

2016 Business Plan and Budget

Southwest Power Pool Regional Entity

Approved by SPP Regional Entity Trustees

June 15, 2015

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	32.25			
Non-statutory FTEs	-			
Total FTEs	32.25			
Statutory Expenses	\$ 10,095,819			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 10,095,819			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (1,276,068)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (1,276,068)			
Total Statutory Funding Requirement	\$ 8,819,751			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 8,819,751			
Statutory Funding Assessments	\$ 8,819,751	\$ 8,819,751		
Non-Statutory Fees	\$ -	\$ -		
NEL	230,481,153	230,481,153		
NEL%	100%	100%		

Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a nonprofit organization whose primary mission is maintaining electric reliability. SPP is one of nine Federal Energy Regulatory Commission (FERC) approved Independent System Operators/Regional Transmission Organizations and one of eight North American Electric Reliability Corporation (NERC) Regional Entities.

Southwest Power Pool Regional Entity (SPP RE), an independent and functionally separate division of SPP, was created to fulfill the functions and duties specified in the SPP Regional Delegation Agreement with NERC originally approved by FERC in 2007 and again in October 2011. As a NERC Regional Entity, SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 110 registered entities located within the SPP RE's footprint, an eight-state area that includes all or a portion of Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

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

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

Membership and Governance

Pursuant to the SPP bylaws, SPP RE is governed by three independent Regional Entity Trustees, who are not on the SPP Board and operate separately from the SPP Board. The SPP RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties. The SPP RE's General Manager reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain direct SPP RE Staff members have the authority to make compliance and enforcement decisions. SPP RE direct staff is independent of all BPS users, owners, and operators.

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

SPP RE's governance, which has been approved by NERC and FERC, meets the requirements of the Energy Policy Act of 2005.

Statutory Functional Scope

SPP RE performs various activities in the execution of its delegated functions and in support of NERC's responsibilities as the electric reliability organization (ERO). These activities include:

- Reliability Standard Development
- Compliance Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training and Education
- Situation Awareness and Infrastructure Security

2016 Key Assumptions

The key assumptions underlying the SPP RE 2016 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2016 BP&B. The assumptions that are of particular importance to the SPP RE's 2016 BP&B include the expectation that:

1. NERC and the Regional Entities will continue to work collaboratively to promote and improve the reliability of the BPS.
2. NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the BPS established by Energy Policy Act of 2005.
3. SPP RE's delegated authorities and responsibilities will remain relatively constant.

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

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to SPP RE include:

1. SPP RE continues to operate as an independent and functionally separate division of SPP.
2. SPP RE continues to utilize SPP Shared staff to conduct certain activities in the SPP RE's Reliability Assessment and Performance Analysis program.
3. SPP RE will continue to engage SERC to perform the compliance enforcement authority activities for the SPP registered functions that would otherwise be performed by SPP RE.

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

Goals and Key Deliverables

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

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

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

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

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

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

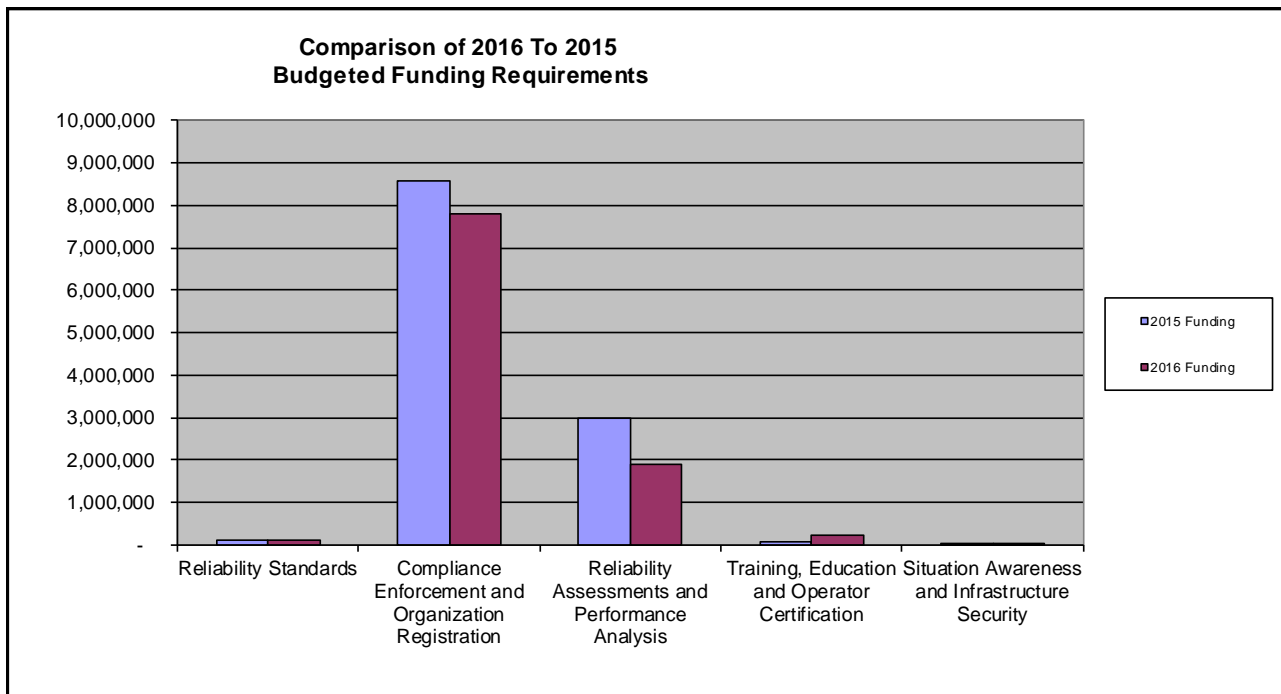
SPP RE-specific goals and deliverables include:

- Effectively and efficiently perform the delegated functions of registration, compliance monitoring and enforcement, reliability assessments, performance analysis, and situational awareness with independence, without conflict of interest, with objectivity and fairness.
- Conduct outreach activities, including compliance workshops, training seminars and videos, and newsletters, that facilitate a learning environment and promote a strong culture of reliability excellence and compliance.
- Identify current “gap” areas for reliability and grid security improvement and pursue implementation through new or revised reliability standards and other SPP RE or NERC processes.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

2016 Overview of Cost Impacts

The \$10.1 million operating budget reflects an approximate \$1.7 million decrease or 14.5%. Funding assessments decreased by \$1,054 thousand or 13%, from \$9.7 million to \$8.6 million. A summary of the funding by program area is shown in the chart below.

