1	6	6	0	34	47	Caseload Complete	29.2%

Accept/Reject Mitigation Plans within 30 days

Current Avg. Days	10.69
Metric Eligibility	100.0%

Accept/Reject Resubmitted Mitigation Plans within 10 days

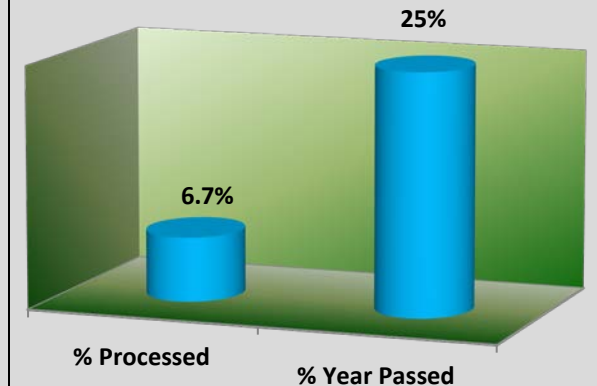
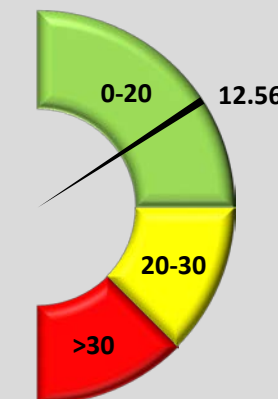
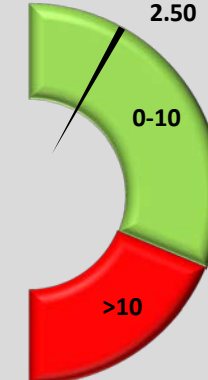
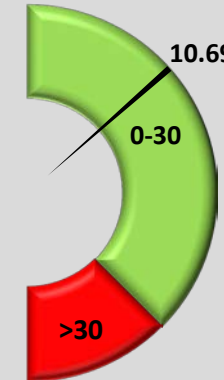
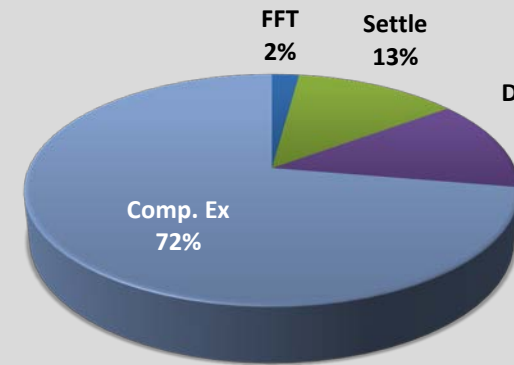
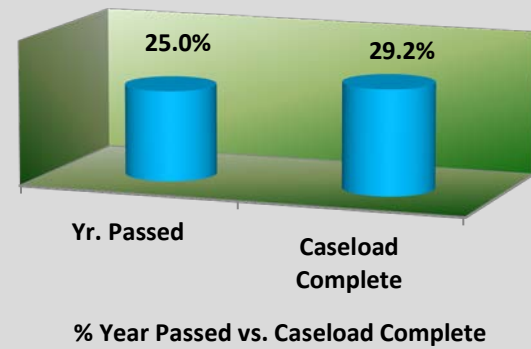
Current Avg. Days	2.50
Metric Eligibility	100.0%

Complete Mitigation Reviews <= 20 days

Current Avg. Days	12.56
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Process 100% of Pre-2016 Caseload

% Processed	6.7%
% Year Passed	25%



5. 30 Day Triage

6. Records Close Out

7. Publish Off-Site Audit

8. Publish On-Site Audit

9. Publish Excep., PDS, Self-cert

Complete Incoming Compliance Issue Triage in <= 30 days

Current Triage Avg. :	29.66
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Average Days to Close Out Violation Records

