

**Southwest Power Pool Regional Entity
REGIONAL ENTITY TRUSTEES MEETING**

April 23, 2008

Skirvin Hotel – Oklahoma City, OK

• MINUTES •

Agenda Item 1 – Administrative Items

John Meyer called the meeting to order. Other members in attendance were: Dave Christiano and Gerry Burrows. Staff in attendance included Ron Ciesiel, Michael Desselle, Charles Yeung, and Alison Hayes (secretary). Guests included Terri Eaton, Xcel Energy; Bary Warren, Empire District Electric Company; Jim Stetson, FERC; Rich Heidorn, FERC; Adina Lauster, FERC and Arnie Quinn, FERC.

Mr. Meyer referred to draft minutes for the January 30, 2008 meeting and asked for corrections or a motion for approval (RET Minutes 1/30/08 – Attachment 1). Charles Yeung requested that the spelling of Lanny Nickell's name be corrected in Agenda Item 10. Gerry Burrows moved to approve the minutes as presented with the amendment reflected in these minutes. Dave Christiano seconded the motion, which passed unanimously.

Agenda Item 2 – Past Action Items

Alison Hayes reported on Action Items in accordance with the Status Report (Attachment 2).

Agenda Item 3 – Quarterly Activity Report

Ron Ciesiel reviewed the quarterly activity report, except confidential portions, which were covered in Executive Session. Mr. Ciesiel reported that 163 out of 164 pre-June 18th violations have completed mitigation plans. The last one has a completion date of 12/31/08. Mr. Ciesiel reported that SPP RE will begin requiring physical evidence of Pre-June 18th violations and will spot check if unsure beginning in May 2008. Mr. Ciesiel reported that the RE has closed the 2007 self-certification program with 100% response. He reported that there have been 49 post June 18th violations for calendar year 2007. Two of these violations are enforceable with potential financial penalties.

Mr. Ciesiel announced that Jim Williams has joined the SPP RE staff as of April 1, 2008. He will become a lead auditor. Mr. Ciesiel requested that one of the approved 2009 staff positions be approved for hire in 2008. He explained his reasons (Attachment 3) and after discussion, Gerry Burrows made a motion to approve an unbudgeted staff position for 2008. Dave Christiano seconded the motion and it passed unanimously.

Agenda Item 4 – SPP RE and NERC Standards Development Report

Charles Yeung reported that one SPP regional standard has been requested and presented to MOPC, which assigned it to SPCWG for scoping and drafting. The working group has had one meeting and will convene via teleconference in May. He stated that three more fill in the blank standards are coming from NERC for development through SPP processes.

Agenda Item 5 – 2008 and 2009 Budget Reports (Attachment 4)

Charles Yeung reported that in the first quarter of 2008, SPP RE was \$426,222 or 37% under budget. The RE has spent \$748,000. He stated that 3,473 man hours have been tracked which



equates to 2 full time employees (FTE) per quarter or 7 FTEs per year. Mr. Yeung was asked to make a report to the Trustees in 2-4 weeks explaining why the variance in the budget is so high.

Mr. Yeung reported that the first unapproved 2009 budget draft is due to NERC by May 9, 2008. No Trustee approval is necessary. A conference call will be scheduled before the final draft is due to make any last minute changes. John Meyer requested that a footnote be added to the budget explaining that contractors are not included in the projected FTEs for 2009. The Trustees requested that the "hearing expense" reflected in the budget be moved to the legal section.

Ron Ciesiel presented an organizational chart reflecting the SPP RE compliance department proposed staffing needs (Attachment 5).

After discussion, Dave Christiano made a motion to hire an unbudgeted administrative assistant in the SPP RE in 2008. Gerry Burrows seconded and the motion passed unanimously.

Agenda Item 6 – SPP RE Training Report (Attachment 6)

Charles Yeung presented a 2007-2008 training report provided by Jim Gunnell, SPP.

Agenda Item 7 – Summary of New Action Items

Alison Hayes reviewed the summary of new action items:

- The Trustees will review the RE registered entity survey and make comments within two weeks. They will vote to approve the survey for distribution at the July meeting.
- Ron Ciesiel will modify the training report, via Jim Gunnell, to reflect non CEH (continuing education hours) activities.
- Charles Yeung will get the revised 2009 budget to the Trustees for review and the Trustees will present comments to Mr. Yeung before May 5th.

Agenda Item 8 – Discussion of Future Meetings

Alison Hayes reported that the Trustees have changed their next quarterly meeting from July 30, 2008 to July 21, 2008 due to scheduling conflicts. The meeting will be in the SPP Little Rock office beginning at 10:30 a.m.

The following meeting is scheduled for October 30, 2008.

John Meyer announced to the FERC staff in attendance that all future information pertaining to the SPP RE, in regards to the FERC audit, must go through Alison Hayes.

With no further business, the meeting was adjourned to Executive Session where personnel matters and enforceable violations were discussed.

Respectfully submitted,

Alison Hayes
Secretary



Southwest Power Pool
REGIONAL ENTITY TRUSTEES MEETING
January 30, 2008
Hyatt Regency Hotel – Austin, TX

• MINUTES •

Agenda Item 1 – Administrative Items

John Meyer called the meeting to order at 8:35 a.m. Other members in attendance were: Dave Christiano and Gerry Burrows. Staff in attendance included Ron Ciesiel, Michael Desselle, Charles Yeung, and Alison Hayes (secretary). Guests included Dave Hilt, NERC, and Leo Ganser, Xcel Energy.

Mr. Meyer referred to draft minutes for the October 31, 2007 meeting and asked for corrections or a motion for approval (RET Minutes 10/31/07 – Attachment 1). Mr. Meyers requested that names of SPP representatives serving on NERC committees be added to these minutes pursuant to Agenda Item #6 (SPP NERC committee members – Attachment 2). Gerry Burrows moved to approve the minutes as presented with the amendment reflected in these minutes. Dave Christiano seconded the motion, which passed unanimously.

Agenda Item 2 – Past Action Items

Alison Hayes reported on Action Items in accordance with the Status Report (Attachment 3).

Agenda Item 3 – Quarterly Activity Report

Ron Ciesiel reviewed the quarterly activity report, except confidential portions, which were covered in Executive Session. Mr. Ciesiel reported that 163 out of 164 pre-June 18th violations have completed mitigation plans. The last one has a completion date of 12/31/08. Mr. Ciesiel reported that there have been very few post-June 18th violations so far, with one receiving a financial penalty assessment.

The group discussed the public posting of violations. Dave Hilt explained that a violation report is considered public information when FERC posts it as a confirmed violation. SPP RE does not post alleged violations until all due process remedies have been exhausted.

The violation timeline and process were discussed. Mr. Ciesiel explained that although the CMEP allows settlement negotiations to begin before the actual notice of alleged violation goes to the registered entity, SPP RE staff has decided to proceed through the entire notice process before entering into settlement negotiations.

Agenda Item 4 – Signature Authority for Unbudgeted Expenses

Mr. Ciesiel asked the Trustees what procedure he should use for unusual and/or unbudgeted expenses that come before the R.E. for payment. He sited the example of updates required for the CMEP software recently. The Trustees stated that the process for unbudgeted expenses will be as follows: the request will be presented to the Trustees for approval and then to Michael Desselle for approval. If the requested amount is too high for Mr. Desselle's approval authority, the request will go to the SPP Board of Directors.

Alison Hayes and/or Michael Desselle will conference with Stacy Duckett to determine if it is possible to give Ron Ciesiel contract signing authority and enhanced payment authority, on behalf of the Regional Entity.



Agenda Item 5 – Regional Entity Newsletter

Mr. Ciesiel explained the planned quarterly newsletter that the R.E. will be publishing and sending out to all registered entities and other interested parties, beginning April 2008. The publication will be distributed via email. Michael Desselle explained that he saw no excess expense to publish the newsletter due to the in-house communications group and electronic method of delivery.

Agenda Item 6 – 2008 SPP RC/RRO Audit Team Leader

After discussion regarding who will lead the SPP audit of the reliability coordinator, Gerry Burrow made the following motion: Any SPP R.E. audit for compliance of the SPP RTO Registered Entity function(s) shall be led by NERC. Southwest Power Pool R.E. staff shall participate as members of the audit team. NERC staff and SPP R.E. staff will agree on the scope and conduct of the audit, prior to the start of the audit. John Meyer seconded the motion, which passed unanimously.

Agenda Item 7 – Penalty Notification to Trustees

John Meyer made the following motion: The Executive Director of Compliance and Enforcement (ED) will submit any Notice of Alleged Violation and Penalty Letter, with a suggested penalty in excess of \$150,000, to the Regional Entity Board of Trustees for review. The notice shall be made to the Trustees seventy-two (72) hours prior to submittal to NERC and the alleged violator. If the Trustees do not make an objection to the ED within those 72 hours, he will send the letters to the proper recipients. Notice of Alleged Violation and Penalty Letters below the \$150,000 penalty threshold shall be submitted to the Trustees in conjunction with notice to the Registered Entity and NERC. Dave Christiano seconded the Motion and it passed with a unanimous vote.

Agenda Item 8 – Report on Potential Hearing Officers

Alison Hayes reported that she has a commitment from Alternative Dispute Resolution Services (ADR) to provide hearing officers as needed by SPP R.E. In addition, she has made contact with the Arkansas Administrative Adjudicators Association for possible contacts but has not gotten a response as of the meeting. Ron Ciesiel reported that the Regional Managers have also agreed to share names of hearing officials nationwide.

Agenda Item 9 – LSE Billing Issues 2007-2008

Charles Yeung reported that due to a mid-year change last year from B.A. to L.S.E. for billing purposes, Southwest Public Service did not provide all LSE information in time for NERC to accurately bill their Load Serving Entity companies. Those entities have agreed to pay NERC retroactively. Mr. Yeung expressed how important it is that the 2007 Net Energy to Load (N.E.L.) information is collected accurately for the 2009 budget cycle and is working with Customer Service on a process.

Agenda Item 10 – R.E. Situation Awareness and Reliability Evaluations

Charles Yeung explained that Situation Awareness falls under Operations. Lanny Nickell makes a report to NERC and FERC every morning. The Trustees requested that Ron Ciesiel provide an analysis of seasonal assessments, as they are published, in the semi-monthly staff report to the Trustees.

Agenda Item 11 – FERC On-Site Audit

FERC auditors will be on site at the SPP offices the week of February 4 – 8, 2008. Michael Desselle reviewed the anticipated schedule and areas of responsibilities for the audit.

Agenda Item 12 – 2007 Year End Budget Review

Charles Yeung explained the variance in the 2007 budget. In 2006, the budget process was a matter of speculation and guesswork because the R.E. did not yet exist. The actual 2007



expenditures exceeded the budget by \$452,081.00 due to a change in the allocation and calculation of overhead factors charged to direct man-hour billings.

Agenda Item 13 – Summary of Action Items

Alison Hayes reviewed new action items:

- Provide names of SPP members serving on NERC committees (attachment 2)
- Ron and Alison to work with Corporate Communications (Emily Pennel) for separate R.E. survey
- Bring survey sample to next Trustee meeting with standards process questions included, as well as, open ended questions.
- Alison and Michael to work with Cheryl Robertson on Self-Assessment Survey. Bring sample to April meeting.
- Revise R.E. organizational chart to reflect a dotted line from Ron to Noncompliance Statutory Function Shared Resources and make sure line is dotted between R.E. Trustees and Michael and Charles. Put chart on website.
- Ron to provide violation process timeline chart.
- Ron to provide seasonal assessment analysis in staff reports to Trustees.
- Charles to find out how R.E. budget is audited and report to Trustees. Charles will also get an explanation regarding the \$5,000 interest payment reflected in the R.E. 2007 budget.
- Michael to report back regarding July meeting options.
- Put Regional Standards update as agenda item for April meeting.
- Meet with Stacy Duckett regarding R.E. budgeting process and contract signing process. Find out if Trustees can make resolution giving Ron Ciesiel authority to sign contracts on behalf of the R.E.

Agenda Item 14 – Discussion of Future Meetings

Michael Desselle reported calendar conflicts for the July and October Trustee meetings due to NERC Board Meeting schedule changes. Michael will check and see what options are available to reschedule the Trustees meeting in order for Charles Yeung, Michael Desselle and Alison Hayes to attend those meetings. The 2008 SPP R.E. Trustee meetings currently scheduled are as follows:

| | |
|------------|-------------------|
| April 23 | Oklahoma City, OK |
| July 30 | Kansas City, KS |
| October 29 | Tulsa, OK |

With no further business, the meeting was adjourned to Executive Session.