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



As shown in the chart that follows, the net decrease in budgeted FTEs is 0.50. Two Lead Engineer positions were eliminated from the Reliability Assessment and Performance Analysis Program area. The number of SPP Shared Staff FTEs in this program area was increased by 0.50 FTE. In addition, two Enforcement Law Clerks were made permanent employees and their 0.50 FTE each was changed to 1.0 FTE each for an overall increase of 1.0 FTE. In addition, an Enforcement Attorney position was moved to Compliance and 0.50 FTE was moved from Compliance to the Training & Education program area to reflect the CIP V5 transition training being provided by the CIP audit staff.

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.15	0.15	0.15	0.00	0.15	0.00
Compliance and Organization Registration and Certification	20.85	21.85	21.35	0.00	21.35	0.50
Training and Education	0.00	0.00	0.50	0.00	0.50	0.50
Reliability Assessment and Performance Analysis	7.13	5.13	1.38	4.25	5.63	-1.50
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.25	27.25	23.50	4.25	27.75	-0.50
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	32.75	31.75	28.00	4.25	32.25	-0.50

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

Compared to the 2015 budget, the net decrease in direct expenses and the net decrease in SPP, Inc. indirect expenses are approximately \$581 thousand and \$1,132 thousand, respectively. The decrease in direct expenses is principally due to a reduction in the use of contractors and consultants and the elimination of hearing costs. The decrease in SPP, Inc. indirect expenses is due to a change in the way the SPP, Inc. overhead charges are allocated.⁴ Additional information regarding the changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table on the next page.

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

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

	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 9,680,648	\$ 9,680,648	\$ -	\$ 8,626,751	\$ (1,053,896)
Penalty Sanctions	464,500	464,500	-	193,000	(271,500)
Total SPP RE Funding	\$ 10,145,148	\$ 10,145,148	\$ -	\$ 8,819,751	\$ (1,325,396)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 10,145,148	\$ 10,145,148	\$ -	\$ 8,819,751	\$ (1,325,396)
Expenses					
Personnel Expenses					
Salaries	\$ 3,890,082	\$ 3,756,774	\$ (133,309)	\$ 3,896,492	\$ 6,410
Payroll Taxes	297,591	287,393	(10,198)	298,082	490
Benefits	346,900	338,260	(8,640)	333,564	(13,336)
Retirement Costs	155,603	150,271	(5,332)	155,860	256
Total Personnel Expenses	\$ 4,690,177	\$ 4,532,698	\$ (157,479)	\$ 4,683,997	\$ (6,180)
Meeting Expenses					
Meetings	\$ 86,500	\$ 86,500	\$ -	\$ 90,000	\$ 3,500
Travel	603,000	603,000	-	680,200	77,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 689,500	\$ 689,500	\$ -	\$ 770,200	\$ 80,700
Operating Expenses					
Consultants & Contracts	\$ 1,370,600	\$ 1,390,600	\$ 20,000	\$ 965,042	\$ (405,558)
Office Rent	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-
Professional Services	477,645	476,345	(1,300)	153,450	(324,195)
Miscellaneous	-	-	-	74,445	74,445
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,856,245	\$ 1,874,945	\$ 18,700	\$ 1,200,937	\$ (655,308)
Total Direct Expenses	\$ 7,235,922	\$ 7,097,143	\$ (138,779)	\$ 6,655,134	\$ (580,788)
SPP Inc. Indirect Expenses	\$ 4,572,188	\$ 4,529,278	\$ (42,910)	\$ 3,440,685	\$ (1,131,503)
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 4,572,188	\$ 4,529,278	\$ (42,910)	\$ 3,440,685	\$ (1,131,503)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,808,110	\$ 11,626,421	\$ (181,689)	\$ 10,095,819	\$ (1,712,291)
Change in Assets	\$ (1,662,962)	\$ (1,481,273)	\$ 181,689	\$ (1,276,068)	\$ 386,894
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 11,808,110	\$ 11,626,421	\$ (181,689)	\$ 10,095,819	\$ (1,712,291)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,662,962)	\$ (1,481,273)	\$ 181,689	\$ (1,276,068)	\$ 386,894

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

Section A – Statutory Programs

2016 Business Plan and Budget



Section A — 2016 Business Plan

Reliability Standards Program

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

Program Scope and Functional Description

The Reliability Standards Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 300.

The 0.15 FTEs represents the time spent by the Enforcement Group staff member on reliability standards development activities. Specifically, SPP RE Staff coordinate with NERC to develop and maintain technically sound, fair and balanced reliability standards that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators, and users.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

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

Resource Requirements

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

Reliability Standards Program

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

Reliability Standards

	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 112,227	\$ 112,227	\$ -	\$ 108,474	\$ (3,752)
Penalty Sanctions	2,466	2,466	-	1,043	(1,423)
Total SPP RE Funding	\$ 114,693	\$ 114,693	\$ -	\$ 109,518	\$ (5,175)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 114,693	\$ 114,693	\$ -	\$ 109,518	\$ (5,175)
Expenses					
Personnel Expenses					
Salaries	\$ 16,019	\$ 16,019	\$ -	\$ 18,010	\$ 1,991
Payroll Taxes	1,225	1,225	-	1,378	152
Benefits	1,296	1,296	-	1,505	209
Retirement Costs	641	641	-	720	80
Total Personnel Expenses	\$ 19,181	\$ 19,181	\$ -	\$ 21,613	\$ 2,432
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	50,000	50,000	-	50,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 69,181	\$ 69,181	\$ -	\$ 71,613	\$ 2,432
SPP Inc. Indirect Expenses	\$ 20,941	\$ 21,398	\$ 457	\$ 16,003	\$ (4,938)
SPP RE Indirect Expenses	24,571	25,340	769	21,902	(2,669)
Total Indirect Expenses	\$ 45,512	\$ 46,738	\$ 1,226	\$ 37,905	\$ (7,607)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 114,693	\$ 115,919	\$ 1,226	\$ 109,518	\$ (5,175)
Change in Assets	\$ -	\$ (1,226)	\$ (1,226)	\$ -	\$ 1
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 114,693	\$ 115,919	\$ 1,226	\$ 109,518	\$ (5,175)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (1,226)	\$ (1,226)	\$ -	\$ 1
FTEs	0.15	0.15	0.00	0.15	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

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

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. There are approximately 150 registered entities located within the SPP RE's footprint. The SPP RE CMEP is administered by the SPP RE Staff. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions.

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

SPP RE CMEP activities are organized into three distinct groups: Compliance Monitoring; Critical Infrastructure Protection (CIP); and Enforcement. The SPP RE Director of Compliance and Events is responsible for the oversight of the Compliance Monitoring Group, the Director of Critical Infrastructure Protection (CIP) is responsible for the oversight of the CIP Group, and the SPP RE Manager of Enforcement is responsible for the oversight of the Enforcement Group.