# of Violations closed out	34
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Publish Off-site within 40 days

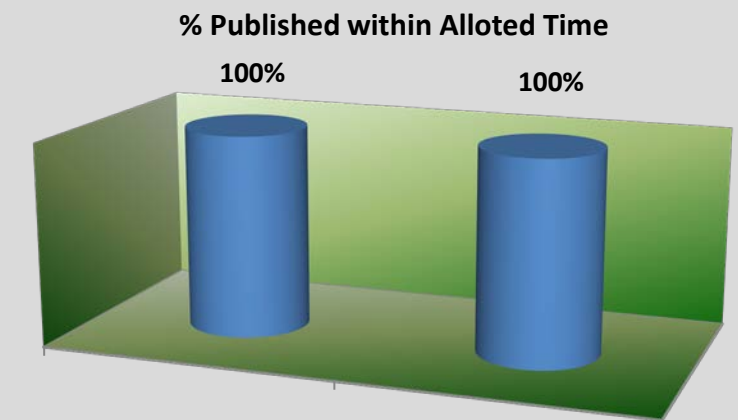
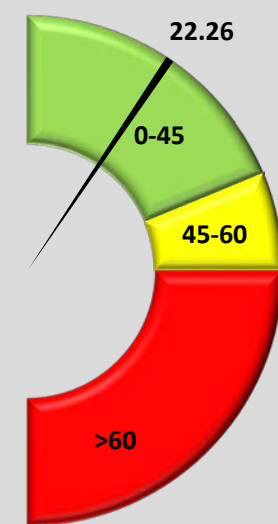
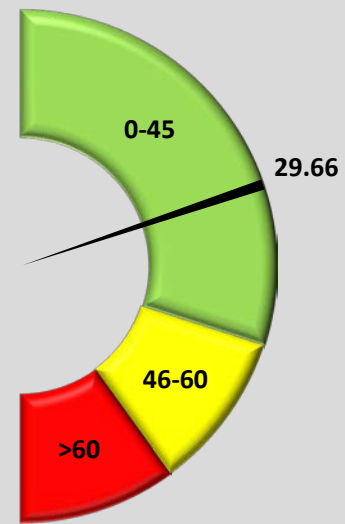
# Published YTD	0
# of Reports Published in more than 40 Days	0
Average Publishing Time <=40 Days	
Average Publishing Time 40-50 Days	
Average Publishing Time >=50 Days	
Average Days to Publish	0
% Published Reports <=40 Days	No Data

Publish On-site within 65 days

# Published YTD	2
# of Reports Published in more than 65 Days	0
Average Publishing Time <=65 Days	
Average Publishing Time 65-75 Days	
Average Publishing Time >=75 Days	
Average Days to Publish	58.0
% Published Reports <=65 Days	100%

Publish Reports Within Alloted Timeframe

Current Success Rate	100%
Target	100%



10. Incoming Processing

11. Cost Control

12. Misops Outreach

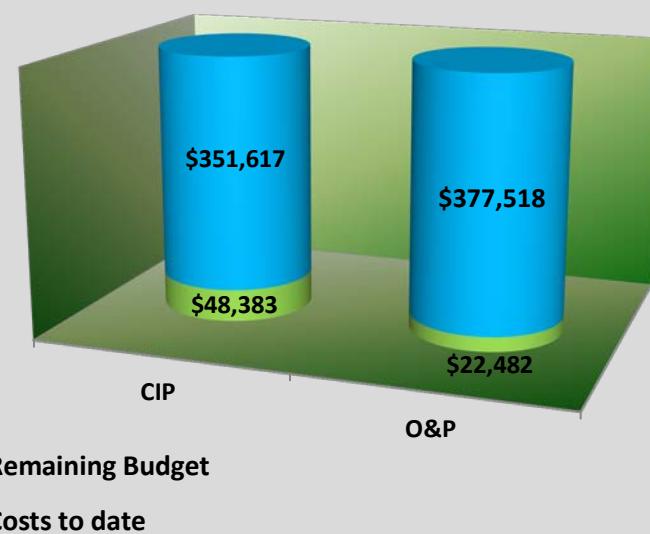
13. Outreach

14. 2017 Survey Results

Preliminary Screening of Potential Noncompliance Issues

Current Average Days	1.22
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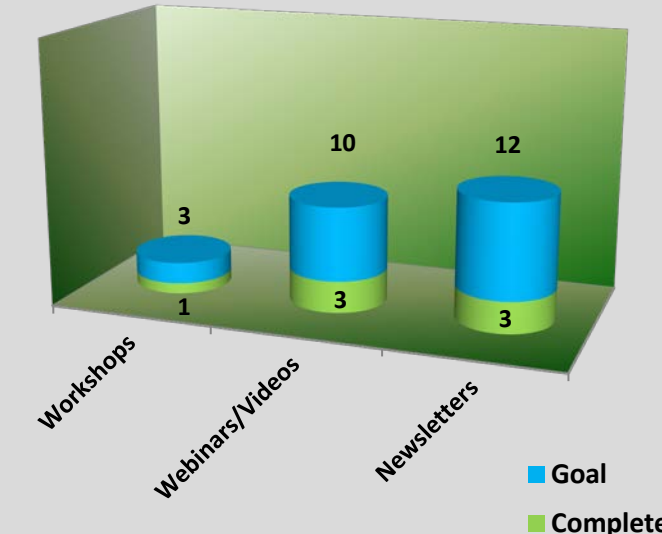
Maintain Costs at or Below 2017 Target