Respectfully submitted,

Alison Hayes
Secretary



Southwest Power Pool, Inc.
REGIONAL ENTITY TRUSTEES MEETING
Pending Action Items Status Report

April 23, 2008

| | Action Item | Date Originated | Status | Comments |
|-----|--|------------------------|---------------|---|
| 1. | Provide budget variance reporting each month and in regular quarterly reporting | 10/31/07 | Completed | Jan and Feb reports provided. March and 1st quarter on April 23 |
| 2. | C. Yeung to provide sample time tracking sheet to Trustees | 10/31/07 | Completed | Presented 10/31/07 |
| 3. | Report on NERC/RE Committee plan project. | 10/31/07 | Completed | Included in 1/30/08 minutes |
| 4. | Determine whether and how to approach an annual stakeholder survey for the R.E. | 10/31/07 | Completed | |
| 5. | Ron to develop process for communication between RE and RTO for reporting events | 10/31/07 | Pending | |
| 6. | Complete Organizational Group Survey and Assessments in early Jan. for discussion at the Jan. meeting | 10/31/07 | Completed | In background material |
| 7. | M. Desselle to launch a project to review internal processes | 10/31/07 | Completed | Been started and nearly complete. |
| 8. | Ron C/ Alison H. work with Communications to develop an RE survey and bring draft to meeting. | 1/30/08 | Completed | In background material for meeting. |
| 9. | Alison H/ Michael D develop self assessment survey for RE Trustees and bring draft to meeting. | 1/30/08 | Completed | In background material. |
| 10. | Revise RE Org chart to reflect dotted line between MD and CY and RETs and between RC and non-compliance statutory activities. Post chart on website. | 1/30/08 | Completed | In background material |
| 11. | RC to provide violation process timeline | 1/30/08 | Completed | Provided at meeting |

| | | | | |
|-----|---|---------|--------------------------|--|
| 12. | RC to provide seasonal assessment reports to RETs | 1/30/08 | Completed when available | No reports this period. |
| 13. | CY to provide information regarding how RE budget is audited and explain \$5000 interest payment calculated in the '07 budget year end summary. | 1/30/08 | Complete | |
| 14. | July meeting dates and location | 1/30/08 | Complete | July 21, 2008 SPP Offices, Little Rock, AR |
| 15. | Provide Regional Standard Update | 1/30/08 | Complete | Provide at meeting |
| 16. | MD meet with Stacy D regarding budgeting process and contract signing process for the RE. Determine if RETs can make a resolution authorizing signature authority to RC | 1/30/08 | Complete | |
| 17. | | | | |
| 18. | | | | |
| 19. | | | | |
| 20. | | | | |

**REQUEST FOR ACCELERATION OF 2009 PROPOSED
PERSONNEL ADDITION TO 2008
TIMING: IMMEDIATE**

BACKGROUND

The SPP RE Compliance & Enforcement [C&E] staff presently consists of 3 full-time employees. The C&E staff also has access to a small group of contractors as well as engaging shared RTO staff for non-compliance functions.

There is an open 4th full-time position, at the Senior or Lead position level, for the C&E staff that is expected to be filled by April 1, 2008.

The 2009 personnel request from the C&E staff would have been for another **Senior or Lead level position**. This would result in 3 staff members of reasonably the same experience and credentials to represent the SPP RE in dealings with both the Registered Entities and with NERC. Each C&E staff member would have a specific emphasis in assignments but be able to step in for one another or for the Executive Director, as needed.

JUSTIFICATION

The justification for requesting an acceleration of a position from 2009 into 2008 has many roots.

1] The first and simplest to note is the length of time it is taking to fill full-time positions on the C&E staff. The last two positions that we have attempted to fill have taken 4 months and 5 months [assuming the latest offer is accepted] respectively. External candidates with the requisite industry experience are difficult to find [and we must compete with all of the other SPP departments for these individuals] and many of those that have applied do not meet our requirements or have very high salary demands. Internal candidates tend to be better qualified but have shied away from the open positions due to the extensive travel requirements of the C&E personnel, particularly if the move to the department is a lateral move with no compensation change. The addition of the 4th and the 5th position may modify some of the intense travel periods that the present C&E staff experiences improving the appeal of the position to the internal candidates. I

used the term ‘may’ because the remainder of this justification anticipates some increased travel requirements but these requirements will be shared among a larger and more diversified staff.

2] Secondly, the workload of the C&E staff is continuing to expand at a rate unforeseen by me just 12 months ago. For example, in the **area of Organization Registration**, an area that we felt would begin to moderate in 2008 is now entering a new phase with Jointly Registered Organizations that will allow multiple organizations to present themselves as a single ‘Jointly Registered’ entity and under that umbrella, register companies by requirement. There is a movement afoot to allow entities in this type of registration to split requirements into multiple registrations. To date, we have been spared this type of registration issue with companies like AECC and WFECC registering on behalf of all of their members. However, based on indications from other regions these types of joint registrations can become very complex and cumbersome. SPP is discussing becoming a Balancing Authority and I believe we will see this type of registration emerge from its agreements with its members [similar to the MISO BA registration request]. Once this type of registration becomes fairly main stream, we anticipate we will see an upswing in activity that will require another round of on-site visits to potential candidates, lengthy reviews of proposals to assure complete coverage of requirements by the resulting entity, and providing advisor/mediator services between members of such agreements. This activity rises above an administrative issue of keeping records up-to-date and will require an in-depth knowledge of the standards and functionality of the registered entities.

3] Another example is the continued expansion of **NERC sponsored C&E staff ‘teams’** that deal with narrow subjects such as the compliance data team, audit review team, standards auditor worksheet development team, and the enforcement team. These teams have sprung up to provide assistance to the compliance managers group and produce excellent work, particularly when all of the regions are represented. Attendance is extremely important in order to assure that the SPP RE has its viewpoint and experiences taken into consideration when decisions are made on many of these matters. We have made a special effort to assign time to all of the known team meetings but have had to miss several due to conflicting commitments of the small staff. The additional staff member will allow the C&E staff to provide emphasis in one area but also provide back-up in case of conflicts.

4] The **2009 monitored standards program** is expected to expand to include the remainder of the FERC approved standards, an **increase from 62 standards to 82 standards [as of 1-1-08]**. Our experience so far in 2008 with the increase from 46 in 2007 to the 62 in 2008 has required an extension of our on-site audit program to 3 full days on-site from 2 ½ days on-site. We anticipate the change in 2009 will require either an expansion of the on-site team from 4 to 5 or more members or an extension of time while on-site. In some cases the expansion of the team may be filled with another contractor or a NERC staff member. The expansion of time on-site, if necessary, will mean additional travel requirements on the C&E staff and may require travel on Sunday and/or Saturday. The additional C&E staff will allow us to take some of the standards and do some of the audit work in the SPP RE offices rather than at the entity's site, reducing the required time on-site, as well as giving some relief to the other C&E staff by taking some assignments for travel to on-site audits.

5] As we have been developing some of the activities of the SPP RE, the issue of **event analysis** has been discussed several times in internal meetings and with the FERC staff [most recently during their on-site audit visit]. While SPP does not typically have many 'events', it has become very clear that the FERC staff expects any 'event' that does occur, to be analyzed not only from a technical view but also from a compliance view and their expectation is that the SPP RE staff will have a leadership role in these analyses. While I believe we can engage contractors or shared staff or an SPP Working Group to do the lion's share of the technical analysis, it is apparent to me that any involvement by the C&E staff will require a significant individual commitment to these projects, especially if there is any hint of a standards violation. My recent experience in putting together a final report on a seemingly benign event [October 3, 2008 event in Westar caused by a human error action] has taken several dozen hours of my personal time to piece together a cohesive report. The additional staff member may give us a more diversified skill set but will definitely add flexible man-hours to assign to this task.

6] When the SPP RE has relied on entity **self-reporting for violations**, the amount of effort to verify these reports has been fairly minimal. However, as we see the amount of work being done by other regions to research these reports and expand the research into compliance reviews of all related standards, the SPP RE begins to stand out as an outlier

in the performance of compliance due diligence. This has become even more acute in the review, approval and closing of **mitigation plans**. The SPP RE has traditionally reviewed the plans for reasonableness and adequacy and approved them without many requested changes. All mitigation plans approved by the SPP RE and submitted to NERC have also been approved at the NERC level. However, in the closing process the SPP RE has relied on the regular audit cycle to review the finality and completeness of mitigation plans that have been reported closed by the owners. This cycle is now considered too long by many of the participants in the RE process and also is in conflict with the Uniform CMEP which requires evidence to be submitted upon closing a mitigation plan, which implies that the RE will act on the evidence to assure the plan is complete. As the mitigation plans become more complex, both the preliminary approval work and the post-closing work will become more time consuming. This type of activity may require on-site visits, personnel interviews, and lengthy reviews of large amounts of data.

These are some of the areas that I see increasing the burden on the C&E staff in 2008 and beyond. While we will still have access to the contractors and the RTO shared staff, this request, when filled, still leaves the SPP RE with the smallest C&E staff of all of the 8 regional entities.

Respectfully submitted:

Ronald W. Ciesiel
Executive Director of Compliance
Southwest Power Pool Regional Entity

DRAFT TEMPLATE

2009 Business Plan and Budget

April 22, 2008

Southwest Power Pool Regional Entity

Approved by:

Date:

Table of Contents

| | |
|--|----|
| Introduction | 3 |
| Background | 3 |
| Planning Cycle | 4 |
| 2009 Primary Objectives — | 4 |
| Major 2009 Cost Impacts | 4 |
| Detailed Business Plans and Budgets by Program | 5 |
| Section A — 2009 Business Plan | 6 |
| Reliability Standards Program | 6 |
| Compliance Monitoring and Enforcement and Organization Registration and Certification Program | 11 |
| Reliability Readiness Evaluation and Improvement Program | 16 |
| Training, Education, and Operator Certification Program | 20 |
| Reliability Assessment and Performance Analysis Program | 25 |
| Situation Awareness and Infrastructure Security Program | 30 |
| Administrative Services | 35 |
| Section B — 2009 Budget | 54 |
| 2008 Budget and Projection and 2009 Budget Comparisons | 54 |
| Personnel Analysis | 55 |
| 2008 Organizational Chart | 56 |
| 2009 Organizational Chart | 57 |
| Reserve Balance | 58 |
| Regional Entity Assessment Analysis | 59 |
| Assessments by Country | 59 |
| Breakdown by Statement of Activity Sections | 60 |
| Section C — 2009 RE Non-Statutory Business Plan and Budget | 2 |
| Background | 2 |
| Membership and Governance | 2 |
| Planning Cycle | 4 |
| 2009 Primary Objectives — | 4 |
| Major 2009 Cost Impacts | 4 |
| 2008 Budget and Projection and 2009 Budget Comparisons | 5 |
| Personnel Analysis | 6 |
| 2008 Organizational Chart | 7 |
| 2009 Organizational Chart | 8 |
| Reserve Analysis — 2008–2009 | 9 |
| 2009 Regional Entity Business Plan and Budget | 2 |

Introduction

| Total RE Resources (in whole dollars) | | | | |
|---|-------------|------|--------|--------|
| | 2009 Budget | U.S. | Canada | Mexico |
| Statutory FTEs | 14.65 | | | |
| Non-statutory FTEs | | | | |
| Total FTEs | | | | |
| Statutory Funding | | | | |
| Non-statutory Funding | | | | |
| Total Funding | | | | |
| NEL | | | | |
| NEL % | | | | |

Background

Southwest Power Pool, Inc. (SPP) operates as the NERC Regional Entity (RE) over an eight state area within the Eastern Interconnection. This business plan outlines the tasks that the SPP RE portion of the Southwest Power Pool, Inc. performs to fulfill its duties per the FERC approved Regional Entity Delegation Agreement¹. SPP also provides non-RE related functions for entities operating within the SPP footprint; those activities and related funding amounts are not included as part of this Business Plan.

Membership and Governance

Members' Forums

SPP 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 SPP RE also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues.

Members' Forums Objectives

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees
- Provide technical forums to act as standards-drafting teams in development of SPP Regional Reliability Standards.

Governance

¹ FERC Order R07-6-000 - April 19, 2007
2009 Regional Entity Business Plan and Budget
Approved by Board of Trustees: XX, 2008

The SPP RE is governed by three independent Regional Entity Trustees. The RE Trustees 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.

Statutory Functional Scope

As the RE for the Southwest Power Pool region, the SPP RE will administer the following programs:

- Regional Reliability Standards Program
- Compliance Monitoring and Enforcement Program
- Organization Registration and Certification
- Training and Education Programs
- Reliability Assessment and Performance Analysis Program
- Situation Awareness and Infrastructure Security Program

The SPP RE co-sponsors the NERC Readiness Evaluation and Improvement Program with NERC staff.

Planning Cycle

The SPP RE will begin its annual budget process in March of each calendar year to allow for sufficient time to develop and present the budget to the SPP Regional Entity Trustees prior to the June 1 NERC submission deadline.

The SPP RE will prepare the business plan and budget for carrying out the delegated functions with supporting materials and sufficient detail to justify the requested funding collection and budget expenditures.

2009 Primary Objectives —

- Meet the compliance audit and readiness review schedule for 2009
- Develop any SPP Regional Reliability Standards to meet NERC continent-wide requirements
- Provide training for registered entities in the SPP RE footprint to meet reliability objectives and maintain operator certification requirements
- Support NERC efforts in Situational Awareness and Infrastructure Security
- Provide legal and regulatory support for the RE
- Provide general and administrative support for the RE

Major 2009 Cost Impacts

Increased activity and responsibilities in the Compliance and Enforcement area over 2008, the first full year of operation as an RE, has resulted in cost increases attributed to additional FTEs to support this area. Additional RE staff will ensure SPP, Inc. meets its requirements under the Regional Delegation Agreement and provide the prerequisite level of independence and separation from its non-statutory duties.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

| Reliability Standards Program Resources (in whole dollars) | | | |
|--|--|--|--|
| | 2008 Budget | 2008 Projection | 2009 Budget |
| Total FTEs | 0.5 FTE | 0.5 FTE | 1 FTE |
| Total Direct Funding | Salary <u>\$50,694</u> Total \$50,694 | Salary <u>\$50,694</u> Total \$50,694 | Travel \$25,000 Model Development <u>\$320,000</u> Total \$345,000 |
| Total Indirect Funding ¹ | \$103,419 | \$103,419 | |
| Total Funding | \$154,113 | \$154,113 | |

Background

SPP RE will coordinate with NERC to develop and approve technically sound, fair, and balanced reliability standards to ensure the reliability of the bulk power systems in North America. SPP RE will also develop any regional reliability standards per the guideline as defined in the delegation agreement. NERC will submit such standards to FERC and to the appropriate Canadian governmental authorities for adoption as mandatory for bulk power system owners, operators, and users in the United States, and to applicable authorities in Canada for similar status.