Compliance Groups

The FTEs assigned to the Compliance Groups (Compliance Monitoring and CIP) are responsible for registering owners, operators and users of the BPS and monitoring and assessing registered entities' compliance with NERC-approved reliability standards. The various activities performed by the staff members assigned to the Compliance groups include: 1) performing entity-specific inherent risk assessments and internal controls evaluations, 2) conducting compliance audits, spot checks, and self-certifications of entities registered in the SPP RE footprint, 3) reviewing CIP technical feasibility exception requests (TFEs), periodic data submittals and self-reports made by entities registered in the SPP RE footprint, 4) participating in SPP RE workshops and webinars, and 5) participating in various SPP and NERC working groups. The Compliance Groups also

make the initial determination of whether a registered entity is non-compliant with a reliability standard.

A total of 11.50 FTEs are assigned to the Compliance Groups, and include: the SPP RE Director of Compliance, allocated at 0.5 FTEs, five Compliance Monitoring positions, Director of Critical Infrastructure Protection, five CIP audit positions, and one Compliance Coordinator, allocated at 0.5 FTEs. In addition, 0.5 FTE has been transferred to the Training & Education program area to recognize the CIP V5 transition training being performed by the CIP auditors.

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

Enforcement Group

The FTEs assigned to the Enforcement group are responsible for reviewing the Compliance Groups' findings of non-compliance, notifying registered entities and NERC of possible violations, reviewing and verifying the registered entities' mitigation plans, determining proposed monetary penalties and non-monetary sanctions, and participating in settlement negotiations. The various activities performed by the staff members assigned to the Enforcement Group include: 1) conducting discovery, 2) preparing and issuing Notice of Possible Violations, Notice of Alleged Violations and Penalties and Sanctions, and Confirmed Notice of Violation, 3) preparing and processing Find, Fix and Track (FFTs) and Compliance Exceptions, 4) reviewing, accepting, and verifying completion of mitigation plans, 5) participating in settlement negotiations, 6) participating in hearings of contested violations, as necessary, and 7) participating in various SPP and NERC working groups and SPP RE workshops.

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

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

2016 Key Assumptions

The assumptions for this program are consistent with those contained in the ERO BP&B Assumptions. NERC and the Regional Entities will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two compliance enforcement authority (CEA) workshops will occur. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel and labor expenses) to participate and attend this training. SPP RE has provided time for staff to maintain industry certifications, such

as NERC System Operator Certification, physical and cyber security technical certifications, professional auditing certifications, Professional Engineering License, etc.

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

2016 Goals and Key Deliverables

- Ensure that bulk power system owners, operators, and users are correctly registered, ensure the revised BES definition is correctly applied, and process Exception Requests in a timely manner;
- Engage contractors to assist in the evaluation of whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System
- Conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations
- Coordinated oversight of Multi-Region Registered Entities (MRREs)
- Perform six to eight on-site FERC Order 693 compliance audits of registered TOP entities (3-year cycle entities);
- Perform fifteen to eighteen off-site FERC Order 693 compliance audits of other registered entities (6-year cycle entities);
- Perform six to eight on-site CIP compliance audits of registered entities with High or Medium Impact BES Cyber Systems;
- Perform spot check, self-certifications, and periodic data submittals of specified standards as dictated by NERC's 2016 Compliance Monitoring and Enforcement Program Annual Implementation Plan;
- Perform Compliance Investigations, as necessary;
- Perform secondary review of initial findings of possible violations;
- Create Notices of Alleged Violation and Proposed Penalties and Sanctions (NAVAPS) and Notices of Confirmed Violations (NOCV);
- Process Find, Fix and Track (FFT) and Compliance Exceptions
- Negotiate and develop settlements of violations;
- Verify that findings of non-compliance are and/or have been appropriately mitigated;

- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2016;
- SPP RE supports NERC's implementation of the Risk-Based Registration Initiative and CIP v5 transition as joint ERO Enterprise initiatives that have benefit to NERC, the Regional Entities and Registered Entities.

Resource Requirements

Personnel

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

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

Contracts and Consultants

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

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Compliance and Organization Registration and Certification					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 8,240,917	\$ 8,240,917	\$ -	\$ 7,638,549	\$ (602,368)
Penalty Sanctions	342,826	342,826	-	148,488	(194,337)
Total SPP RE Funding	\$ 8,583,743	\$ 8,583,743	\$ -	\$ 7,787,038	\$ (796,705)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,583,743	\$ 8,583,743	\$ -	\$ 7,787,038	\$ (796,705)
Expenses					
Personnel Expenses					
Salaries	\$ 2,349,882	\$ 2,433,325	\$ 83,443	\$ 2,373,788	\$ 23,906
Payroll Taxes	179,766	186,149	6,383	181,595	1,829
Benefits	222,444	231,084	8,640	214,183	(8,261)
Retirement Costs	93,995	97,333	3,338	94,952	956
Total Personnel Expenses	\$ 2,846,087	\$ 2,947,891	\$ 101,804	\$ 2,864,518	\$ 18,430
Meeting Expenses					
Meetings	\$ 1,500	\$ 1,500	\$ -	\$ 15,000	\$ 13,500
Travel	350,000	350,000	-	400,200	50,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 351,500	\$ 351,500	\$ -	\$ 415,200	\$ 63,700
Operating Expenses					
Consultants & Contracts	\$ 964,600	\$ 984,600	\$ 20,000	\$ 883,042	\$ (81,558)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	23,945	23,945	-	4,750	(19,195)
Miscellaneous	-	-	-	51,445	51,445
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 988,545	\$ 1,008,545	\$ 20,000	\$ 939,237	\$ (49,308)
Total Direct Expenses	\$ 4,186,132	\$ 4,307,936	\$ 121,804	\$ 4,218,955	\$ 32,822
SPP Inc. Indirect Expenses	\$ 2,910,843	\$ 3,116,999	\$ 206,156	\$ 2,277,787	\$ (633,056)
SPP RE Indirect Expenses	1,486,767	1,577,938	91,170	1,290,296	(196,471)
Total Indirect Expenses	\$ 4,397,610	\$ 4,694,937	\$ 297,326	\$ 3,568,083	\$ (829,527)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,583,743	\$ 9,002,873	\$ 419,131	\$ 7,787,038	\$ (796,705)
Change in Assets	\$ -	\$ (419,131)	\$ (419,131)	\$ -	\$ -
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 8,583,743	\$ 9,002,873	\$ 419,131	\$ 7,787,038	\$ (796,705)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (419,131)	\$ (419,131)	\$ (0)	\$ (1)
FTEs	20.85	21.85	1.00	21.35	0.50

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	7.13	5.63	(1.50)
Direct Expenses	\$ 1,463,824	\$ 1,005,091	\$ (458,733)
Indirect Expenses- SPP Inc.	\$ 994,713	\$ 600,119	\$ (394,594)
Indirect Expenses- SPP RE	\$ 519,899	\$ 307,390	\$ (212,509)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 2,978,437	\$ 1,912,600	\$ (1,065,836)

Program Scope and Functional Description

The Reliability Assessment and Performance Analysis Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 800. SPP RE direct and Shared Staff members available as consultants to the Regional Entity support NERC's efforts in preparing three reliability assessments each year: a long-term reliability assessment (LTRA) report, a summer assessment report, and a winter assessment report. These reports analyze electricity demand and adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system.