Conduct 12 Outreach Activities

2017 Year-to-date Activities	4
Percentage Complete:	33.3%

Conduct 3 Workshops, 10 Webinars/Videos, and 12 Newsletters in 2017



2017 Overall Stakeholder Survey Rating

Due January 2018



SEVENTY-FIVE YEARS OF
RELIABILITY THROUGH RELATIONSHIPS

SPP RE 1st Quarter Financial Report

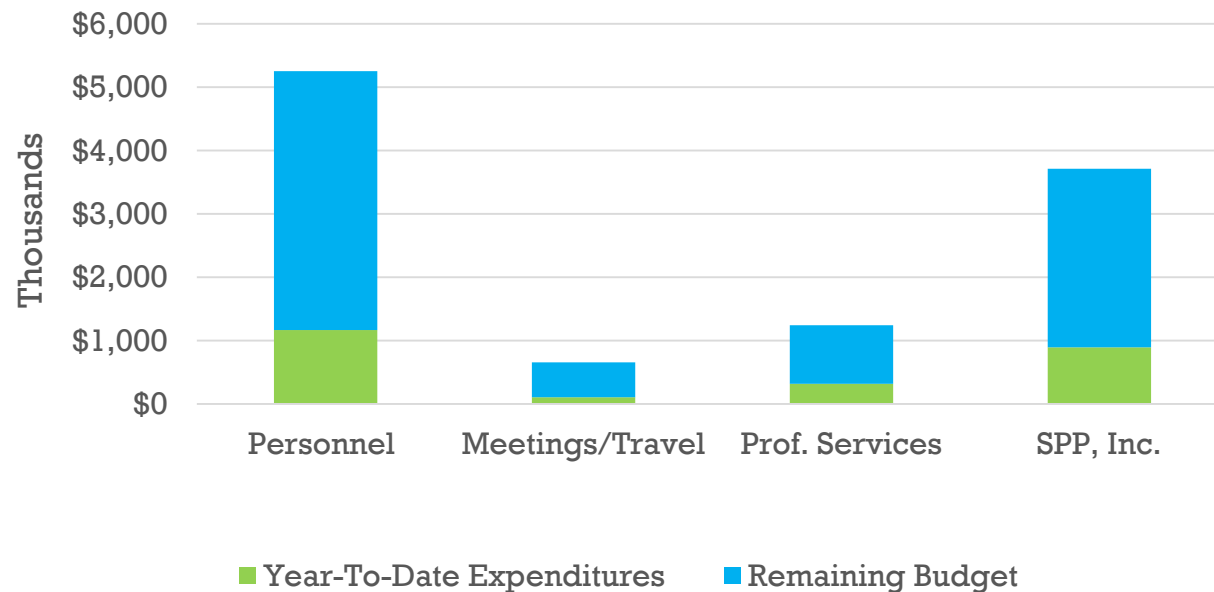
April 25, 2017

Debbie Currie

RE Manager of Regulatory Interface and Process Improvement

2017 Actuals vs. \$10.9 Budget

- Total expenses ~\$226k under budget
 - Personnel expenses ~\$148k under budget
 - Meeting/travel expenses ~\$55k under budget
 - Professional services ~\$9k over budget
 - SPP, Inc. overhead charge ~\$32k under budget



Overview

- **SPP RE began 2017 with three open staff positions**
 - Two enforcement positions came open late in the quarter; one position has been filled
 - Two positions currently posted
 - Drives a large percentage of budget variance (personnel and travel expenses)
- **Meeting/Travel expenses**
 - Open positions
 - Audit activities

Overview

- **Engineering Data Validation Tool**
 - New consultant hired in late 2016; project on schedule
 - Completion projected in October 2017
- **SPP, Inc. Overhead Charge**
 - Engineering Shared Staff FTEs slightly below budget
 - NERC published a two year assessment and study schedule



Debbie Currie

dcurrie.re@spp.org

501-688-8228

SOUTHWEST POWER POOL REGIONAL ENTITY
STATEMENT OF ACTIVITIES
2017 MARCH YTD DRAFT (UNAUDITED)