The foregoing activities of persons engaged in the reliability standards development process (i.e. Standard Drafting Team) will be conducted, to the extent possible, by conference calls and e-mail, website postings and other means of electronic communications. If face-to-face meetings of participants are needed, those meetings will be announced on the SPP website calendar.

In addition, SPP shared staff will coordinate any reliability standards work through their working groups such as the Transmission Working Group for TPL standards, System Protection and Control Working Group for PRC standards, etc.

Based on the portion of professional/technical staff time and other resources devoted to reliability standards development, SPP estimates 1 FTE on this activity.

Program Description and Functions Performed

SPP RE continues to utilize shared staff to facilitate the development of standards to implement the SPP RE Standards Procedure.

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

2009 Goals and Objectives

Goals

- Meet directives of ERO governmental authorities regarding standards development and procedures
- Meet stated targets in the regional “fill-in-the-blank” standards work plan
- Maintain consistency and quality of regional reliability standards
- Communicate with stakeholders and regulators regarding standards development
- Complete and assist NERC with “fill-in-the-blank” standards

Objectives

- Develop regional reliability standards to fulfill the NERC reliability standards that require a region to develop region specific requirements.
- Develop regional reliability standards as needed for SPP to meet NERC standards requirements. Primary emphasis for 2009 in the area of regional “fill-in-the-blank” standards.
- Also development of any regional differences to NERC standards as required

Section 215 Regional Entity Reliability Standards Development

SPP RE will follow the standards process as defined in their delegation agreement for any new regional standards or any update in the existing regional standard. SPP’s reliability standards development process will have an advisory vote by the Markets and Operations Policy Committee (MOPC), which will be responsible for ensuring that all stakeholder interests are fairly represented in the development of standards. The MOPC has broad representation. Standards will be voted on through a ballot body. The ballot body consists of multiple, defined segments, and no entity may have more than one vote. SPP Regional Entity Trustees will have ultimate authority to recommend NERC to approve this standard, remand to Standard Drafting Team through MOPC or determine there is no need for standard and terminate the activity.

The SPP Regional Standards Development Procedure provides the basis for SPP to propose and develop regional reliability standards. That Procedure is consistent with a NERC standard format for all RE standards procedures and has been approved by FERC in the SPP RE Order.

The SPP Standards Process will provide an open, balanced, and inclusive stakeholder process in which any interested party may provide input and vote on any proposed regional reliability standard.

As SPP performs other functions, the SPP Regional Standards Development Procedure is utilized only for those standards that are proposed to be part of the NERC reliability standards. SPP may utilize alternative standards procedures for stakeholder input on non-RE related requirements, such as SPP Market Protocols.

Funding Requirements — Explanation of Increase (Decrease)

The funding requirement is expected to increase from 0.5 to 1.0 FTE for 2009 Budget. Increased activities for the development of regional standards are scheduled and anticipated for 2009.

Staffing Needs

Hiring Plans

SPP plans to use existing shared staff to support this function in 2009.

Shared Employees

SPP will continue to use shared staff to participate in reliability standard development.

Contractors

No contractors are currently involved in the reliability standard development effort. The hiring plan may utilize one contract person.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Reliability Standards | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 154,113 | \$ 154,113 | \$ - | \$ - | \$ (154,113) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 154,113 | \$ 154,113 | \$ - | \$ - | \$ (154,113) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 41,069 | \$ 41,069 | \$ - | \$ - | \$ (41,069) |
| Payroll Taxes | 3,446 | 3,446 | - | - | (3,446) |
| Benefits | 6,179 | 6,179 | - | - | (6,179) |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ 50,694 | \$ 50,694 | \$ - | \$ - | \$ (50,694) |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ 103,419 | \$ 103,419 | \$ - | \$ - | \$ (103,419) |
| Total Expenses | \$ 154,113 | \$ 154,113 | \$ - | \$ - | \$ (154,113) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- NA

Personnel Expenses

- No additional personnel are planned for 2009 to support this function.

Meeting Expenses

-

Operating Expenses

-

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

| Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources | | | |
|--|--|--|--|
| (in whole dollars) | | | |
| | 2008 Budget | 2008 Projection | 2009 Budget |
| Total FTEs | 3.5 FTE | 3.5 FTE | 6 FTE |
| Total Direct Funding | <ul style="list-style-type: none"> • Travel \$69,000 • Continuing Education \$15,000 • SPP RE Meetings \$10,000 • Professional Services \$296,000 • Salary \$427,884 • Hearings <u>\$150,000</u> Total \$967,884 | <ul style="list-style-type: none"> • Travel \$69,000 • Continuing Education \$15,000 • SPP RE Meetings \$10,000 • Professional Services \$296,000 • Salary \$427,884 • Hearings <u>\$150,000</u> Total \$967,884 | <ul style="list-style-type: none"> • Travel \$94,000 • Continuing Education \$25,000 • SPP RE Meetings \$25,000 • Professional Services \$330,000 • Salary \$703,000 • Hearings <u>\$150,000</u> Total \$1,302,000 |
| Total Indirect Funding | \$723,935 | \$723,935 | |
| Total Funding | \$1,691,819 | \$1,691,819 | |

Background

As a Regional Entity, the SPP RE has the delegated authority and responsibility to enforce compliance with approved reliability standards by users, owners, and operators of bulk power systems throughout the SPP footprint. To facilitate the SPP RE's compliance enforcement activities, all users, owners, and operators of the bulk power system that operate in the SPP RE footprint are identified and registered in the NERC Compliance Registry.

Program Description and Functions Performed

According to the SPP RE Compliance Monitoring and Enforcement Program, there are eight sources of an alleged violation: self report, self certification, audit report, investigation, exception report, spot check, complaint, or data submittal.

SPP RE Compliance staff will conduct compliance monitoring and investigate alleged violations of reliability standards, with the assistance of certified independent auditors, shared SPP staff and occasional volunteers from the electric industry. Volunteers may be utilized primarily to provide industry expertise to compliance staff, provide technical advice, and make recommendations to compliance staff. Professional Services represents the equivalent of approximately 2 FTEs.

SPP RE compliance enforcement activities will be conducted at its headquarters in Little Rock, Arkansas, and at the locations of owners, operators, and users of the bulk power system registered in the SPP RE portion of the NERC Compliance Registry.

The SPP RE will strive to maintain a high level of reliable bulk power system operation through a program of monitoring, audits, event analysis and investigations; mitigation activities; and the imposition of penalties and sanctions for noncompliance with reliability standards.

2009 Goals and Objectives

- Seven to nine on-site compliance audits of registered RC, BA, and TOP entities
- Fifteen to twenty on-site (or other approved methods) of compliance audits of other registered entities
- Continuous compliance monitoring of SPP's modeling processes and regional planning processes
- Perform reporting and analysis of Control Performance Standard [CPS] performance and independent analysis and reporting of Disturbance Control Standard [DCS] performance
- Quarterly compliance surveys of specific reliability standards
- Annual self-certification program
- Monitoring of periodic data submittals
- Compliance Investigations, as necessary
- Calculations and imposition of financial penalties or non-monetary sanctions for non-compliance findings
- Participate in Regional Hearing Process, as necessary
- Two compliance workshops for registered entities

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are expected to increase for the 2009 Budget. The major contributor to this increase is the expansion to the SPP RE compliance staff required to perform the duties outlined in the CMEP.

Staffing Needs

Hiring Plans

The majority of the 2009 compliance staff will be employed during 2008 with two proposed additions for 2009. These positions are presently planned to be an engineer or specialist at the senior or lead level, as defined by the SPP RE job descriptions.

Shared Employees

A number of factors define how many shared employees are used in any of the delegated responsibilities. In the compliance and enforcement area, shared staff are slotted for use in the regional hearing process as possible technical experts or as witnesses. We have not accounted for any FTE headcount in this budget for this purpose in 2009.

The SPP Operations staff will assist the RE with conducting reporting and analysis of Control Performance Standard [CPS] performance and independent analysis and reporting of Disturbance Control Standard [DCS] performance.

Contractors

The SPP RE uses contractors to supplement the permanent staff in the areas of on-site compliance audits, off-site compliance audits, event analysis, and as technical experts. The contractors are retained and used on an ad-hoc basis. Presently the SPP RE has relationships with two consulting/contactor firms with access to approximately 10 consultants.

Organization Registration and Certification

The number of entities in the SPP RE registration program has remained stable at approximately 125 registered entities since the end of 2007. It is our expectation that this registration will remain stable in 2009 absent any new initiatives in functional registration or organizational certification.

SPP RE Compliance staff will make additions, removals, and changes to the existing registry. Challenges to entries in the registry by either registrants or SPP RE Compliance staff will be conducted through the approved Regional Entity hearing process.

SPP RE will follow the certification procedures approved by NERC. It is anticipated that Reliability Coordinators, Transmission Operators, and Balancing Authorities will require organizational certification. A timetable to complete this item has yet to be established but is expected to begin in 2008 and be completed in 2009.

The SPP RE anticipates that the equivalent of .5 FTE is required to maintain and expand the Compliance Registry Database on an on-going basis. The SPP RE anticipates that there will be an increase in activity in 2009 due to an increased emphasis on Joint Registrations and possibly a change to the basis of registration from functions to registration by requirements.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|---|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Compliance and Organization Registration and Certification | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 1,691,819 | \$ 1,691,819 | \$ - | \$ - | \$ (1,691,819) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 1,691,819 | \$ 1,691,819 | \$ - | \$ - | \$ (1,691,819) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 346,640 | \$ 346,640 | \$ - | \$ - | \$ (346,640) |
| Payroll Taxes | 29,088 | 29,088 | - | - | (29,088) |
| Benefits | 52,157 | 52,157 | - | - | (52,157) |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | 15,000 | 15,000 | - | - | (15,000) |
| Total Personnel Expenses | \$ 442,884 | \$ 442,884 | \$ - | \$ - | \$ (442,884) |
| Meeting Expenses | | | | | |
| Meetings | \$ 10,000 | \$ 10,000 | \$ - | \$ - | \$ (10,000) |
| Travel | 69,000 | 69,000 | - | - | (69,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 79,000 | \$ 79,000 | \$ - | \$ - | \$ (79,000) |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | 446,000 | 446,000 | - | - | (446,000) |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ 446,000 | \$ 446,000 | \$ - | \$ - | \$ (446,000) |
| Other Non-Operating Expenses | \$ 723,935 | \$ 723,935 | \$ - | \$ - | \$ (723,935) |
| Total Expenses | \$ 1,691,819 | \$ 1,691,819 | \$ - | \$ - | \$ (1,691,819) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

-

Personnel Expenses

- Two SPP RE staff additions are proposed for 2009. These positions are presently planned to be an engineer or specialist at the senior or lead level, as defined by the SPP RE job descriptions.

Meeting Expenses

- The SPP RE compliance enforcement activities will be conducted at its headquarters in Little Rock, Arkansas, and at the locations of owners, operators, and users of the bulk power system registered in the SPP RE portion of the NERC Compliance Registry.

Operating Expenses

-

Reliability Readiness Evaluation and Improvement Program

| Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars) | | | |
|---|--|--|--|
| | 2008 Budget | 2008 Projection | 2009 Budget |
| Total FTEs | 0.5 FTE | 0.5 FTE | 0.5 FTE |
| Total Direct Funding | <ul style="list-style-type: none"> • Salary \$61,126 • Travel <u>\$15,000</u> Total \$76,126 | <ul style="list-style-type: none"> • Salary \$61,126 • Travel <u>\$15,000</u> Total \$76,126 | <ul style="list-style-type: none"> • Salary \$65,000 • Travel <u>\$18,000</u> Total \$83,000 |
| Total Indirect Funding | \$103,419 | \$103,419 | |
| Total Funding | \$179,545 | \$179,545 | |

Background/ Program Description and Functions Performed

SPP RE and shared staff support the NERC Reliability Readiness Evaluation and Improvement Program by acting as the Senior Regional Representative on all Readiness Evaluations performed in the SPP RE footprint. SPP RE staff also schedules all of the required evaluations and solicits internal volunteers. The SPP RE staff monitors the progress of recommendations that evolve from the final Readiness Evaluation reports and updates this progress to NERC at least quarterly.

2009 Goals and Objectives

In 2009, SPP RE and shared staff members expect to schedule and participate in seven to nine NERC Readiness Evaluations. SPP RE staff members also participate in one or two non-SPP Readiness Evaluations annually as team volunteers.

Funding Requirements — Explanation of Increase (Decrease)

The required funding for this activity consists of the salaries of the staff volunteers plus related travel expenses.

Staffing Needs

Hiring Plans

SPP plans to use existing shared staff to support this function in 2009.

Shared Employees

It is anticipated that all Senior Regional Representatives will be shared staff rather than SPP RE compliance staff. Therefore, there is a shift in 2009 from 100% dedicated SPP RE staff to 100% shared staff for the on-site portion of the Readiness Evaluation program. The dedicated SPP RE staff will continue to provide administrative services such as scheduling, volunteer procurement, and tracking of reported recommendations. However, there is no change in the total FTE count for this delegated responsibility.

Contractors

In the rare instances where a dedicated SPP RE staff member, a shared staff member, or an internal volunteer must drop out of the evaluation team and a substitute cannot be found, the SPP RE will engage the services of a qualified contractor to act on behalf of the SPP RE. No allowances have been made in the funding request for this service.