SPP RE direct staff participates in numerous meetings each year with the Shared Staff during the development of the models and the performance of studies leading up to the issuance of the annual reliability assessments. Once each assessment has been prepared internally by SPP RE direct staff and the SPP Shared Staff, the SPP RE, in the spirit of transparency, holds two public meetings to discuss the process, assumptions, and findings for that assessment. The public meetings are well attended, usually by over 150 people, with the final meeting resulting in the endorsement of the proposed assessment by the SPP RE Trustees.

SPP Shared Staff also conduct inter-regional studies and other planning studies.

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

2016 Key Assumptions

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

- NERC and the Regional Entities will prioritize and budget for a long-term and two seasonal reliability assessments per year;

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- SPP RE will continue to support the NERC Reliability Assessment Subcommittee;
 - NERC and the Regional Entities will continue to define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents;
 - NERC and the Regional Entities will continue to work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues;
 - NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations;
 - NERC and the Regional Entities will continue to process and encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing;
 - Support cause coding of events for trend analysis purposes; and
 - The number of events requiring review and analysis are expected to remain at approximately the same level as 2015.

2016 Goals and Key Deliverables

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their registered entities to assist with planning and evaluating future systems and current operating conditions;
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report;
- Perform a Probabilistic Assessment in support of the LTRA;
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments;
- Conduct inter-regional and other planning studies, including participation in the Eastern Interconnection Reliability Assessment Group (ERAG);
- Participate in NERC's model validation efforts;
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system;
- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members; and
- Participate actively in the following NERC working groups/committees/task forces:
 - Event Analysis Subcommittee (EAS)

- Reliability Assessment Database Working Group (RADWG)
- Reliability Assessment Subcommittee (RAS)
- Performance Analysis Subcommittee (PAS)
 - Generator Availability Data System Working Group (GADSWG)
 - Transmission Availability Data System Working Group (TADSWG)
 - Demand Response Availability Data System Working Group (DADSWG)

Resource Requirements

Personnel

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

Contracts and Consultants

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

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Reliability Assessment and Performance Analysis					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 2,861,284	\$ 2,861,284	\$ -	\$ 1,873,479	\$ (987,805)
Penalty Sanctions	117,153	117,153	-	39,122	(78,031)
Total SPP RE Funding	\$ 2,978,437	\$ 2,978,437	\$ -	\$ 1,912,600	\$ (1,065,836)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,978,437	\$ 2,978,437	\$ -	\$ 1,912,600	\$ (1,065,836)
Expenses					
Personnel Expenses					
Salaries	\$ 847,886	\$ 631,134	\$ (216,752)	\$ 728,223	\$ (119,663)
Payroll Taxes	64,863	48,282	(16,582)	55,709	(9,154)
Benefits	64,560	47,280	(17,280)	56,430	(8,130)
Retirement Costs	33,915	25,245	(8,670)	29,129	(4,787)
Total Personnel Expenses	\$ 1,011,224	\$ 751,941	\$ (259,284)	\$ 869,491	\$ (141,733)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	100,000	100,000	-	105,000	5,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 100,000	\$ 100,000	\$ -	\$ 105,000	\$ 5,000
Operating Expenses					
Consultants & Contracts	\$ 350,000	\$ 350,000	\$ -	\$ 25,000	\$ (325,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	2,600	1,300	(1,300)	2,600	-
Miscellaneous	-	-	-	3,000	3,000
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 352,600	\$ 351,300	\$ (1,300)	\$ 30,600	\$ (322,000)
Total Direct Expenses	\$ 1,463,824	\$ 1,203,241	\$ (260,584)	\$ 1,005,091	\$ (458,733)
SPP Inc. Indirect Expenses	\$ 994,713	\$ 731,104	\$ (263,609)	\$ 600,119	\$ (394,594)
SPP RE Indirect Expenses	519,899	440,731	(79,169)	307,390	(212,509)
Total Indirect Expenses	\$ 1,514,612	\$ 1,171,835	\$ (342,778)	\$ 907,509	\$ (607,103)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,978,437	\$ 2,375,075	\$ (603,361)	\$ 1,912,600	\$ (1,065,836)
Change in Assets	\$ -	\$ 603,361	\$ 603,361	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 2,978,437	\$ 2,375,075	\$ (603,361)	\$ 1,912,600	\$ (1,065,836)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 603,361	\$ 603,361	\$ -	\$ -
FTEs	7.13	5.13	(2.00)	5.63	(1.50)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	-	0.50	0.50
Direct Expenses*	\$ 65,000	\$ 147,100	\$ 82,100
Indirect Expenses- SPP Inc.	\$ -	\$ 53,344	\$ 53,344
Indirect Expenses- SPP RE	\$ 23,086	\$ 44,988	\$ 21,902
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 88,086	\$ 245,432	\$ 157,347
* To maintain confidentiality, Personnel Expenses are included in Compliance and General & Administrative.			

Program Scope and Functional Description

The Training, Education, and Operator Certification Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 900. SPP RE Staff design, develop, and conduct training and education via workshops, newsletters, webinars, SPP RE Trustee meetings, and videos.

Operator Certification Training is provided by SPP RTO staff, and as such, the expenses for this training continue to be excluded from the SPP RE budget and are included in the SPP, Inc. budget.

2016 Key Assumptions

SPP RE will continue its outreach activities designed to increase regional BPS reliability, educate stakeholders about compliance matters, inform stakeholders of emerging issues and compliance program changes and conduct CIP V5 outreach. NERC will continue to budget and incur the cost of a unified learning system for the regional CEA staff and work with the Registered Entities to consolidate training resources. This promotes better coordination, planning, delivery and management of training efforts across the enterprise without adversely impacting region-specific training requirements.