<i>(In Whole Dollars)</i>	2017 MAR YTD ACTUAL	2017 MAR YTD BUDGET	VARIANCE	VAR %	2017 FULL YEAR PROJECTION	2017 FULL YEAR BUDGET	VARIANCE
Funding							
ERO Funding	2,273,138	2,273,138.25	-		9,092,553	9,092,553	-
Penalty Sanctions	92,438	92,437.50	-		369,750	369,750	-
Total SPP RE Funding	2,365,576	2,365,576	-		9,462,303	9,462,303	-
Testing Fees	-	-	-		-	-	-
Workshops	-	-	-		-	-	-
Interest	976	-	976		976	-	976
Miscellaneous	-	-	-		-	-	-
Total Funding (A)	2,366,552	2,365,576	976	0.0%	9,463,279	9,462,303	976
Expenses							
Personnel Expenses							
Salaries	926,344	1,096,401	(170,057)		4,040,405	4,385,605	(345,200)
Payroll Taxes	57,263	83,875	(26,612)		281,479	335,499	(54,020)
Benefits	122,323	89,566	32,757		424,757	358,263	66,494
Retirement Costs	59,978	43,856	16,122		208,150	175,424	32,726
Total Personnel Expenses	1,165,907	1,313,698	(147,790)	-11.2%	4,954,791	5,254,791	(300,000)
Meeting Expenses							
Meetings	29,249	30,000	(751)		118,645	120,000	(1,355)
Travel	79,601	134,250	(54,649)		438,355	537,000	(98,645)
Conference Calls	-	-	-		-	-	-
Total Meeting Expenses	108,851	164,250	(55,399)	-33.7%	557,000	657,000	(100,000)
Operating Expenses							
Contracts & Consultants	191,090	255,178	(64,088)		970,710	1,020,710	(50,000)
Office Rent	-	-	-		-	-	-
Office Costs	4,228	2,500	1,728		10,000	10,000	-
Administrative Costs	-	-	-		-	-	-
Professional Services	124,697	53,025	71,672		212,100	212,100	-
Computer Purchase & Maint.	-	-	-		-	-	-
Depreciation	-	-	-		-	-	-
Miscellaneous/ Contingency	-	-	-		-	-	-
Total Operating Expenses	320,014	310,703	9,312	3.0%	1,192,810	1,242,810	(50,000)
Total Direct Expenses	1,594,772	1,788,650	(193,878)	-10.8%	6,704,601	7,154,601	(450,000)
SPP Inc. Indirect Expenses	895,397	927,728	(32,331)		3,660,910	3,710,910	(50,000)
SPP RE Indirect Expenses	-	-	-		-	-	-
Total Indirect Costs	895,397	927,728	(32,331)	-3.5%	3,660,910	3,710,910	(50,000)
Total Expenses (B)	2,490,169	2,716,378	(226,209)	-8.3%	10,365,511	10,865,511	(500,000)
Net Change in Assets (A-B)	(123,617)	(350,802)	227,185		(902,232)	(1,403,208)	500,976
Fixed Assets							
Depreciation	-	-	-		-	-	-
Computer & Software CapEx	-	-	-		-	-	-
Furniture & Fixtures CapEx	-	-	-		-	-	-
Equipment CapEx	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Increase/(Decrease) in Fixed Assets (C)	-	-	-		-	-	-
Total Budget (Expenses plus Incr (Dec) in Fixed Assets (B+C))	2,490,169	2,716,378	(226,209)	-8.3%	10,365,511	10,865,511	(500,000)
Change in Working Capital (Total Funding less Total Budget) (A-B-C)	(123,617)	(350,802)	227,185		(902,232)	(1,403,208)	500,976
FTEs*	29.4	33.25	(3.89)	-11.7%	33.25	33.25	-
Beginning WC - 01/01/2017	3,140,957	1,403,208	1,737,749		3,140,957	1,403,208	1,737,749
Change to WC - 2017 YTD	(123,617)	(350,802)	227,185		(902,232)	(1,403,208)	500,976
Working Capital as of 3/31/17	3,017,340	1,052,406	1,964,934		2,238,725	-	2,238,725

*Headcount (RE direct staff count as of 3/31/2017 and shared staff YTD billed hours/1880).

Outreach Update

April 24, 2017

Tulsa, OK

Emily Pennel

Outreach Coordinator and SPP RE Trustees Secretary

Outreach

- 228 in-person and WebEx attendees at Spring Workshop
- Upcoming Dates:
 - [April 24 – Trustee Meeting](#): Tulsa, OK
 - May 12 – Open Mic call for stakeholders (new)
 - [June 27 – CIP Workshop](#): Little Rock, AR
 - [June 28 – Trustee Budget Meeting](#): Little Rock, AR
 - [July 24 – Trustee Meeting](#): Denver, CO
 - August 31 – Misoperations Summit: Kansas City, MO
 - October 24-25 – Fall Workshop: Dallas, TX
 - October 30 – Trustee Meeting: Little Rock, AR
- [RE Video Library](#) – New page listing all 60 videos of staff, stakeholders, and guest speakers