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|---|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Reliability Readiness Evaluation and Improvement | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 179,545 | \$ 179,545 | \$ - | \$ - | \$ (179,545) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 179,545 | \$ 179,545 | \$ - | \$ - | \$ (179,545) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 49,520 | \$ 49,520 | \$ - | \$ - | \$ (49,520) |
| Payroll Taxes | 4,155 | 4,155 | - | - | (4,155) |
| Benefits | 7,451 | 7,451 | - | - | (7,451) |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ 61,126 | \$ 61,126 | \$ - | \$ - | \$ (61,126) |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 15,000 | 15,000 | - | - | (15,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 15,000 | \$ 15,000 | \$ - | \$ - | \$ (15,000) |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ 103,419 | \$ 103,419 | \$ - | \$ - | \$ (103,419) |
| Total Expenses | \$ 179,545 | \$ 179,545 | \$ - | \$ - | \$ (179,545) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- NA

Personnel Expenses

- No additional staff is proposed for 2009 to support this function.

Meeting Expenses

-

Operating Expenses

-

Training, Education, and Operator Certification Program

| Training, Education, and Operator Certification Program Resources (in whole dollars) | | | |
|--|--|--|---|
| | 2008 Budget | 2008 Projection | 2009 Budget |
| Total FTEs | 4.0 FTE | 4.0 FTE | 3.0 FTE |
| Total Direct Funding | <ul style="list-style-type: none"> • Travel \$21,000 • Meeting Expenses \$54,670 • Online Testing Services \$13,400 • CEH Application Fees \$6,100 • Salaries <u>\$391,410</u> Total \$486,580 | <ul style="list-style-type: none"> • Travel \$21,000 • Meeting Expenses \$54,670 • Online Testing Services \$13,400 • CEH Application Fees \$6,100 • Salaries <u>\$391,410</u> Total \$486,580 | <ul style="list-style-type: none"> • Travel \$21,000 • Meeting Expenses \$138,850 • Online Testing Services \$3960 • CEH Application Fees \$5,700 • Salaries \$ Total |
| Total Indirect Funding | \$827,354 | \$827,354 | |
| Total Funding | \$1,313,934 | \$1,313,934 | |

Background

The SPP Training department provides opportunities to develop individuals, teams, and the organization in a manner that promotes a clear line of sight from individual goals to the corporate strategy, being mindful that compliance with NERC, FERC, and NAESB standards is essential, and competent performance among all SPP personnel is a necessity.

Personnel participating in the SPP training program include system operations, operations support (EMS engineering, Operations engineering, and Information Technology), supervisors and managers, and others directly responsible for complying with reliability standards who, through their actions or inactions, may impact the real-time or day-ahead reliability of the bulk power system.

The SPP Training Department:

- Designs, develops, implements, assesses, and maintains a training and education program to provide continuing education (i.e., emergency operations, simulations, and standards) for system operations personnel
- Designs training programs that are aimed at minimizing proficiency gaps in knowledge and performance
- Conducts operations procedure analyses and job task analyses for system operations personnel to ensure that the training program content is properly aligned to the job tasks performed by those personnel
- Develops and maintains training program curricular requirements based on job task analyses and needs analyses
- Periodically conducts performance needs analyses to identify areas for further training development and improvement
- Administers individual assessments of knowledge, skills, and abilities
- Administers course, trainer, and program evaluations

Program Description and Functions Performed

Training Program Overview

On a yearly basis, the SPP training program offers to LSEs within the SPP RE footprint the following training opportunities:

1. Two System Operations Conferences (20 hours each)
2. Two Regional Restoration Drills (24 hours each)
3. Eight Subregional Restoration Drills (16 hours each)
4. 24 Regional Emergency Operations Net Conferences (2 hours each)
5. Three Train-the-Trainer sessions (12 hours each)

2009 Goals and Objectives

Overall Goals

Competent operating ability is the goal of Training, and competent operating performance is the goal of Operations. Training uses these performance specifications as measures of successful achievement of performance capability.

Overall Training Objectives

The Training department will:

- Assess current and future training needs
- Maintain accurate job task documents
- Assess and improve the training offered as a part of the SPP RE function
- Develop and submit Individual Learning Applications for all training events
- Maintain training database to track and report all continuing education activities sponsored by SPP
- Develop online and computer-based learning activities and materials for the training and education function
- Develop and maintain seamless online registration, assessment, and reporting functions
- Develop authentic assessments to accurately measure knowledge and performance gains achieved from training events
- Develop and deliver training for system operations personnel including:
 - Regional and Subregional System Restoration Drills
 - Regional Emergency Operations and Systems Operations (net conference and in-person)
 - Professional Development (Train-the-Trainer session)
 - Systems Operations Conferences

The SPP Training department anticipates that the majority of the RE training and education will take place onsite at the SPP offices in Little Rock and via net conferencing. It is also estimated that approximately thirty percent of its resources will be dedicated to RE training activities in 2009.

Funding Requirements — Explanation of Increase (Decrease)

Overall, Training will see a decrease of 1 FTE from 2008 in the 2009 Budget. One additional FTE was budgeted in 2008 for time needed to assist newly hired training staff to become familiar with the training courses. Salary expenses will decrease accordingly with the decrease of 1 FTE.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 3.0 FTEs for the 2008 projection and 3.0 FTEs for the 2009 budget. The 3.0 FTEs for 2009 include: 1.0 FTE responsible for regional and subregional system restoration drills, 1.0 FTE responsible for regional emergency operations and systems operations training, and 1.0 FTE responsible for support in instructional design and computer-based training.

Meeting, Net Conference, and Travel Expenses

- Meeting, staff travel, net conference, and teleconference expenses in support of the training program are estimated for 2009 at \$159,800. This increase in this line item is due to an additional \$86,300 for net conferencing services.

Online Testing Fees

- In order to provide online testing associated with net conference and online training, SPP will utilize the services of TestCraft. Due to carryover of e-assessments, the estimated cost of this service is expected to decrease substantially. The cost of the online testing service for 2009 is approximately \$3,960.

CEH Application Fees

- For every hour of continuing education provided as a part of the RE function, SPP is assessed a \$30.00 fee. With approximately 190 hours to be offered in 2009, the CEH application fee for 2009 is expected to be \$5,700.

Staffing Needs

Hiring Plans

The SPP Training department plans to use existing shared staff to support this function in 2009.

Shared Employees

The SPP Training department will continue to utilize shared staff.

Contractors

Currently there are no contractors involved with the RE training function, and SPP Training does not plan to engage contract staff in 2009 to support this function.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Training and Education | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 1,313,934 | \$ 1,313,934 | \$ - | \$ - | \$ (1,313,934) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 1,313,934 | \$ 1,313,934 | \$ - | \$ - | \$ (1,313,934) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 317,091 | \$ 317,091 | \$ - | \$ - | \$ (317,091) |
| Payroll Taxes | 26,608 | 26,608 | - | - | (26,608) |
| Benefits | 47,711 | 47,711 | - | - | (47,711) |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ 391,410 | \$ 391,410 | \$ - | \$ - | \$ (391,410) |
| Meeting Expenses | | | | | |
| Meetings | \$ 54,670 | \$ 54,670 | \$ - | \$ - | \$ (54,670) |
| Travel | 21,000 | 21,000 | - | - | (21,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 75,670 | \$ 75,670 | \$ - | \$ - | \$ (75,670) |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | 6,100 | 6,100 | - | - | (6,100) |
| Professional Services | 13,400 | 13,400 | - | - | (13,400) |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ 19,500 | \$ 19,500 | \$ - | \$ - | \$ (19,500) |
| Other Non-Operating Expenses | \$ 827,354 | \$ 827,354 | \$ - | \$ - | \$ (827,354) |
| Total Expenses | \$ 1,313,934 | \$ 1,313,934 | \$ - | \$ - | \$ (1,313,934) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- NA

Personnel Expenses

- No new staff is proposed for 2009 to support this function.

Meeting Expenses

- Meeting, staff travel, net conference, and teleconference expenses in support of the training program are estimated for 2009 at \$159,800. This increase in this line item is due to an additional \$86,300 for net conferencing services.

Operating Expenses

-

Reliability Assessment and Performance Analysis Program

| Reliability Assessment and Performance Analysis Program Resources (in whole dollars) | | | |
|--|--|--|---|
| | 2008 Budget | 2008 Projection | 2009 Budget |
| Total FTEs | 2.4 FTE | 2.4 FTE | 3.4 FTE |
| Total Direct Funding | Salary <u>\$243,331</u> Total \$243,331 | Salary <u>\$243,331</u> Total \$243,331 | Salary for 1 RE FTE \$100,000 Travel for 1 RE FTE \$15,000 Consulting for 1 RE FTE <u>\$36,000</u> Total \$151,000 |
| Total Indirect Funding | \$496,413 | \$496,413 | |
| Total Funding | \$739,744 | \$739,744 | |

Background

In the United States, SPP as a NERC RE is required to “conduct periodic assessments of the reliability and adequacy of the bulk-power system in North America.” (FPA, § 215(g); 16 C.F.R. § 39.11.) In accordance with this responsibility and SPP’s responsibility to support the reliability of the North American bulk power system, SPP intends to support NERC’s three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports will analyze electricity demand and the Reliability and Adequacy Assessment Objectives adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. SPP will also conduct inter-regional studies and other planning studies to comply with NERC’s various TPL standards.

The SPP RE is responsible for conducting Event Analyses on major reliability events within the SPP RE footprint. This analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. The SPP RE is responsible for producing a final technical report on each incident. Any issues that surface which may lead to standards compliance questions will be handled through the Compliance Monitoring & Enforcement Program portion of this Business Plan.

Program Description and Functions Performed

Reliability and adequacy assessments of the bulk power system will be conducted by teams comprised NERC’s and RE professional/technical staff, along with volunteers from the electric industry, government, and academia who possess appropriate technical competencies. Except when site visits are necessary to conduct analyses, these teams’ work will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings. Meetings may be held at NERC’s

headquarters or at meeting locations around the United States and Canada selected for proximity to and ease of access by team members.

SPP shared staff will conduct inter-regional studies or other planning studies in coordination with its members. The work of these teams will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings at SPP's headquarters or at locations around the United States selected for proximity to and ease of access by team members. SPP RE staff will act as the RE liaison with the SPP shared staff in supporting the analysis and publication of the annual NERC assessments.

2009 Goals and Objectives

Reliability and Adequacy Assessment Objectives

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their members to assist with planning and evaluating future systems and current operating conditions
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments
- Conduct inter-regional and other planning studies to comply with NERC's TPL standards, including participation in the Eastern Interconnection Reliability Assessment Group
- 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

Events Analysis and Information Exchange Objectives

- Provide NERC with information on disturbances and other bulk power system off-normal events for their Events Database that was created in 2006 (in conjunction with Situational Awareness and Infrastructure Security Program). Participate in NERC-level analyses as needed, of large-scale outages, disturbances, and near misses to determine root causes and lessons learned.
- Provide regional evaluations, and analyses, as determined by the SPP RE staff, NERC, or other responsible parties.
- Maintain and enhance NERC's Blackout and Disturbance Response Procedures (in conjunction with Situation Awareness and Infrastructure Security Program)

- Analyze frequency performance of the interconnections using data from appropriate measurement systems
- Coordinate with NERC to establish a clear set of criteria for sorting reported disturbances and other bulk power system off-normal events into categories; decide what level of evaluation, or analysis is needed; and determine who will undertake such evaluations, or analyses (triage function)
- Communicate to the industry root causes of events that may be precursors of potentially more serious events and other “lessons learned” from evaluations, and analyses
- Analyze and identify improvements to the interaction of the transmission system with nuclear power plants, especially related to minimum voltages required by the plants

Funding Requirements — Explanation of Increase (Decrease)

The funding requirement is expected to increase from 2.4 to 3.4 FTE for the 2009 Budget due to the addition of 1 FTE. Salary, travel and consulting expenses will increase for the 2009 Budget due to the increase of 1 FTE.

Staffing Needs

Hiring Plans

SPP plans to use existing shared staff to support this function in 2009.

SPP plans to hire 1 SPP RE staff to report directly to the Executive Directive of the Regional Entity. This RE staff will act as the Regional Entity lead in all Event Analyses performed in the SPP RE footprint. In addition, this RE staff will act as the RE liaison with SPP shared staff in support of the analysis and publication annual NERC assessments.

Shared Employees

SPP shared staff will continue to provide support for this function.

Contractors

Currently there is one contractor involved to support SPP RE staff in this effort and expected to continue the same for 2009.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|-------------------|-------------------|------------------------|---------------|------------------------|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Reliability Assessment and Performance Analysis | | | | | |
| | 2008 | 2008 | 2008 Projection | 2009 | 2009 Budget |
| | Budget | Projection | Variance to | Budget | Variance to |
| Funding | | | 2008 Budget | | 2008 Projection |
| | | | Over(Under) | | Over(Under) |
| ERO Assessments | \$ 739,744 | \$ 739,744 | \$ - | \$ - | \$ (739,744) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 739,744 | \$ 739,744 | \$ - | \$ - | \$ (739,744) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 197,129 | \$ 197,129 | \$ - | \$ - | \$ (197,129) |
| Payroll Taxes | 16,542 | 16,542 | - | - | (16,542) |
| Benefits | 29,661 | 29,661 | - | - | (29,661) |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ 243,331 | \$ 243,331 | \$ - | \$ - | \$ (243,331) |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ 496,413 | \$ 496,413 | \$ - | \$ - | \$ (496,413) |
| Total Expenses | \$ 739,744 | \$ 739,744 | \$ - | \$ - | \$ (739,744) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

-

Personnel Expenses

- No additional shared SPP staff is proposed for 2009 to support this function.
- 1 dedicated FTE will act as the Regional Entity lead in all Event Analyses performed in the SPP RE footprint. This personnel will also act as the RE liaison with the SPP shared staff in support of the analysis and publication of the annual NERC assessments.