2016 Goals and Key Deliverables

- Host three compliance workshops, one focused on CIP
- Publish a monthly newsletter
- Host at least six compliance webinars
- Maintain an online training video library to share compliance information with stakeholders.
- Conduct CIP V5 Outreach

Resource Requirements

Personnel

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

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

Training and Education

	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 88,086	\$ 88,086	\$ -	\$ 241,955	\$ 153,869
Penalty Sanctions	-	-	-	3,477	3,477
Total SPP RE Funding	<u>\$ 88,086</u>	<u>\$ 88,086</u>	<u>\$ -</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 88,086</u>	<u>\$ 88,086</u>	<u>\$ -</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 64,563	\$ 64,563
Payroll Taxes	-	-	-	4,939	4,939
Benefits	-	-	-	5,016	5,016
Retirement Costs	-	-	-	2,583	2,583
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,100</u>	<u>\$ 77,100</u>
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 50,000	\$ (10,000)
Travel	-	-	-	20,000	20,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 10,000</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	5,000	5,000	-	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000)</u>
Total Direct Expenses	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 147,100</u>	<u>\$ 82,100</u>
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ 53,344	\$ 53,344
SPP RE Indirect Expenses	23,086	23,809	-	44,988	21,902
Total Indirect Expenses	<u>\$ 23,086</u>	<u>\$ 23,809</u>	<u>\$ 723</u>	<u>\$ 98,332</u>	<u>\$ 75,246</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 88,086</u>	<u>\$ 88,809</u>	<u>\$ 723</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
Change in Assets	<u>\$ -</u>	<u>\$ (723)</u>	<u>\$ (723)</u>	<u>\$ -</u>	<u>\$ (2)</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 88,086	\$ 88,809	\$ 723	\$ 245,432	\$ 157,347
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ (723)</u>	<u>\$ (723)</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	0.50	0.50

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.13	0.13	-
Direct Expenses	\$ 18,965	\$ 21,362	\$ 2,397
Indirect Expenses- SPP Inc.	\$ 17,451	\$ 13,336	\$ (4,115)
Indirect Expenses- SPP RE	\$ 6,736	\$ 6,533	\$ (203)
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	\$ 43,152	\$ 41,232	\$ (1,920)

Program Scope and Functional Description

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

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

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

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

- Developing guidance and recommendations to CIPC members representing the SPP

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

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

CIP compliance monitoring and enforcement is included in Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
 - Continue quarterly meetings
 - Maintain and Increase CIPWG membership
 - Provide registered entities-only discussion periods regarding CIP compliance progress
 - Provide progress updates on CIP standards drafting and CIP Version 3 to Version 5 transition
 - Provide a discussion forum for NERC-requested comments and ballot issues
 - Provide support to the RE-sponsored CIP “How-To” Workshop
- Provide enhanced support to SPP registered entities about CIP Standards
 - Provide general recommendations and discussion/outreach forum for CIP Version 5 implementation issues
 - Provide general recommendations on appropriate security best practices
 - Provide opportunities for technical and compliance-related training
 - Coordinate and perform entity outreach visits and NERC Security Reliability Program activities
 - Maintain the CIPWG electronic mail lists for group discussion of CIP-related issues
- Continue supporting CIPC attendance by CIPWG representatives
 - Reimburse expenses for Physical, Cyber, and Operations representatives (or designated alternates)

Resource Requirements

Personnel

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

Situation Awareness and Infrastructure Security Program

Statement of Activities and Capital Expenditures					
2014 Budget & Projection, and 2015 Budget					
Situation Awareness and Infrastructure Security					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 41,097	\$ 41,097	\$ -	\$ 40,362	\$ (735)
Penalty Sanctions	2,055	2,055	-	869	(1,186)
Total SPP RE Funding	\$ 43,152	\$ 43,152	\$ -	\$ 41,232	\$ (1,920)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 43,152	\$ 43,152	\$ -	\$ 41,232	\$ (1,920)
Expenses					
Personnel Expenses					
Salaries	\$ 16,019	\$ 16,019	\$ -	\$ 18,010	\$ 1,991
Payroll Taxes	1,225	1,225	-	1,378	152
Benefits	1,080	1,080	-	1,254	174
Retirement Costs	641	641	-	720	80
Total Personnel Expenses	\$ 18,965	\$ 18,965	\$ -	\$ 21,362	\$ 2,397
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 18,965	\$ 18,965	\$ -	\$ 21,362	\$ 2,397
SPP Inc. Indirect Expenses	\$ 17,451	\$ 17,832	-	\$ 13,336	\$ (4,115)
SPP RE Indirect Expenses	6,736	6,947	-	6,533	(203)
Total Indirect Expenses	\$ 24,187	\$ 24,779	\$ 592	\$ 19,869	\$ (4,318)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 43,152	\$ 43,744	\$ 592	\$ 41,232	\$ (1,919)
Change in Assets	\$ -	\$ (592)	\$ (592)	\$ -	\$ (2)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 43,152	\$ 43,744	\$ 592	\$ 41,232	\$ (1,919)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (592)	\$ (592)	\$ -	\$ (1)
FTEs	0.13	0.13	-	0.13	-

Administrative Services

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

General and Administrative

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Regulatory Interface and Process Improvement, RE Administrative Assistant, RE Outreach Coordinator, RE Business Analyst, and three independent Regional Entity Trustees.

The RE Trustees, who are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group, have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as decisions on regional standards, compliance enforcement actions, and penalties.

The RE General Manager provides executive level support through, among other means, participation in meetings and conference calls with other Regional Entities and Senior NERC staff. The RE General Manager reports directly to the three independent RE Trustees.

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

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

2016 Key Assumptions

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

2016 Goals and Key Deliverables

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

Resource Requirements

Personnel

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

Technical Committees and Member Forums

Program Scope and Functional Description

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

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

2016 Key Assumptions

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

2016 Goals and Key Deliverables

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

Resource Requirements

Personnel

N/A

Legal and Regulatory

Program Scope and Functional Description

SPP RE has a Manager of Enforcement and Legal who provides exclusive legal support to SPP RE. The expenses related to the Manager of Enforcement and Legal and Regulatory are included in the Compliance Enforcement and Organization Registration Program area. If SPP RE is required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers and outside legal counsel may be utilized.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- N/A

Resource Requirements

Personnel

N/A

Contractors and Consultants

The budget no longer includes any provision for hearings.