NERC Compliance and Certification Committee Status Report

April 24, 2017

Submitted by Jennifer Flandermeyer, SPP RRO Representative

Director, Federal Regulatory Compliance Policy, Kansas City Power & Light Company

The North American Electric Reliability Corporation (NERC) Compliance and Certification Committee (CCC) convened their quarterly meetings on March 15-16, 2017. The following are the most significant highlights from those meetings. Agenda and background materials are posted as follows:

<http://www.nerc.com/comm/CCC/Agenda%20Highlights%20and%20Minutes%202013/CCC%20March%20Agenda%20Package.pdf>

Minutes and additional background materials should be posted in the next few weeks. A complete record, actions not reflected below, CCC administrative business and NERC Staff updates can be found in the minutes when posted.

Board of Trustees Follow-up to Regional Consistency

Ms. Metro provided an update to the Committee on regional consistency efforts. She talked about the report to the Board of Trustees Compliance Committee and then Mr. McIntyre provided his thoughts about the BOTCC presentation as well as some representative comments from the discussion about the direction the CCC and ERO Leadership proposed. Comments were generally favorable. Ms. Case provided clarity that this is an ERO process and they must own it. The initial triage of incoming issues will be with ERO staff first and involved the CCC in most areas but selectively to avoid items specific to an entity or where enforcement matters (for example) may be included. The tool to capture the reported items will be managed by NERC. There were categorical representations about the types of inconsistencies that may be concerning: 1) cost burdens, 2) discriminatory treatment, 3) harm to reliability and 4) design of CMEP implementation (process burden). Ms. Metro covered the activities from the Task Force meeting that was conducted on Tuesday, March 14th and explained the structure of the Task Force that will transition to a Working Group. She explained the governance process associated with a Working Group and how the process would work going forward similar to the process for the Nominating Subcommittee. The Task Force will continue efforts creating a Scope document (Ed, Patti and Jennifer) and Process Flow to keep the group moving forward while the Working Group is formalized. Timeline for deliverables will be another report provided to the BOTCC in May 2017 (closed session) and the CCC deliverables with ERO staff will be presented to the BOTCC in August 2017.

Independent Audits

Status Update on Independent Audit for NERC Compliance Monitoring and Enforcement Program (CMEP) and Organization Registration and Certification Program (ORCP) and

Overview of 2017 Standard Processes Manual (SPM) Audit: Mr. Gibbons presented on the update of the outstanding items from the audit of CMEP and ORCP. There is one item remaining open. He discussed the SPM audit and noted that NERC is in negotiations with an external auditor to perform the audit and have received a Statement of Work. The timeline looks to be mostly second and third quarters but planning may be starting soon. He explained why the audit of the SPM was required and how it would be conducted. He announced that the CCC observer team had been formed.

CCC Role in NERC Internal Audit Oversight Plan of Regional Entities: Ms. Thomas discussed the developing activity to more actively involve the CCC in the process they execute in response to Appendix 4A of the ROP. She informed the Committee of collaboration efforts that will be a priority over the next year to develop a program or process to manage with observers. NOTE: She asked if members could still volunteer to observe the SPM audit. While the answer was yes, we need to manage the groups' numbers.

Compliance Guidance

Nuclear Energy Institute (NEI) Request to be a Pre-Qualified Organization: Mr. Goldberg discussed an application had been received from NEI to be designated a Pre-Qualified Organization for submission of Implementation Guidance. Some discussion occurred with the Committee about the process. Action Item: NERC will reach out to the Regional Entities and define the specific groups included in Pre-Qualified Group (18) referenced as the RE Stakeholder Groups. Mr. McIntyre requested a footnote addition for clarity after the discussion. The CPPS recommended to the CCC to approve NEI and the CCC took action to approve as a Pre-Qualified organization.

Update on Compliance Guidance Activities: Mr. Lyons provided an update on the status of documents for proposed Implementation Guidance. He provided details on some of the documents in progress and statistics related to review of Implementation Guidance submission. This was discussed with CPPS as well with no addition actions from that discussion. Mr. Lyons provided information on a developed ERO Practice Guide instructing deference to the endorsed Implementation Guidance. He discussed next steps as developing a guideline for submission of guidance and industry outreach on the same topic.

Subcommittee Updates

Nominating Subcommittee: Ms. Nalley reported that there are several open seats to be filled and several memberships up for reappointment by the Board. She asked the members whose terms were expiring to respond to her affirmatively with their intent to continue.