Meeting Expenses

-

Operating Expenses

-

Situation Awareness and Infrastructure Security Program

| Situation Analysis and Infrastructure Security Program Resources (in whole dollars) | | | |
|---|---|---|--|
| | 2008 Budget | 2008 Projection | 2009 Budget |
| Total FTEs | ** | ** | 0.75 |
| Total Direct Funding | CIPC rep travel expense reimbursement \$18,000 CIPWG Secretary travel expense <u>\$4,000</u> Total \$22,000 | CIPC rep travel expense reimbursement \$18,000 CIPWG Secretary travel expense <u>\$4,000</u> Total \$22,000 | CIPC rep travel expense reimbursement \$18,000 CIPWG Secretary travel expense \$4,000 Salary <u>\$35,000</u> Total \$57,000 |
| Total Indirect Funding | | | |
| Total Funding | \$22,000 | \$22,000 | \$57,000 |

Background

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 actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members.

SPP also participates in the development of the "Morning Report" for NERC and FERC which provides daily bulk power system status. SPP will also work in cooperation with NERC and other Regional Entities to implement a Situation Awareness Tool being developed by NERC and to define the scope of responsibility for the RE in Situation Awareness.

Program Description and Functions Performed

SPP sponsors a Critical Infrastructure Protection Working Group (CIPWG). The CIPWG:

- 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
- 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
- Provides general guidance to SPP members on CIP Standards and related compliance efforts
- Assists the SPP Regional Entity with the conduct and evaluation of compliance self-certification and field audits of NERC security standards

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002-1 through CIP-009-1) and is facilitated by an SPP staff member. The working group meets quarterly at a member location. Additional meetings and conference calls are scheduled as required.

SPP is represented on the CIPC by three SPP member company representatives who represent the physical, cyber, and operations disciplines. Per the SPP Bylaws, SPP reimburses the member representatives for travel expenses incurred while performing CIPC responsibilities.

2009 Goals and Objectives

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
 - Continue quarterly meetings
 - Increase CIPWG membership
 - Provide a technically-oriented training opportunity for members regarding CIP compliance discussions
- Provide enhanced support to SPP members about CIP Standards issues
 - Provide general recommendations on appropriate next steps, security best practices
- Liaison with the U.S. Department of Homeland Security and state emergency management offices
- Work with NERC to implement Situation Awareness Tool
- Assist in development of Morning Reports
- Participate in NERC/RE Situation Awareness Communications Team
- Exchange SAIS information and foster collaboration with information sharing partners
- Work with NERC to further clarify SAIS roles and responsibilities

Funding Requirements — Explanation of Increase (Decrease)

The funding requirements are expected to increase to 0.75 FTE for the 2009 Budget. This is due to the addition of .5 FTE to support the development activities for SAIS and 0.25 FTE to support

in the development and dissemination of the daily Morning Reports. Salary expense will increase accordingly for the 2009 budget with the addition of the 0.75 FTE.

Meeting and Travel Expenses

Meeting expenses for SPP members attending quarterly CIPC meetings will total approximately \$18,000. Travel for the CIPWG Secretary to attend quarterly CIPWG meetings will total approximately \$4,000.

Staffing Needs

The SPP shared staff will assist the RE with conducting Situational Awareness and Infrastructure Security activities as needed. This assistance is 0.5 FTE of the total 0.75 FTE for this program.

The SPP Operations staff will assist the RE with conducting Situational Awareness and Infrastructure Security activities as needed. Specifically, Operations staff will work to develop the Morning Report and to implement the Situation Awareness Tool. This assistance is 0.25 FTE of the total 0.75 FTE for this program.

Hiring Plans

The SPP does not plan to hire additional staff in 2009 to support this function.

Shared Employees

SPP shared staff will assist with the coordination and setup for CIPWG meetings throughout 2009. SPP shared staff will assist with other security-related activities.

Contractors

No contractors are planned for this activity.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|---|------------------|--------------------|--|----------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Situational Awareness and Infrastructure Security | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 22,000 | \$ 22,000 | \$ - | \$ - | \$ (22,000) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 22,000 | \$ 22,000 | \$ - | \$ - | \$ (22,000) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 22,000 | 22,000 | - | - | (22,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 22,000 | \$ 22,000 | \$ - | \$ - | \$ (22,000) |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses | \$ 22,000 | \$ 22,000 | \$ - | \$ - | \$ (22,000) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

-

Personnel Expenses

- No additional staff is expected for 2009 to support this function.

Meeting Expenses

- Meeting expenses for SPP members attending quarterly CIPC meetings will total approximately \$18,000.

Operating Expenses

-

Administrative Services

Technical Committees and Members' Forums

Background

SPP Regional Entity 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 SPP Regional Entity also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues.

Program Description and Functions Performed

2009 Goals and Objectives

Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees

Provide technical forums to act as standards-drafting teams in development of SPP regional reliability standards.

Funding Requirements — Explanation of Increase (Decrease) Staffing Needs

Hiring Plans

No additional staff is planned for 2009 to support this function.

Shared Employees

The SPP RE plans to use existing dedicated staff to support the annual RE public workshops.

SPP will use existing shared staff to support SPP forums, as listed above, in 2009.

Contractors

No contractors are expected for 2009 to support this function.

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Technical Committees and Member Forums | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 145,000 | \$ 145,000 | \$ - | \$ - | \$ (145,000) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 145,000 | \$ 145,000 | \$ - | \$ - | \$ (145,000) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 10,000 | 10,000 | - | - | (10,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 10,000 | \$ 10,000 | \$ - | \$ - | \$ (10,000) |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | 135,000 | 135,000 | - | - | (135,000) |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ 135,000 | \$ 135,000 | \$ - | \$ - | \$ (135,000) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses | \$ 145,000 | \$ 145,000 | \$ - | \$ - | \$ (145,000) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- NA

Personnel Expenses

- No additional personnel are expected for 2009 to support this function.

Meeting Expenses

-

Operating Expenses

-

General and Administrative

Functional Description

The General and Administrative function consists of support from the SPP Vice President of Process Integrity & CAO, the Executive Director of Interregional Affairs, a Regional Entity General Council and three independent Regional Entity Trustees.

The VP of Process Integrity & CAO and the Executive Director of Interregional Affairs provide executive level support and oversight through participation in meetings and conference calls with other Regional Entities and Senior NERC staff except for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program and the Reliability Readiness Evaluation and Improvement Program to ensure independence and separation from SPP non-statutory activities.

The RE Trustees are independent of the SPP Board of Directors, any member, industry stakeholder, or organizational group. The RE Trustees 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.

2009 Goals and Objectives

The VP of Process Integrity & CAO and the Executive Director of Interregional Affairs will serve as general and administrative resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.²

The functions and duties of the Regional Entity Trustees will include, but are not limited to the following:

- Monitor all Registered Entities in the SPP footprint for compliance with ERO/FERC requirements, including auditing and issuance of official findings,
- Administer SPP's Compliance Enforcement Program,
- Coordinate and manage third party audits to confirm that SPP is conforming ERO policies and standards,
- Impose penalties as prescribed and approved by ERO/FERC,
- Regional Entity staff administration,
- Regional Entity budget decisions,
- Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation,
- Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities, and
- Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.

² See 2009 SPP RE Organization Chart, the Compliance Monitoring and Enforcement and Organization Registration and Certification and the Reliability Readiness Evaluation and Improvement Programs are overseen by the Executive Director of Compliance to ensure separation from SPP non-statutory activities.

The SPP RE General Counsel provides exclusive legal support to the SPP RE.

Funding Requirements — Explanation of Increase (Decrease)

The funding requirements are expected to increase with the addition of 1 FTE for the 2009 budget. This is due to a significant increase in administrative work.

Staffing Needs

Hiring Plans

SPP plans to hire 1 additional SPP RE staff in 2009 to provide administrative support through; preparation of audit files and documentation, preparation of compliance violation and preliminary event analysis documentation, assistance with expense reporting and invoice management, assistance with data requests, minor database administration, budget monitoring, on-site support for compliance workshops, and RE Trustees meeting preparations.

Shared Employees

SPP shared staff are budgeted for through the SPP Indirect Costs. These shared staff provide services in support of the SPP RE programs. If a shared staff incurs significant time and expense to support an RE activity, those may be tracked directly to the RE.

Contractors

No contractors are planned for 2009 to support this activity.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| General and Administrative | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 362,928 | \$ 362,928 | \$ - | \$ - | \$ (362,928) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 362,928 | \$ 362,928 | \$ - | \$ - | \$ (362,928) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 198,083 | \$ 198,083 | \$ - | \$ - | \$ (198,083) |
| Payroll Taxes | 16,622 | 16,622 | - | - | (16,622) |
| Benefits | 29,804 | 29,804 | - | - | (29,804) |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ 244,509 | \$ 244,509 | \$ - | \$ - | \$ (244,509) |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 15,000 | 15,000 | - | - | (15,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 15,000 | \$ 15,000 | \$ - | \$ - | \$ (15,000) |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ 103,419 | \$ 103,419 | \$ - | \$ - | \$ (103,419) |
| Total Expenses | \$ 362,928 | \$ 362,928 | \$ - | \$ - | \$ (362,928) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Legal and Regulatory

Functional Description

The SPP RE has a General Counsel that provides exclusive legal support to the SPP RE.³

2009 Goals and Objectives

Funding Requirements — Explanation of Increase (Decrease)

Staffing Needs

Hiring Plans

No additional staff is planned for this area in 2009.

Shared Employees

The SPP RE will not require shared staff resources in 2009 to support this function.

Contractors

No Contractors are planned for this activity.

³ SPP RE General Counsel is accounted for in the general and administrative budget for confidentiality
2009 Regional Entity Business Plan and Budget
Approved by Board of Trustees: XX, 2008

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Legal and Regulatory | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- NA

Personnel Expenses

- SPP RE General Counsel staff is accounted for in the General & Administrative budget for purposes of confidentiality

Meeting Expenses

-

Operating Expenses

-

Information Technology

Functional Description

The SPP Information Technology department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2009 Goals and Objectives

To provide adequate information technology support for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

Funding Requirements — Explanation of Increase (Decrease)

Staffing Needs

Hiring Plans

Shared Employees

SPP shared staff used to support this function are providing support services only and are budgeted for through SPP indirect costs.

Contractors

No contractors are planned for this activity.

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Information Technology | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Human Resources

Functional Description

SPP will provide Human Resources support for the SPP Regional Entity, including the hiring of any needed staff and the administration of payroll and benefits.

2009 Goals and Objectives

To provide adequate human resources services for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

Funding Requirements — Explanation of Increase (Decrease)

Staffing Needs

Hiring Plans

Shared Employees

SPP shared staff are budgeted for through the SPP Indirect Costs. These shared staff provide services in support of the SPP RE programs. If a shared staff incurs significant time and expense to support an RE activity, those may be tracked directly to the RE.

Contractors

No contractors are planned for this activity.

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Human Resources | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Finance and Accounting

Functional Description

The Finance and Accounting department will direct the overall financial plans and accounting practices for SPP's RE functions.

2009 Goals and Objectives

- Assist in budget development using the NERC Budget template format.
- Work with other Regional Entities through the REBG to provide consistency in budget submittals.

Funding Requirements — Explanation of Increase (Decrease)

Staffing Needs

Hiring Plans

Shared Employees

SPP shared staff are budgeted for through the SPP Indirect Costs. These shared staff provide services in support of the SPP RE programs. If a shared staff incurs significant time and expense to support an RE activity, those may be tracked directly to the RE.

Contractors

No contractors are planned for this activity.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| Finance and Accounting | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - | - | - |
| Benefits | - | - | - | - | - |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | - | - | - | - | - |
| Total Personnel Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | - | - |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | - | - | - | - | - |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