Information Technology

Program Scope and Functional Description

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

2016 Key Assumptions

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

2016 Goals and Key Deliverables

-
- To provide adequate information technology support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Resource Requirements

Personnel

N/A

Human Resources

Program Scope and Functional Description

The SPP Human Resource department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- To provide adequate human resource support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Resource Requirements

Personnel

N/A

Finance and Accounting

Program Scope and Functional Description

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

2016 Key Assumptions

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

2016 Goals and Key Deliverables

- To provide adequate accounting and finance support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Resource Requirements

Personnel

N/A

Methodology for Allocation of Administrative Services Expenses to Programs

The expenses for finance and accounting, information technology, and human resources administrative support services that are provided to SPP RE by SPP (SPP, Inc. Indirect Expenses), which are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors, are assessed to SPP RE on an annual basis by allocating SPP's shared services support costs by an appropriate measure (headcount, square footage, number of devices, etc.). In addition, an allocation of overhead costs will be added to the directly assignable staff's hourly rate for those employees performing SPP's statutory activities in the RAPA program area. Previously, the SPP Indirect Expense rate was calculated by dividing the total costs for these support functions (excluding certain IT costs that are specific to SPP's RTO functions) by the total hours worked by non-support personnel in the entire SPP organization. The indirect expense rate was then multiplied by each hour directly charged to SPP RE by SPP Shared staff and for designated number of hours for SPP RE direct staff. A table showing the derivation of the SPP, Inc. Indirect Expense is presented in Section E of this BP&B.

SPP RE Administrative Services Expenses, which are limited to expenses incurred for SPP RE General and Administrative, are allocated among the five operational programs based on each program's pro rata share of the total direct operational program expense.

Administrative Services

Statement of Activities and Capital Expenditures

2015 Budget & Projection, and 2016 Budget

ADMINISTRATIVE SERVICES

	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Penalty Sanctions	-	\$ -	-	\$ -	-
Total SPP RE Funding	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Membership Dues	-	-	-	\$ -	-
Federal Grants	-	-	-	\$ -	-
Services & Software	-	-	-	\$ -	-
Workshops	-	-	-	\$ -	-
Interest	-	-	-	\$ -	-
Miscellaneous	-	-	-	\$ -	-
Total Funding (A)	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Expenses					
Personnel Expenses					
Salaries	\$ 660,277	\$ 660,277	\$ -	\$ 693,898	\$ 33,621
Payroll Taxes	50,511	\$ 50,511	-	\$ 53,083	2,572
Benefits	57,520	\$ 57,520	-	\$ 55,176	(2,344)
Retirement Costs	26,411	\$ 26,411	-	\$ 27,756	1,345
Total Personnel Expenses	\$ 794,719	\$ 794,719	\$ -	\$ 829,913	\$ 35,194
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Travel	103,000	\$ 103,000	-	\$ 105,000	2,000
Conference Calls	-	\$ -	-	\$ -	-
Total Meeting Expenses	\$ 128,000	\$ 128,000	\$ -	\$ 130,000	\$ 2,000
Operating Expenses					
Consultants & Contracts	\$ 56,000	\$ 56,000	\$ -	\$ 57,000	\$ 1,000
Office Rent	-	\$ -	-	\$ -	-
Office Costs	8,000	\$ 8,000	-	\$ 8,000	-
Professional Services	446,100	\$ 446,100	-	\$ 146,100	(300,000)
Miscellaneous	-	\$ -	-	\$ 20,000	20,000
Depreciation	-	\$ -	-	\$ -	-
Total Operating Expenses	\$ 210,100	\$ 510,100	\$ -	\$ 231,100	\$ (279,000)
Total Direct Expenses	\$ 1,132,819	\$ 1,432,819	\$ -	\$ 1,191,013	\$ (241,806)
SPP Inc. Indirect Expenses	\$ 628,240	\$ 641,945		\$ 480,096	\$ (148,144)
SPP RE Indirect Expenses	\$ (1,761,059)	\$ (2,074,764)		\$ (1,671,109)	\$ 89,950
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
FTEs	3.00	4.50	1.50	4.50	1.50

Section B – Supplemental Financial Information
2016 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	\$ 3,685,778 ¹
Less Penalties Received 7/1/2014- 12/31/2014	(114,000)
Less: 2014 Year-End True-Up	(349,937)
Plus: 2015 SPP RE Funding (from LSEs or designees)	9,680,648
Less: 2015 Projected expenses & capital expenditures	(11,626,421)
Projected Working Capital Reserve (Deficit), December 31, 2015	<u>1,276,068</u>
Desired Working Capital Reserve, December 31, 2015	² \$ -
Less: Projected Working Capital Reserve, December 31, 2015	(1,276,068)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>(1,276,068)</u>
2016 Expenses and Capital Expenditures	10,095,819
Less: Penalty sanctions to be used as offset to 2016 assessments ¹	(193,000)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(1,276,068)
2016 SPP RE Assessment	<u>8,626,751</u>

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

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

Explanation of Changes in Reserve Policy from Prior Years

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

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 9 of the 2016 RE Business Plan and Budget.

Penalty Sanctions

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

All penalties received prior to June 30, 2015 are detailed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

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

Supplemental Funding

Table B-3

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

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Personnel Expenses**Table B-4**

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

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Meetings, Travel and Conference Calls