ERO Monitoring Subcommittee (EROMS): Mr. Hobson discussed the transmittal of the Stakeholder Perception Survey to EWRC previously. He mentioned the next survey will be conducted in 2018 looking back on 2017. Mr. Hobson reported on the 2016 CMEP and ORCP self-certifications documents with a suggested timeline to finalize them in the

second quarter. Mr. McIntyre agreed. Ms. Metro will be transmitting the submittal letters or the Self certification.

Compliance Processes and Procedures Subcommittee (CPPS): Mr. Goldberg stated they have a plan to review all the procedures owned by the CPPS by end of the year and specifically highlighted the hearing procedures requesting a copy of the Hearing Training from Ed Kichline performed for the members at the November 2016 meeting. He also reported that CPPS discussed the NEI application as previously discussed as well as Compliance Implementation Guidance.

Organization Registration and Certification Subcommittee (ORCS): NERC Rules of Procedure (ROP) changes - Mr. Comeaux reported ORCS had a full house for the meetings and discussed in detail proposed changes to the ROP that will continue to develop in collaboration with the ERO. He offered a special thanks to Ms. Bigelow for her hard work on the project and leadership in keeping the process moving forward. He highlighted additional collaboration efforts in process with the ORC Program managers as well as ERO ORCG.

Focused Discussion on Internal Controls

Internal Controls Update: Ms. Kruppa reminded the CCC of the changes to the ERO Guides for CMEP and Internal Controls. She went on to discuss the 2017 focus areas around Internal Controls. She discussed the timing of execution of review of internal controls by ERO staff, how the process might occur and what tools were available to ERO personnel related to Internal Controls. She concluded with optional next steps including outreach and suggested that due to the CCC Work plan item that this would be a good point of collaboration to flesh out messages needed for industry or participate.

CCC Request for Input on Industry Outreach: Ms. Metro and Ms. Kruppa outlined further discussion that was highlighted by Mr. Cauley in his opening remarks about internal controls. He highlighted the themes that Ms. Metro explained from the consistency discussion and explained the purpose for CMEP prevent non compliances that will stop harm in the future. If an entity is finding and self correcting – this is a strong maturity step forward for the industry. Discussion occurred and many CCC members offered feedback about what is working well and what may need additional messaging for industry. NOTE: Some key items emerged: NPCC members have had very positive experiences with ICE, some members have been told No on ICE, timing of ICE and voluntary is still unclear, Use of GAGAS / Yellow Book / Red Book / COSO is confusing industry personnel, and understanding of controls is still very confusing to some members. After much discussion, it was recommended that key principles in the document would be helpful. While this is an ERO Practice Guide and although shared with industry is for use by the ERO – all of industry is working from it so principles included may help. Ms. Metro asked Mr. Bilke to take the lead in drafting those. He agreed and has been joined by a team of members (Kevin Conway, Greg Campoli, Scott Tomashefsky, John Rhea, and Jennifer Flandermeyer). NERC will consider what is recommended. Discussion was helpful as a starting place for the conversation about how the CCC can help identify messaging for Outreach.

Future Meeting Dates

- May 17 – 18, 2017: Salt Lake City, UT (Hosted by WECC)
Wednesday, 8:00 a.m. – 5:00p.m. and Thursday, 8:00 a.m. – Noon
- September 13 – 14, 2017: Atlanta, GA (NERC Offices)
Wednesday, 8:00 a.m. – 5:00 p.m. and Thursday, 8:00 a.m. – Noon
- November 29 - 30, 2017: West Palm Beach, FL (Hosted by FPL)
Wednesday, 8:00 a.m. – 5:00 p.m. and Thursday, 8:00 a.m. – Noon
- 2018 Dates will be posted soon.