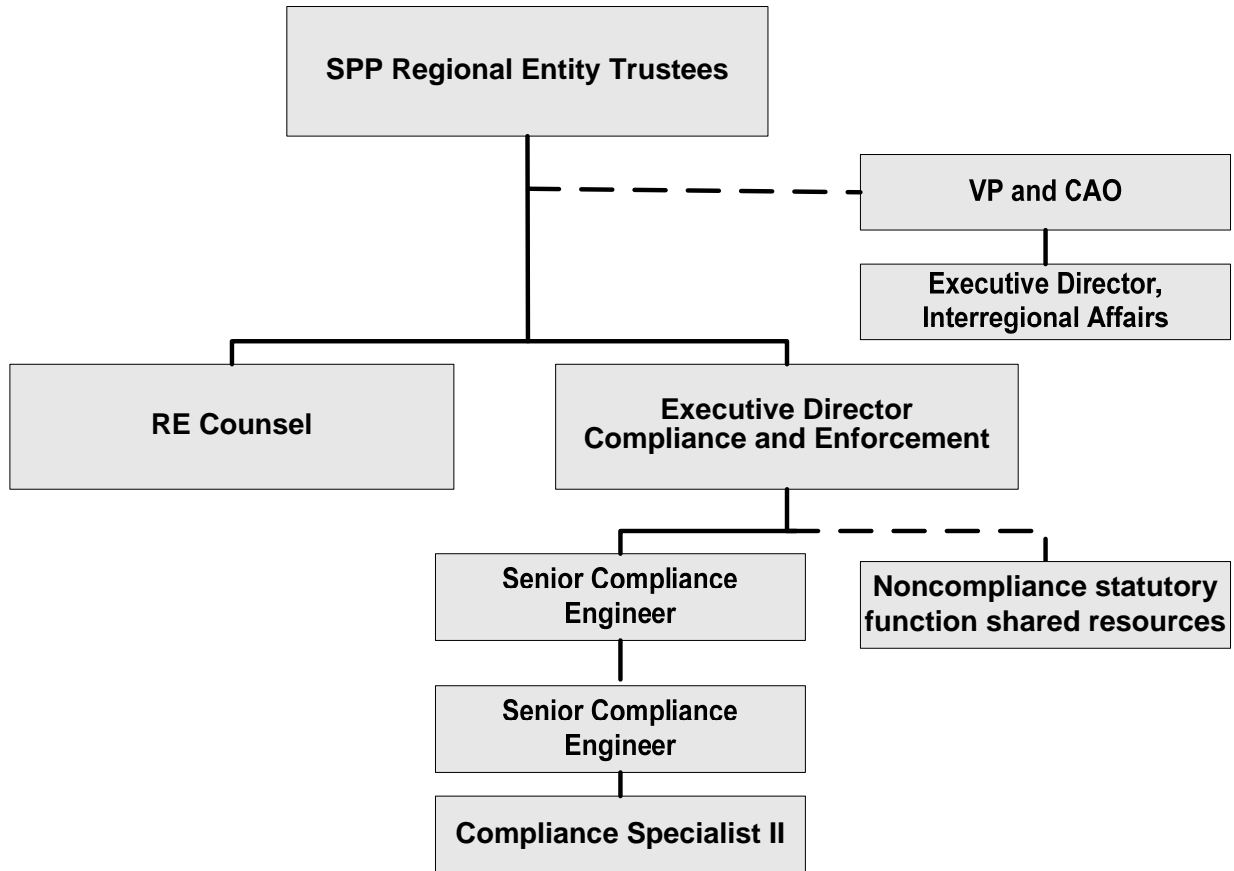
| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| STATUTORY | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Assessments | \$ 4,609,083 | \$ 4,609,083 | \$ - | \$ - | \$ (4,609,083) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding | \$ 4,609,083 | \$ 4,609,083 | \$ - | \$ - | \$ (4,609,083) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 1,149,531 | \$ 1,149,531 | \$ - | \$ - | \$ (1,149,531) |
| Payroll Taxes | 96,461 | 96,461 | - | - | (96,461) |
| Benefits | 172,963 | 172,963 | - | - | (172,963) |
| Retirement Costs | - | - | - | - | - |
| Continuing Education | 15,000 | 15,000 | - | - | (15,000) |
| Total Personnel Expenses | \$ 1,433,954 | \$ 1,433,954 | \$ - | \$ - | \$ (1,433,954) |
| Meeting Expenses | | | | | |
| Meetings | \$ 64,670 | \$ 64,670 | \$ - | \$ - | \$ (64,670) |
| Travel | 152,000 | 152,000 | - | - | (152,000) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 216,670 | \$ 216,670 | \$ - | \$ - | \$ (216,670) |
| Operating Expenses | | | | | |
| Consultants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts | - | - | - | - | - |
| Office Rent | - | - | - | - | - |
| Office Costs | 6,100 | 6,100 | - | - | (6,100) |
| Professional Services | 459,400 | 459,400 | - | - | (459,400) |
| Computer Purchase & Maintenance | - | - | - | - | - |
| Board of Trustees | 135,000 | 135,000 | - | - | (135,000) |
| Furniture & Equipment | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Contingency | - | - | - | - | - |
| Total Operating Expenses | \$ 600,500 | \$ 600,500 | \$ - | \$ - | \$ (600,500) |
| Other Non-Operating Expenses | \$ 2,357,959 | \$ 2,357,959 | \$ - | \$ - | \$ (2,357,959) |
| Total Expenses | \$ 4,609,083 | \$ 4,609,083 | \$ - | \$ - | \$ (4,609,083) |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |

Personnel Analysis

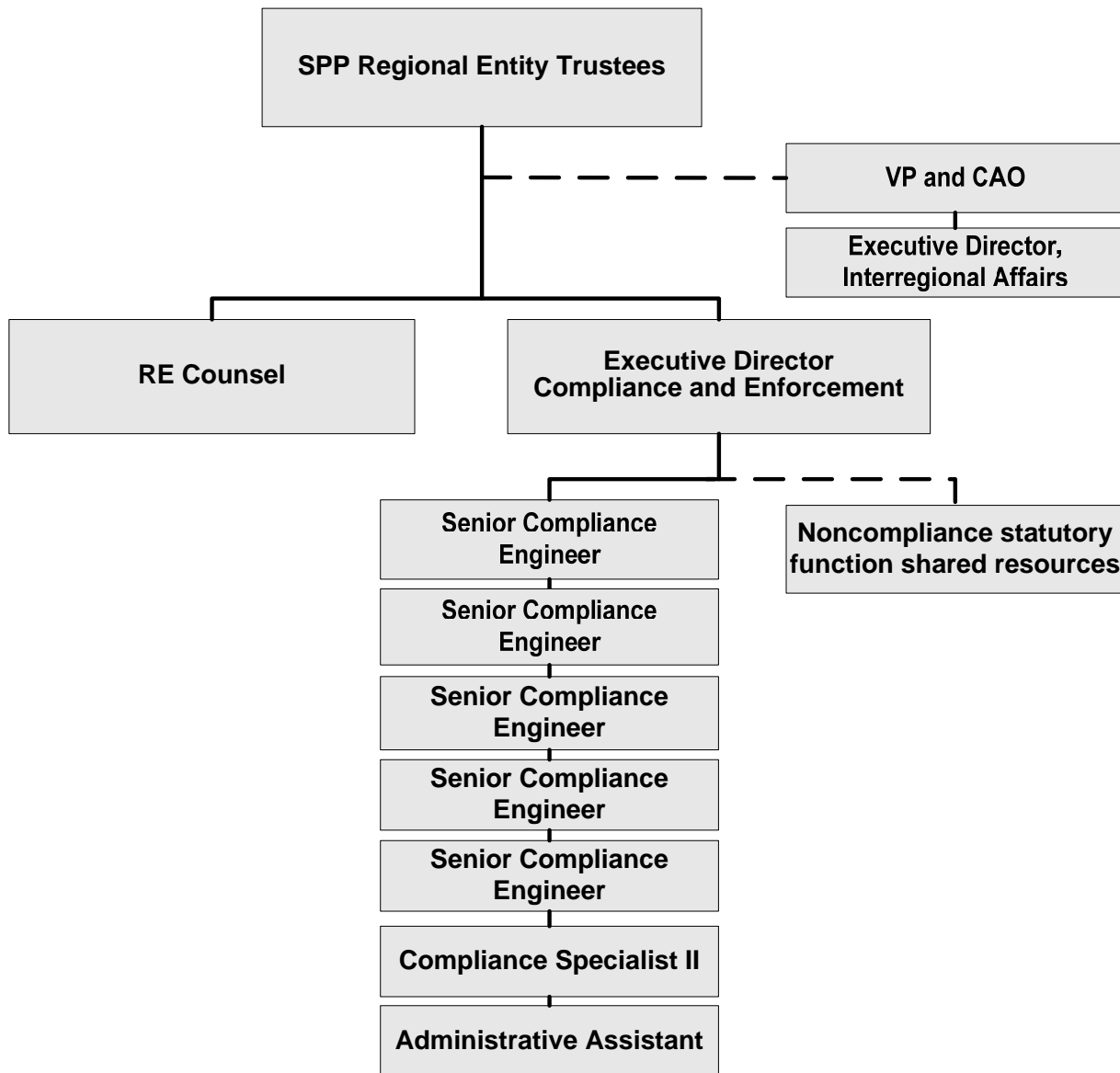
Table 2

| Total FTE's by Program Area | Budget 2008 | Projection 2008 | Budget 2009 | Change from Projection |
|--|----------------|--------------------|----------------|---------------------------|
| STATUTORY | | | | |
| Operational Programs | | | | |
| Reliability Standards | 0.5 | 0.5 | 0.0 | -0.5 |
| Compliance and Organization Registration and Certification | 3.5 | 3.5 | 0.0 | -3.5 |
| Reliability Readiness Audit and Improvement | 0.5 | 0.5 | 0.0 | -0.5 |
| Training and Education | 4.0 | 4.0 | 0.0 | -4.0 |
| Reliability Assessment and Performance Analysis | 2.4 | 2.4 | 0.0 | -2.4 |
| Situational Awareness and Infrastructure Security | 0.0 | 0.0 | 0.0 | 0.0 |
| Total FTEs Operational Programs | 10.9 | 10.9 | 0.0 | -10.9 |
| Administrative Programs | | | | |
| Member Forums | 0.0 | 0.0 | 0.0 | 0.0 |
| General & Administrative | 1.5 | 1.5 | 0.0 | -1.5 |
| Information Technology | 0.0 | 0.0 | 0.0 | 0.0 |
| Legal and Regulatory | 0.0 | 0.0 | 0.0 | 0.0 |
| Human Resources | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounting | 0.0 | 0.0 | 0.0 | 0.0 |
| Total FTEs Administrative Programs | 1.5 | 1.5 | 0.0 | -1.5 |
| Total FTEs | 12.4 | 12.4 | 0.0 | -12.4 |

2008 Organizational Chart



2009 Organizational Chart



Reserve Balance

Table 5

**Reserve Analysis 2008-2009
STATUTORY**

Cash Available 2008

Beginning Cash @ January 1, 2008
 2008 ERO Funding (from LSEs or designees)
 2008 Other funding sources (Cash basis)
 Change in assets ¹

Total Cash Available 2008

0

Cash Needed 2008

2008 Projected expenses (Cash basis) ²
 Change in liabilities

Total Cash Needed 2008

0

Projected Ending Cash Balance, December 31, 2008

0

Desired Cash Balance, December 31, 2009 (10% of Assessments) ³

Less: Projected Cash Balance December 31, 2008

0

Increase(decrease) in assessments needed to raise cash balance

0

2009 Assessment

Adjustment to increase cash balance

2009 Assessment and reserve adjustment

0

0

¹ Assumes all other assets remain at same levels as 12/31/08

² Assumes all other liabilities remain at same levels as 12/31/08

³ Comment from Board of Trustees explaining reserve balance required.

Regional Entity Assessment Analysis

Assessments by Country

Table 6

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page ___, of the 2009 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

| Outside Funding Breakdown By Program (excluding ERO Assessments) | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|---|-------------------|---------------------|---------------------|-------------------|---------------|
| Reliability Assessment and Performance Analysis | | | | | |
| pc-GAR Software | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ - | 0.00% |
| GADS Services | 90,000 | 90,000 | 90,000 | - | 0.00% |
| Total | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ - | 0.00% |
| Training and Education | | | | | |
| SO Test Fees | \$ 540,000 | \$ 490,000 | \$ 490,000 | \$ - | 0.00% |
| PJM Test Fees | - | - | - | - | - |
| CEH Fees | 30,000 | 240,000 | 473,000 | 233,000 | 97.08% |
| Total | \$ 570,000 | \$ 730,000 | \$ 963,000 | \$ 233,000 | 31.92% |
| Situational Awareness and Infrastructure Security | | | | | |
| ESD Software | \$ 15,000 | \$ 12,500 | \$ 15,000 | \$ 2,500 | 20.00% |
| FIST Royalties | 20,000 | 15,000 | 15,000 | - | 0.00% |
| TSIN Fees | 25,000 | 75,000 | 75,000 | - | 0.00% |
| Total | \$ 60,000 | \$ 102,500 | \$ 105,000 | \$ 2,500 | 2.44% |
| Technical Committees and Member Forums | | | | | |
| Transmission Owners and Operators Forum Dues | | \$ 175,000 | \$ 175,000 | \$ - | 0.00% |
| Total | \$ - | \$ 175,000 | \$ 175,000 | \$ - | 0.00% |
| General and Administrative | | | | | |
| Interest Income | \$ 84,000 | \$ 180,000 | \$ 200,000 | \$ 20,000 | 11.11% |
| Total | \$ 84,000 | \$ 180,000 | \$ 200,000 | \$ 20,000 | 11.11% |
| Total Outside Funding | \$ 864,000 | \$ 1,337,500 | \$ 1,593,000 | \$ 255,500 | 19.10% |

Personnel Expenses

Table B-2

| Personnel Expenses | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|------------------------------|----------------------|----------------------|----------------------|---------------------|---------------|
| Salaries | | | | | |
| Salary | \$ 10,087,182 | \$ 9,985,623 | \$ 13,160,179 | \$ 3,174,556 | 31.79% |
| Employment Agency Fees | 16,000 | 16,000 | 16,000 | - | 0.00% |
| Temporary Office Services | 30,000 | 30,000 | 30,000 | - | 0.00% |
| Total Salaries | \$ 10,133,182 | \$ 10,031,623 | \$ 13,206,179 | \$ 3,174,556 | 31.65% |
| Payroll Taxes | | | | | |
| FICA | \$ 426,948 | \$ 398,765 | \$ 535,073 | \$ 136,308 | 34.2% |
| Medicare | 143,222 | 132,111 | 187,626 | 55,515 | 42.0% |
| SUI | 34,672 | 30,500 | 45,416 | 14,916 | 48.9% |
| FUI | 4,704 | 4,500 | 5,712 | 1,212 | 26.9% |
| Total Payroll Taxes | \$ 609,545 | \$ 565,876 | \$ 773,827 | \$ 207,951 | 36.7% |
| Benefits | | | | | |
| Workers Compensation | \$ 36,000 | \$ 37,240 | \$ 47,880 | \$ 10,640 | 28.6% |
| Medical Insurance | 1,083,663 | 817,452 | 1,347,724 | 530,272 | 64.9% |
| Life-LTD Insurance | 128,922 | 100,000 | 189,938 | 89,938 | 89.9% |
| Education | 60,000 | 80,000 | 100,000 | 20,000 | 25.0% |
| Relocation | 184,000 | 90,000 | 7,500 | (82,500) | -91.7% |
| Total Benefits | \$ 1,492,584 | \$ 1,124,692 | \$ 1,693,042 | \$ 568,350 | 50.5% |
| Retirement | | | | | |
| Profit Sharing Plan / SERP | \$ 735,753 | \$ 583,439 | \$ 735,566 | \$ 152,127 | 26.1% |
| Savings Plan | 383,138 | 350,000 | 528,798 | 178,798 | 51.1% |
| Total Retirement | \$ 1,118,891 | \$ 933,439 | \$ 1,264,364 | \$ 330,925 | 35.5% |
| Total Personnel Costs | \$ 13,354,202 | \$ 12,655,631 | \$ 16,937,413 | \$ 4,281,782 | 33.8% |