Table B-5

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

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

Consultants and Contracts

Table B-6

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

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Table B-7

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

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Table B-8

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

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Table B-9

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

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Table B-10

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

N/A

2017, 2018 and 2019 Projections

Table B-11

Statement of Activities and Capital Expenditures 2016 Budget & Projected 2017, 2018 and 2019 Budgets										
	2016	2017	\$ Change	%	2018	\$ Change	%	2019	\$ Change	%
	Budget	Projection	17 v 16	Change 17 v 16	Projection	18 v 17	Change 18 v 17	Projection	19 v 18	Change 19 v 18
Funding										
ERO Funding										
ERO Assessments	\$ 8,626,751	\$ 10,398,694	\$ 1,771,943	20.54%	\$ 10,710,655	\$ 311,961	2.9%	\$ 11,031,975	\$ 321,320	2.9%
Penalty Sanctions	193,000	-	(193,000)	-100.00%	-	-	-	-	-	-
Total ERO Funding	\$ 8,819,751	\$ 10,398,694	\$ 1,578,943	17.9%	\$ 10,710,655	\$ 311,961	2.9%	\$ 11,031,975	\$ 321,320	2.9%
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 8,819,751	\$ 10,398,694	\$ 1,578,943	17.9%	\$ 10,710,655	\$ 311,961	3.0%	\$ 11,031,975	\$ 321,320	3.0%
Expenses										
Personnel Expenses										
Salaries	\$ 3,896,492	\$ 4,013,387	\$ 116,895	3.0%	\$ 4,133,789	\$ 120,402	3.0%	\$ 4,257,802	\$ 124,014	3.0%
Payroll Taxes	298,082	307,024	8,942	3.0%	316,235	9,211	3.0%	325,722	9,487	3.0%
Benefits	333,564	343,571	10,007	3.0%	353,878	10,307	3.0%	364,494	10,616	3.0%
Retirement Costs	155,860	160,535	4,676	3.0%	165,352	4,816	3.0%	170,312	4,961	3.0%
Total Personnel Expenses	\$ 4,683,997	\$ 4,824,517	\$ 140,520	3.0%	\$ 4,969,253	\$ 144,736	3.0%	\$ 5,118,331	\$ 149,078	3.0%
Meeting Expenses										
Meetings	\$ 90,000	\$ 92,700	\$ 2,700	3.0%	\$ 95,481	\$ 2,781	3.0%	\$ 98,345	\$ 2,864	3.0%
Travel	680,200	700,606	20,406	3.0%	721,624	21,018	3.0%	743,273	21,649	3.0%
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 770,200	\$ 793,306	\$ 23,106	3.0%	\$ 817,105	\$ 23,799	3.0%	\$ 841,618	\$ 24,513	3.0%
Operating Expenses										
Consultants & Contracts	\$ 965,042	\$ 993,993	28,951	3.0%	\$ 1,023,813	29,820	3.0%	\$ 1,054,527	30,714	3.0%
Office Rent	-	-	-	-	-	-	-	-	-	-
Office Costs	8,000	8,240	240	3.0%	8,487	247	3.0%	8,742	255	3.0%
Professional Services	153,450	158,054	4,604	3.0%	162,795	4,742	3.0%	167,679	4,884	3.0%
Miscellaneous	74,445	76,678	2,233	3.0%	78,979	2,300	3.0%	81,348	2,369	3.0%
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,200,937	\$ 1,236,965	\$ 36,028	3.0%	\$ 1,274,074	\$ 37,109	3.0%	\$ 1,312,296	\$ 38,222	3.0%
Total Direct Expenses	\$ 6,655,134	\$ 6,854,789	\$ 199,654	3.0%	\$ 7,060,432	\$ 205,644	3.0%	\$ 7,272,245	\$ 211,813	3.0%
Indirect Expenses	\$ 3,440,685	\$ 3,543,906	\$ 103,221	3.0%	\$ 3,650,223	\$ 106,317	3.0%	\$ 3,759,729	\$ 109,507	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 10,095,819	\$ 10,398,694	\$ 302,875	3.0%	\$ 10,710,655	\$ 311,961	3.0%	\$ 11,031,975	\$ 321,320	3.0%
Change in Assets	\$ (1,276,068)	\$ -	\$ 1,276,068	-100.0%	\$ -	\$ -	-	\$ -	\$ -	-
Fixed Assets										
Depreciation	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL CHANGE IN NET ASSETS	\$ (1,276,068)	\$ -	\$ 1,276,068	-100.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	32.25	32.25	0.00	0.0%	32.25	0.00	0.0%	32.25	0.00	0.0%

Explanation of 2017 and 2018 and 2019 Projections

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

- No projected change in FTEs
- No projected change in operating costs other than inflationary adjustments
- Budgeted merit pay increases
- Assessment stabilization will be managed year by year

Section C – Non-Statutory Activities
2016 Business Plan and Budget



Section C — 2015 Non-Statutory Business Plan and Budget

Non-Statutory Functional Scope

As discussed in the Introduction, SPP is one of nine FERC-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs). As an RTO, SPP helps ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. These activities are budgeted for separately from SPP RE and constitute the non-statutory activities further described below.

Membership and Governance (for non-statutory activities)

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

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

SPP members serve customers across 14 states (Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming)

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

Non-Statutory Functional Scope

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

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

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

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

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

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

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

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

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

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

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process SPP is unable to provide an accurate 2016 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October. The SPP overall annual budget is then submitted to FERC for approval. Because the 2016 SPP budget is not yet available, SPP is providing its Commission-approved 2015 budget and its 2014 actual results on the following table:

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

Southwest Power Pool
Income Statement



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

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



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

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

Statement of Activities and Capital Expenditures by Program 2015 Budget	Functions in Delegation Agreement														Non-Statutory Functions	
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 900)	Compliance and Organization Registration and Certification (Section 499 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding																
SPP RE Funding																
SPP RE Assessments	8,626,751	8,626,751	-	8,626,751	108,474	7,638,549	1,873,479	241,955	40,362	-	(1,276,068)	-	-	-	-	-
Penalty Sanctions	193,000	193,000	-	193,000	1,043	148,488	39,122	3,477	869	-	-	-	-	-	-	-
Total SPP RE Funding	8,819,751	8,819,751	-	8,819,751	109,518	7,787,038	1,912,600	245,432	41,232	-	(1,276,068)	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	8,819,751	8,819,751	-	8,819,751	109,518	7,787,038	1,912,600	245,432	41,232	-	(1,276,068)	-	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	3,896,492	3,896,492	-	3,896,492	18,010	2,373,788	728,223	64,563	18,010	-	693,898	-	-	-	-	-
Payroll Taxes	298,082	298,082	-	298,082	1,378	181,595	55,709	4,939	1,378	-	53,083	-	-	-	-	-
Benefits	333,564	333,564	-	333,564	1,505	214,183	56,430	5,016	1,254	-	55,176	-	-	-	-	-
Retirement Costs	155,860	155,860	-	155,860	720	94,952	29,129	2,583	720	-	27,756	-	-	-	-	-
Total Personnel Expenses	4,683,997	4,683,997	-	4,683,997	21,613	2,864,518	869,491	77,100	21,362	-	829,913	-	-	-	-	-
Meeting Expenses																
Meetings	90,000	90,000	-	90,000	-	15,000	-	50,000	-	-	25,000	-	-	-	-	-
Travel	680,200	680,200	-	680,200	50,000	400,200	105,000	20,000	-	-	105,000	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	770,200	770,200	-	770,200	50,000	415,200	105,000	70,000	-	-	130,000	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	965,042	965,042	-	965,042	-	883,042	25,000	-	-	-	57,000	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-	-	-	-	-	-	8,000	-	-	-	-	-
Professional Services	153,450	153,450	-	153,450	-	4,750	2,600	-	-	-	146,100	-	-	-	-	-
Miscellaneous	74,445	74,445	-	74,445	-	51,445	3,000	-	-	-	20,000	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,200,937	1,200,937	-	1,200,937	-	939,237	30,600	-	-	-	231,100	-	-	-	-	-
Total Direct Expenses	6,655,134	6,655,134	-	6,655,134	71,613	4,218,955	1,005,091	147,100	21,362	-	1,191,013	-	-	-	-	-
SPP Inc. Indirect Expenses	3,440,685	3,440,685	-	3,440,685	16,003	2,277,787	600,119	53,344	13,336	-	480,096	-	-	-	-	-
SPP RE Indirect Expenses	(0)	(0)	-	(0)	21,902	1,290,296	307,390	44,988	6,533	-	(1,671,109)	-	-	-	-	-
Total Indirect Expenses	3,440,685	3,440,685	-	3,440,685	37,905	3,568,083	907,509	98,332	19,869	-	(1,191,013)	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	10,095,819	10,095,819	-	10,095,819	109,518	7,787,038	1,912,600	245,432	41,232	-	(1,276,068)	-	-	-	-	-
Change in Assets	(1,276,068)	(1,276,068)	-	(1,276,068)	-	-	-	-	-	-	(1,276,068)	-	-	-	-	-
Fixed Assets																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)/Dec in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	(1,276,068)	(1,276,068)	-	(1,276,068)	-	-	-	-	-	-	(1,276,068)	-	-	-	-	-
FTEs	32.25	32.3	-	32.25	0.15	21.35	5.63	0.50	0.13	-	4.50	-	-	-	-	-
Percentage of FTEs				100%	0.5%	66.2%	17.4%	1.6%	0.4%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs				100%	0.5%	76.9%	20.3%	1.8%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses				100%	1.3%	77.2%	18.4%	2.7%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indirect Cost Allocation																
SPP Inc. Indirect Costs	3,440,685	3,440,685	-	3,440,685	16,003	2,277,787	600,119	53,344	13,336	-	480,096	-	-	-	-	-
SPP RE Indirect Costs	1,671,109	1,671,109	-	1,671,109	21,902	1,290,296	307,390	44,988	6,533	-	-	-	-	-	-	-
Total Indirect Costs	5,111,794	5,111,794	-	5,111,794	37,905	3,568,083	907,509	98,332	19,869	-	480,096	-	-	-	-	-
Fixed Assets Allocation																
Penalty Sanctions Allocation	193,000	193,000	-	193,000	1,043	148,488	39,122	3,477	869	-	-	-	-	-	-	-