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

Submitted by Eric Ervin, Chair, SPP CIPWG
April 12, 2017

NERC CIPC Meeting

- The NERC CIPC held its quarterly meeting in Atlanta, GA March 8-9, 2017.
 - Agenda, Presentations, and Minutes:
 - <http://www.nerc.com/comm/CIPC/Pages/AgendasHighlightsandMinutes.aspx>
 - Next NERC CIPC Meeting will be held in San Diego, CA June 6-7, 2017.
- Mr. Marc Child, CIPC Chair, Great River Energy, provided the opening remarks.
 - 2017 Work Plan Update – Work plan maps to the Reliability Issues Steering Committee (RISC) and is available online. Mexico is starting to participate and has signed a legal agreement to do so.
- Agency Updates
 - Federal Energy Regulatory Commission
 - No quorum due to having only 2 commissioners. Currently acting under “Delegation Authority” that does not cover many issues. Have issued a Notice of Inquiry with reference to the Ukrainian incident and White Listing. FERC has completed some CIP V5 audits and are scheduling 3 or 4 more. Planning to conduct a few CIP-014 audits. Will notify affected companies ahead of time.
 - Department of Energy
 - ClearPathV exercise scheduled for May 31st - scenario is Hurricane. Liberty Eclipse Exercise After Action Review report to be released soon. EMP Action Plan is available on DOE website.
 - Department of Homeland Security
 - No Report
- Mr. Marc Sachs, Senior Vice President and Chief Security Officer, NERC, provided an E-ISAC Update
 - There was a second Ukrainian incident; adversaries got in the same way they did before. Recommended mitigating measures must not have been implemented. An Internet-of-Things (IoT) bulletin has been issued with recommendations and questions.
 - GridSecCon Review – Bill Lawrence, Director, Programs and Engagement – GridExIV training scheduled. Will occur Oct.17-20, 2017 in Minneapolis, MN.
 - Notable cyber incidents past quarter
 - Phishing is #1. Scanning of IoT devices, Microsoft O365 authentication services and Ransom ware aimed at municipals and COOPs.
 - Notable physical incidents past quarter

- Surveillance, UAW's (Need to report to local FAA!), and continued copper theft and random gunfire.
 - Staffing
 - 17 employees plus three contractors in the Washington, DC office
 - Physical security manager transferred internally
 - Member services manager (ESCC recommendation) hired in August
 - Active search for a new Watch Operations Team director
 - Technology
 - Web portal upgrade project initiated in June, will finish in November
 - New platform project RFP issued in late October
 - STIX/TAXII pilot in final stages of vendor procurement
- Mr. Marc Child, CIPC Chair, Great River Energy, provided a CIPC Executive Committee Annual Strategic Planning Update
 - Annual Planning Goals
 - Align CIPC efforts with NERC strategic plan and ensure the work plan is mapped to RISC priorities. CIPC voting members are asked to chair or co-chair a working group or taskforce at least once within a two-year term. Need to ensure expertise in voting members.
 - Review workgroup & taskforce charters and makes changes as necessary
- Mr. Gerry Cauley, President and CEO, NERC, provided final remarks
 - Highlights of 2016
 - Ukraine attack, political motivations, Internet of Things.
 - Significant points of progress
 - E-ISAC improvements due to report; new platform for the E-ISAC, more interactive, increase in ISAC participation.
 - Roll-out of CIPV5
 - Challenges
 - Lessons Learned from FERC CIP Audits (do we have proper measures and controls) and Physical Security Assessments
 - Effects of new Administration
 - Coordinating Council in its current form has only ever known one President, Whitehouse, and DHS. All the relationships will be gone and new ones will have to be built with new leadership
 - Had a "battle rhythm" with current administration

NERC Operating Committee Update March 2017

SPP Regional Entity Trustees

April 24, 2017

Jim Useldinger, South Central MCN

A regular meeting of the NERC Operating Committee (OC) was held on March 7-8, 2017 in Atlanta, Georgia.

OC meeting highlights:

- **VOTING ITEMS**

- **Reliability Guideline: Situational Awareness for the System Operator**
The Personnel Subcommittee developed a reliability guideline that addresses system operator situational awareness.
The OC approved a final version the reliability guideline.
- **Dynamic Tag Exclusion Management Document**
The Operating Reliability Subcommittee developed a guidelines document that addresses the management of dynamic tag exclusions.
The OC approved posting this document for a 45-day industry comment period.
- **Pseudo Tie Reference Document**
The Operating Reliability Subcommittee developed a reference document that addresses how pseudo ties are treated in the IDC.
The OC approved posting this document for a 45-day industry comment period.
- **Essential Reliability Services Working Group Scope Document**
The ERSWG presented a revised scope document that outlines the continued development and refinement of the ERS Sufficiency Assessment (no longer to be called Sufficiency Guidelines).
The OC approved this scope document.
- **Methods for the Establishment of IROs Task Force (MEITF) Scope Document**
As part of the BAL-006 drafting team process, the recommendation, and subsequent approval of the retirement of BAL-006 as a reliability standard was contingent on the development of an Inadvertent Interchange Guideline.
The OC approved this revised scope document.
- **ORS Recommendation to the Disposition of the Data Exchange Working Group (DEWG) and the Telecommunications Working Group (TWG)**
The OC approved a motion to dissolve both of these working groups and to retain DEWG website information for 12 months to retain the institutional knowledge.

- **INFORMATION ITEMS**

- **Short-Term Special Assessments: Single Points of Disruption on Natural Gas Infrastructure**

NERC Staff presented the highlights of this report at the Joint OC/PC meeting. The timeline for completion of the special assessment was included. Staff requested that members and observers contact NERC if any assessments were performed for the loss of a single point (such as Aliso Canyon) and if so, what operating plans are in place to address such a loss.