Meeting Expenses

Table B-3

Meeting Expenses

| Meeting Expenses by Business Plan Category | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|--|-------------------|--------------------|-------------------|-----------------|---------------|
| Reliability Standards | \$ 149,000 | \$ 153,000 | \$ 160,000 | \$ 7,000 | 4.58% |
| Compliance and Organization Registration and Certification | 54,000 | 30,000 | 30,000 | - | 0.00% |
| Reliability Readiness Audit and Improvement | | | | - | |
| Reliability Assessment and Performance Analysis | 80,000 | 94,500 | 92,500 | (2,000) | -2.12% |
| Training and Education | 50,000 | 54,000 | 54,000 | - | 0.00% |
| Situational Awareness and Infrastructure Security | 121,000 | 102,000 | 102,000 | - | 0.00% |
| Committee and Member Forums | 104,000 | 140,000 | 140,000 | - | 0.00% |
| General and Administrative | 152,000 | 139,000 | 139,000 | - | 0.00% |
| Legal and Regulatory | 3,000 | 3,000 | 3,000 | - | 0.00% |
| Information Technology | | | | - | |
| Human Resources | | | | - | |
| Accounting and Finance | | | | - | |
| Total Meeting Expenses | \$ 713,000 | \$ 715,500 | \$ 720,500 | \$ 5,000 | 0.70% |

| Travel Expenses by Business Plan Category | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|--|---------------------|---------------------|---------------------|-------------------|---------------|
| Reliability Standards | \$ 188,000 | \$ 198,000 | \$ 205,200 | \$ 7,200 | 3.64% |
| Compliance and Organization Registration and Certification | 317,000 | 260,000 | 378,900 | 118,900 | 45.73% |
| Reliability Readiness Audit and Improvement | 159,000 | 160,000 | 157,500 | (2,500) | -1.56% |
| Reliability Assessment and Performance Analysis | 200,000 | 191,000 | 203,400 | 12,400 | 6.49% |
| Training and Education | 70,000 | 48,000 | 55,800 | 7,800 | 16.25% |
| Situational Awareness and Infrastructure Security | 81,000 | 83,000 | 80,100 | (2,900) | -3.49% |
| Committee and Member Forums | 62,000 | 33,000 | 32,400 | (600) | -1.82% |
| General and Administrative | 137,000 | 146,000 | 155,900 | 9,900 | 6.78% |
| Legal and Regulatory | 61,000 | 43,000 | 51,300 | 8,300 | 19.30% |
| Information Technology | 29,000 | 31,000 | 30,600 | (400) | -1.29% |
| Human Resources | 7,000 | 10,000 | 9,000 | (1,000) | -10.00% |
| Accounting and Finance | 5,000 | 12,000 | 12,600 | 600 | 5.00% |
| Total Travel Expenses | \$ 1,316,000 | \$ 1,215,000 | \$ 1,372,700 | \$ 157,700 | 12.98% |

| Conference Call Expenses by Business Plan Category | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|--|-------------------|--------------------|-------------------|-------------|---------------|
| General and Administrative | \$ 113,000 | \$ 113,000 | \$ 113,000 | \$ - | 0.00% |
| Legal and Regulatory | | | | - | |
| Information Technology | | | | - | |
| Human Resources | | | | - | |
| Accounting and Finance | | | | - | |
| Total Conference Calls | \$ 113,000 | \$ 113,000 | \$ 113,000 | \$ - | 0.00% |

Section B — 2009 Regional Entity Budget

Operating Expenses

Table B-4

| Consultants | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|--|---------------------|---------------------|---------------------|---------------------|---------------|
| Consultants | | | | | |
| Reliability Standards | \$ 240,000 | \$ 55,000 | \$ 100,000 | \$ 45,000 | 81.82% |
| Compliance and Organization Registration and Certification | 490,000 | 490,000 | 330,000 | (160,000) | -32.65% |
| Reliability Assessment and Performance Analysis | 75,000 | 75,000 | 75,000 | - | 0.00% |
| Training and Education | 100,000 | 100,000 | 100,000 | - | 0.00% |
| Situational Awareness and Infrastructure Security | 250,000 | 250,000 | 250,000 | - | 0.00% |
| Information Technology | 250,000 | 250,000 | 250,000 | - | 0.00% |
| Member Forum Consultants | | 175,000 | 175,000 | - | 0.00% |
| Consultants Total | \$ 1,405,000 | \$ 1,395,000 | \$ 1,280,000 | \$ (115,000) | -8.24% |

Table B-5

| Contracts | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|---|---------------------|---------------------|---------------------|--------------------|---------------|
| Contracts - Software | | | | | |
| GADS Programming Support | \$ 50,000 | \$ 50,000 | \$ 135,000 | \$ 85,000 | 170.00% |
| Analysis Software | 125,000 | 125,000 | 115,000 | (10,000) | -8.00% |
| MMWG Powerflow Contractor | 85,500 | 85,500 | - | (85,500) | -100.00% |
| MMWG Dynamics Contractor | 118,200 | 118,200 | - | (118,200) | -100.00% |
| Resource Adequacy Studies | 10,000 | - | - | - | - |
| Dynamics Database Enhancements | - | - | - | - | - |
| General Maintenance | 10,000 | 10,000 | 10,000 | - | 0.00% |
| PKI Cyber Security | - | - | - | - | - |
| NERCnet Maintenance | 20,000 | - | - | - | - |
| NERCnet (NERC Office) | 38,000 | 45,000 | 45,000 | - | 0.00% |
| NERCnet (IDC Support) | 22,800 | 30,000 | 30,000 | - | 0.00% |
| Data Services Maintenance | 30,000 | 30,000 | 30,000 | - | 0.00% |
| NERC ICCP Maintenance Contract | 6,000 | - | - | - | - |
| NERC ICCP Backup Node | 6,000 | - | - | - | - |
| RCIS Support | 20,000 | 20,000 | 20,000 | - | 0.00% |
| Real-Time TagNet Displays | 3,000 | - | - | - | - |
| Area Control Error (ACE) Project | 106,000 | 106,000 | 106,000 | - | 0.00% |
| Inadvertent Interchange | 58,000 | 58,000 | 58,000 | - | 0.00% |
| AIE Monitoring | 80,000 | 80,000 | 50,000 | (30,000) | -37.50% |
| CPS1-Balancing Authority ACE Limit Monitoring | 50,000 | 50,000 | 20,000 | (30,000) | -60.00% |
| Frequency Monitoring | 105,000 | 105,000 | 55,000 | (50,000) | -47.62% |
| Assessment Studies | | 10,000 | 10,000 | - | 0.00% |
| TADS Development | | - | 150,000 | 150,000 | - |
| Contracts - Software Total | \$ 943,500 | \$ 922,700 | \$ 834,000 | \$ (88,700) | -9.61% |
| Contract - IDC | | | | | |
| SDX Support | \$ 74,000 | \$ 77,000 | \$ 80,000 | \$ 3,000 | 3.90% |
| IDC Maintenance | 50,000 | 50,000 | 50,000 | - | 0.00% |
| DF Support Services Contract | 19,200 | 19,200 | 19,200 | - | 0.00% |
| IDC Client Contracts | 202,000 | 200,000 | 200,000 | - | 0.00% |
| IDC Client Billing | (202,000) | (200,000) | (200,000) | - | 0.00% |
| IDC Base Contract | 1,289,660 | 1,289,660 | 1,329,660 | 40,000 | 3.10% |
| E-Tag Maintenance | 50,000 | 50,000 | 50,000 | - | 0.00% |
| Contracts - IDC Total | \$ 1,482,860 | \$ 1,485,860 | \$ 1,528,860 | \$ 43,000 | 2.89% |
| Education and Training | | | | | |
| System Operator Testing Expenses | \$ 75,900 | \$ 73,000 | \$ 60,000 | \$ (13,000) | -17.81% |
| System Operator Examination Development | 94,400 | 91,000 | 104,000 | 13,000 | 14.29% |
| Database Development | 150,000 | 100,000 | 100,000 | - | 0.00% |
| Registration Costs | 4,500 | - | - | - | - |
| Education and Training Total | \$ 324,800 | \$ 264,000 | \$ 264,000 | \$ - | 0.00% |
| Contracts Total | \$ 2,751,160 | \$ 2,672,560 | \$ 2,626,860 | \$ (45,700) | -1.71% |

Section B — 2009 Regional Entity Budget

Table B-6

| Office Rent | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|--------------------------|-------------------|--------------------|-------------------|------------------|--------------|
| Office Rent | \$ 647,200 | \$ 650,000 | \$ 680,000 | \$ 30,000 | 4.62% |
| Utilities | \$ - | \$ - | \$ - | \$ - | |
| Maintenance | \$ - | \$ - | \$ - | \$ - | |
| Security | \$ - | \$ - | \$ - | \$ - | |
| Leasehold Improvements | \$ - | \$ - | \$ - | \$ - | |
| Total Office Rent | \$ 647,200 | \$ 650,000 | \$ 680,000 | \$ 30,000 | 4.62% |

Table B-7

| Office Costs | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|------------------------------------|-------------------|--------------------|-------------------|------------------|---------------|
| Telephone | \$ 150,000 | \$ 140,000 | \$ 160,000 | \$ 20,000 | 14.29% |
| Internet | 125,000 | 130,000 | 165,000 | \$ 35,000 | 26.92% |
| Office Supplies | 62,700 | 70,000 | 80,000 | \$ 10,000 | 14.29% |
| Computer Supplies and Maintenance | 110,000 | 110,000 | 110,000 | \$ - | 0.00% |
| Publications & Subscriptions | 44,000 | 25,000 | 30,000 | \$ 5,000 | 20.00% |
| Dues | 29,700 | 30,000 | 35,000 | \$ 5,000 | 16.67% |
| Postage | 10,560 | 10,000 | 12,000 | \$ 2,000 | 20.00% |
| Express Shipping | 21,340 | 22,000 | 24,000 | \$ 2,000 | 9.09% |
| Copying | 31,350 | 33,000 | 36,000 | \$ 3,000 | 9.09% |
| Reports - Graphics | 2,200 | 3,000 | 3,000 | \$ - | 0.00% |
| Stationary Forms | 5,500 | 10,000 | 10,000 | \$ - | 0.00% |
| Equipment Repair/Service Contracts | 13,200 | 24,000 | 27,000 | \$ 3,000 | 12.50% |
| Bank Charges | 7,700 | 7,000 | 8,000 | \$ 1,000 | 14.29% |
| Sales & Use Taxes | 5,060 | 3,000 | 3,000 | \$ - | 0.00% |
| Merchant Card Fees | 28,380 | 40,000 | 42,000 | \$ 2,000 | 5.00% |
| Presentation & Publicity | - | - | - | \$ - | |
| Total Office Costs | \$ 646,690 | \$ 657,000 | \$ 745,000 | \$ 88,000 | 13.39% |

Table B-8

| Professional Services | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|----------------------------|---------------------|---------------------|---------------------|-------------------|---------------|
| Independent Trustee Fees | \$ 593,000 | \$ 593,000 | \$ 660,000 | \$ 67,000 | 11.30% |
| Outside Legal | 500,000 | 500,000 | 500,000 | \$ - | 0.00% |
| Accounting & Auditing Fees | 49,500 | 100,000 | 200,000 | \$ 100,000 | 100.00% |
| Other Legal Fees | - | - | - | \$ - | |
| Insurance Commercial | 47,300 | 47,000 | 60,000 | \$ 13,000 | 27.66% |
| Total Services | \$ 1,189,800 | \$ 1,240,000 | \$ 1,420,000 | \$ 180,000 | 14.52% |

Table B-9

| Computer | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|-----------------------|------------------------|----------------------------|------------------------|-------------------|-------------------|
| Purchase and Lease | \$ 350,000 | \$ 350,000 | \$ 600,000 | \$ 250,000 | 71.43% |
| Total Computer | \$ 350,000 | \$ 350,000 | \$ 600,000 | \$ 250,000 | 71.43% |

Table B-10

| Furniture & Equipment | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|---------------------------------------|------------------------|----------------------------|------------------------|--------------------|-------------------|
| Furniture | \$ 44,000 | \$ 70,000 | \$ 40,000 | \$ (30,000) | -42.86% |
| Equipment | 12,100 | 15,000 | 15,000 | \$ - | 0.00% |
| Total Furniture & Fixtures | \$ 56,100 | \$ 85,000 | \$ 55,000 | \$ (30,000) | -35.29% |

Table B-11

| Other Non-Operating Expenses | Budget 2008 | Projection 2008 | Budget 2009 | Variance | Variance % |
|---------------------------------------|------------------------|----------------------------|--------------------|--------------------|-------------------|
| Interest Expense | \$ 44,000 | \$ 70,000 | \$ 40,000 | \$ (30,000) | -42.86% |
| Office Relocation | 12,100 | 15,000 | 15,000 | \$ - | 0.00% |
| Total Furniture & Fixtures | \$ 56,100 | \$ 85,000 | \$ 55,000 | \$ (30,000) | -35.29% |

Section C — 2009 RE Non-Statutory Business Plan and Budget

Full Member Criteria Services

| (in whole dollars) | | | |
|------------------------|-------------|-----------------|-------------|
| | 2008 Budget | 2008 Projection | 2009 Budget |
| Total FTEs | | | |
| Total Direct Funding | | | |
| Total Indirect Funding | | | |
| Total Funding | | | |

Background

Southwest Power Pool, Inc. (SPP) is a Regional Transmission Organization, mandated by the Federal Energy Regulatory Commission to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP operates as the NERC Regional Entity (RE) over an eight state area within the Eastern Interconnection. SPP also provides non-RE related functions for entities operating within the SPP footprint

Membership and Governance

SPP is a relationship-based organization with member-driven processes offering independence through diversity in Organizational Group membership and recognition that reliability and economic/equity issues are inseparable. SPP strives to continuously improve and implement new concepts in a deliberate evolutionary manner.