- **Real-time Assessments Task Force (RTATF)**

The Event Assessment Subcommittee formed a TF to investigate the compliance and reliability concerns regarding a Real Time Assessment as required in NERC Standard TOP-001-3 R13 and IRO-008-2 R4, discuss how RTAs are completed when there is a loss of EMS, and develop any necessary guidance. The RTATF presented an update on the preparation of an Implementation Guidance document. The document was provided to the OC Executive Committee for review and comment and then will be sent to the OC membership for review and comment.

- **Reliability Guideline Outreach Effort**

The OC Chair led a discussion of the outreach efforts to keep industry aware of Reliability Guidelines and Reference Documents. NERC staff developed a NERC News item regarding the location on the NERC website for all OC and PC Reliability and Reference Documents. The OC divided into four groups to address the topics:

1. Coordination with the Forums and other entities (NATF, NAGF, ISO/RTO Council, APPA, DOE, Regional Entities, National Labs, EPRI)
2. Website - need a specific site/link on the NERC homepage
3. Active outreach to stakeholders
4. Policymaker outreach

The discussion in the breakout sessions identified several items for consideration. NERC Staff are working to define a better presence for Reliability Guidelines. An action item will be developed to address the items identified.

- **OC and Subcommittee Work Plans**

Chair Case reviewed the OC Work Plan that was developed at the January 2017 planning meeting. Closed and carry over items were identified along with forward looking work plan topics gathered from the RISC report, ERO Enterprise Strategic Plan and Metrics 2017-2020, and the OC Action Items list.

- **NERC Standards Development Update**

NERC Staff discussed standards development goals for 2017. This includes finding more comprehensive ways to include cost effectiveness in the standards development process. Drafting teams consider costs, but there have not generally been any questions asked of industry during the comment periods.

The annual Compliance and Standards workshop is to be held July 11-12, 2017 in New Orleans.

- **Overview of the December 2016 WAPA Ice Storm**

A report was presented on the restoration efforts in the WAPA-Upper Great Plains Region from a winter ice storm covering North Dakota, South Dakota, and parts of Montana, Minnesota, and Nebraska. Several lessons learned resulted from this event and they will be shared with the industry through the NERC Event Analysis process.

- **North American Generator Forum**

An overview was provided of the roles and responsibilities of the NAGF. The NAGF focuses on two areas; tactical (current critical activities ensure reliability) and strategic (important goals for the reliability of the system).

- **North American Transmission Forum**

An overview was provided of the roles and responsibilities of the NATF. The NATF has four key focus areas; system operations, operator training and development practice, human performance practices, and risk assessment with internal controls and compliance practices. The NATF also conducts peer reviews to help its members focus on operational excellence.

- **COMMITTEE AND SUBCOMMITTEE ITEMS (in addition to voting items above)**

- **Essential Reliability Services Working Group (ERSWG)**

The ongoing work for 2017 for the ERSWG include -

- 1) Monitor activities of the subcommittees and working groups related to ERS Measures.
- 2) Evaluate other tools and/or processes for assessing the sufficiency of ERS Measures for both current and future states.
- 3) Develop recommendations for practices and requirements, including reliability standards, as necessary, that cover the planning, operations planning, and real-time operating procedures associated with ERS.
- 4) Identify and recommend subgroups (existing or new) of the Operating and Planning Committees to ensure ongoing both historical and forward looking trending/analysis of ERS Measures.

- **Operating Reliability Subcommittee (ORS)**

- 1) Approved the ERCOT Reliability Plan based on the nature of the minor revisions made
- 2) Work with the RS to ensure the appropriate processes are in place to support future time error corrections if needed.
- 3) Established a small task team to scope out development of a Reliability Guideline for Operator Recognition of Cyber Intrusion into Operating Systems
- 4) A Gas/Electric Coordination Guideline outline under development

- **Resources Subcommittee (RS)**

The RS work is working with several eastern BAs that have recently accumulated significant positive inadvertent. These BAs reported that they experienced EMS issues. All issues were reported corrected by year end 2016.

- **Event Analysis Subcommittee (EAS)**

- 1) Will be conducting a webinar on the Lesson Learned from the WECC frequency event (CAISO)

- 2) Two Lessons Learned reviewed, will be published

Personnel Subcommittee (PS)

- 1) Working on a training plan for the updated SOCCED
- 2) Working on a comprehensive evaluation of adult learning principles and instructional design concepts in order to develop program criteria that results in quality learning events.

Next Meeting

The next meeting of the Operating Committee will be on June 6-7 in San Diego, CA.