SPP membership is voluntary and open to any electric utility, federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership is also open to entities eligible to take service under the SPP Open Access Transmission Tariff (OATT). SPP offers its Members greater efficiency and service reliability through better coordination.

SPP members serve over 4.5 million customers across eight states: Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

SPP is governed in accordance with its Bylaws by an independent Board of Directors consisting of seven directors independent of any SPP Member. The Board of Directors works to ensure equity to all Members and acts in the best interest of SPP through its management, control and direction of the general business of SPP.

Non-Statutory Functional Scope

SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

Tariff Administration: Independent administration of the Open Access Transmission Tariff that provides one-stop shopping for regional transmission service with consistent rates and terms.

Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.

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

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

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission.⁴

⁴ 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).

Planning Cycle

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 2009 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.

2009 Primary Objectives —

Major 2009 Cost Impacts

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

| Statement of Activities | | | | | |
|--|------------------------|----------------------------|--|------------------------|--|
| 2008 Budget & Projection, and 2009 Budget | | | | | |
| NON-STATUTORY | | | | | |
| | 2008 Budget | 2008 Projection | 2008 Projection Variance to 2008 Budget Over(Under) | 2009 Budget | 2009 Budget Variance to 2008 Projection Over(Under) |
| Funding | | | | | |
| ERO Funding | \$ - | \$ - | \$ - | \$ - | \$ - |
| Membership Dues/Non-Stat Assessments | 14,400,000 | 15,400,000 | 1,000,000 | 21,600,000 | 6,200,000 |
| Testing Fees | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Services & Software | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Workshops | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Interest | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Miscellaneous | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Total Funding | \$ 20,400,000 | \$ 22,600,000 | \$ 2,200,000 | \$ 30,600,000 | \$ 8,000,000 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 1,200,000 | \$ 1,440,000 | \$ 240,000 | \$ 1,800,000 | \$ 360,000 |
| Payroll Taxes | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Benefits | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Retirement Costs | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Total Personnel Expenses | \$ 4,800,000 | \$ 5,760,000 | \$ 960,000 | \$ 7,200,000 | \$ 1,440,000 |
| Meeting Expenses | | | | | |
| Meetings | \$ 1,200,000 | \$ 1,440,000 | \$ 240,000 | \$ 1,800,000 | \$ 360,000 |
| Travel | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Conference Calls | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Total Meeting Expenses | \$ 3,600,000 | \$ 4,320,000 | \$ 720,000 | \$ 5,400,000 | \$ 1,080,000 |
| Operating Expenses | | | | | |
| Consultants | \$ 1,200,000 | \$ 1,440,000 | \$ 240,000 | \$ 1,800,000 | \$ 360,000 |
| Contracts | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Office Rent | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Office Costs | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Professional Services | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Computer Purchase & Maintenance | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Furniture & Equipment | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Miscellaneous | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Contingency | 1,200,000 | 1,440,000 | 240,000 | 1,800,000 | 360,000 |
| Total Operating Expenses | \$ 10,800,000 | \$ 12,960,000 | \$ 2,160,000 | \$ 16,200,000 | \$ 3,240,000 |
| Other Non-Operating Expenses | \$ 1,200,000 | \$ 1,440,000 | \$ 240,000 | \$ 1,800,000 | \$ 360,000 |
| Total Expenses | \$ 20,400,000 | \$ 24,480,000 | \$ 4,080,000 | \$ 30,600,000 | \$ 6,120,000 |
| Change in Assets | \$ - | \$ (1,880,000) | \$ (1,880,000) | \$ - | \$ 1,880,000 |

Personnel Analysis

Table 2

| Total FTE's by Program Area | Budget 2008 | Projection 2008 | Budget 2009 | Change from Projection |
|---|----------------|--------------------|----------------|---------------------------|
| Non-Statutory | | | | |
| Operational Programs | | | | |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| Total FTEs Operational Programs | 0.0 | 0.0 | 0.0 | 0.0 |
| Administrative Programs | | | | |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| | | | | 0.0 |
| Total FTEs Administrative Programs | 0.0 | 0.0 | 0.0 | 0.0 |
| Total FTEs | 0.0 | 0.0 | 0.0 | 0.0 |

2008 Organizational Chart

2009 Organizational Chart

Reserve Analysis — 2008–2009

Table 5

| Reserve Analysis 2008-2009 | |
|---|---|
| Non-Statutory | |
| Cash Available 2008 | |
| | Beginning Cash @ January 1, 2008 |
| | 2008 ERO Funding (from LSEs or designees) |
| | 2008 Other funding sources (Cash basis) |
| | Change in assets ¹ |
| Total Cash Available 2008 | 0 |
| Cash Needed 2008 | |
| | 2008 Projected expenses (Cash basis) ² |
| | Change in liabilities |
| Total Cash Needed 2008 | 0 |
| Projected Ending Cash Balance, December 31, 2008 | 0 |
| Desired Cash Balance, December 31, 2009 | ³ |
| Less: Projected Cash Balance December 31, 2008 | 0 |
| Increase(decrease) in assessments needed to raise cash balance | 0 |
| 2009 Assessment | |
| Adjustment to increase cash balance | 0 |
| 2009 Assessment and reserve adjustment | 0 |

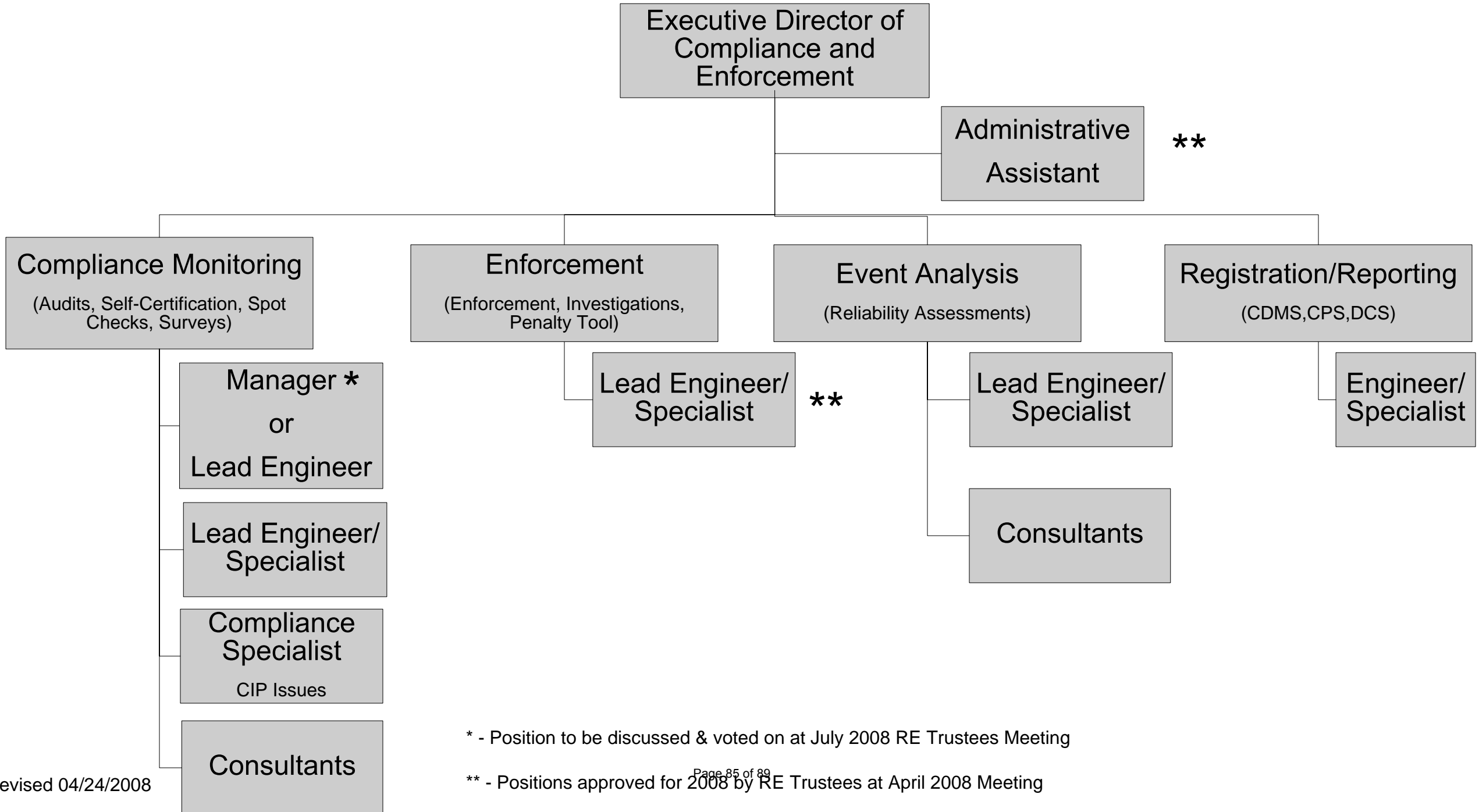
¹ Assumes all other assets remain at same levels as 12/31/08

² Assumes all other liabilities remain at same levels as 12/31/08

³ Comment from Board of Trustees explaining reserve balance required.

Southwest Power Pool Regional Entity
Compliance Organization

Proposed 2009 Staffing



* - Position to be discussed & voted on at July 2008 RE Trustees Meeting

** - Positions approved for 2008 by RE Trustees at April 2008 Meeting



RE Training Report

April 11, 2008

Report Highlights

- In 2007 through Regional Entity training, SPP awarded 8,745 continuing education hours (CEH) to its members and to SPP operations personnel.
- Twenty three entities participated in Regional Entity training in 2007.
- Year-to-date CEH awarded to members for first quarter 2008 have outpaced the 2007 first quarter CEH numbers by approximately 200.
- Net conference and regional emergency operations classroom enrollment has doubled from 2007.
- Restoration drill enrollment for 2008 is up approximately 18% from 2007.
- Current enrollment for the regional restoration drill on April 15-17 includes 24 of 25 entities.
- There will be 290 additional CEH offered for the remainder of 2008.

The three tables below provide information by course and year.

**Table I
2007 Breakdown by Course**

| Year | Training Event | Average Individual Participation | CEH Offered per Event | Event Occurrence per Year | Total CEH Available | Total CEH Awarded in 2007 |
|-------------|---------------------------------------|---|------------------------------|----------------------------------|----------------------------|----------------------------------|
| 2007 | Subregional Restoration Drills | 28 | 16 | 8 | 128 | |
| 2007 | Regional Restoration Drills | 69 | 24 | 2 | 48 | |
| 2007 | Regional Emergency Operations Classes | 6 | 20 | 5 | 100 | |
| 2007 | Emergency Operations Net Conferences | 10 | 2 | 24 | 48 | |
| 2007 | System Operations Conferences | 55 | 24 | 2 | 48 | |
| | | | | | | 8745 |

**Table II
2008 Breakdown by Course**

| Year | Training Event | Average Individual Participation YTD | CEH Offered per Event | Event Occurrence per Year | Total CEH Available | Total CEH Awarded YTD |
|-------------|---------------------------------------|---|------------------------------|----------------------------------|----------------------------|------------------------------|
| 2008 | Subregional Restoration Drills | 33 | 16 | 7 | 112 | |
| 2008 | Regional Restoration Drills | NA | 24 | 2 | 48 | |
| 2008 | Regional Emergency Operations Classes | 13 | 20 | 6 | 120 | |
| 2008 | Emergency Operations Net Conferences | 20 | 2 | 21 | 42 | |
| 2008 | System Operations Conferences | 55 | 24 | 2 | 48 | |
| | | | | | | 2080 |

**Table III
Upcoming Events for 2008**

| Date | Event | CEH Available |
|----------------------------|---|----------------------|
| 4/15-17 | Regional Restoration Drill | 24 |
| 4/28-5/1 | System Operations Conference | 24 |
| 5/13-15 | Regional EOPS Classroom | 20 |
| 5/20-22 | Regional EOPS Classroom | 20 |
| 6/3 | EOPS Net Conference | 2 |
| 6/5 | EOPS Net Conference | 2 |
| 6/10 | EOPS Net Conference | 2 |
| 6/12 | EOPS Net Conference | 2 |
| 6/19 | EOPS Net Conference | 2 |
| 6/24 | EOPS Net Conference | 2 |
| 6/26 | EOPS Net Conference | 2 |
| 7/15-16 | Train-the-Trainer Professional Development | 20 |
| 9/9 | EOPS Net Conference | 2 |
| 9/11 | EOPS Net Conference | 2 |
| 9/16-17 | North Subregional Restoration Drill | 16 |
| 9/23 | EOPS Net Conference | 2 |
| 9/25 | EOPS Net Conference | 2 |
| 10/6-9 | System Operations Conference | 24 |
| 10/14 | EOPS Net Conference | 2 |
| 10/21-22 | East and South Subregional Restoraton Drill | 16 |
| 10/28 | EOPS Net Conference | 2 |
| 10/29-30 | Train-the-Trainer Professional Development | 20 |
| 11/4-5 | West Subregional Restoration Drill | 16 |
| 11/11-13 | Regional EOPS Classroom | 20 |
| 11/18-20 | Regional Restoration Drill | 24 |
| 12/2-4 | Regional EOPS Classroom | 20 |
| TOTAL CEH AVAILABLE | | 290 |