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



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE¹

<u>Expense</u> <u>Category²</u>	Overhead Costs Allocation <u>(\$000)</u>
Facilities	\$ 433
Information Technology	577
Human Resources/Benefits/Payroll	290
Corporate Services	1,135
2014 Total Costs	2,435
Escalated by 3%	\$ 2,508

Shared Staff Overhead Allocation

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

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

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

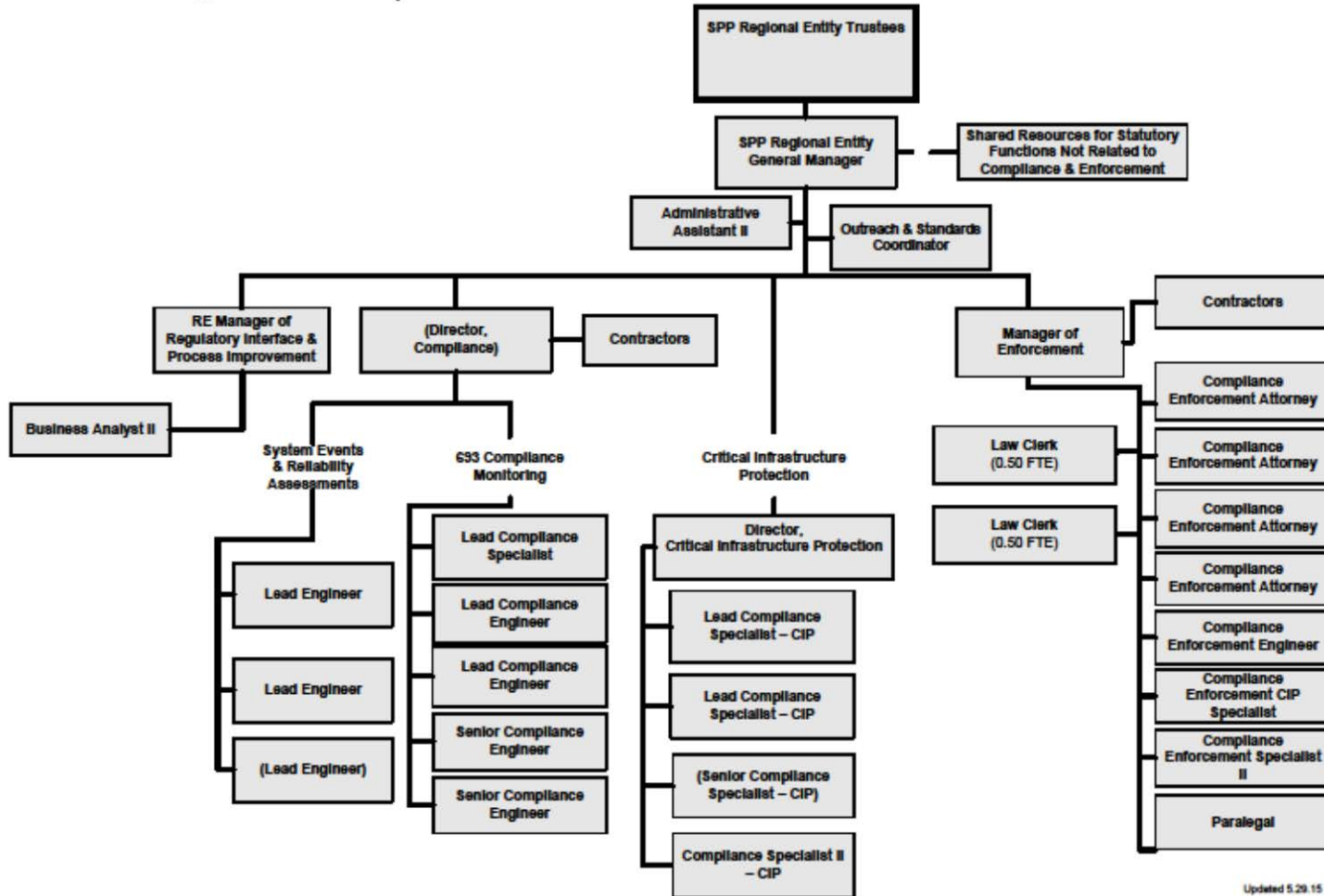
² SPP RE cost allocation is based on an appropriate measure per expense category (square footage, number of devices, headcount, etc.)

Section F– Organizational Chart 2016 Business Plan and Budget





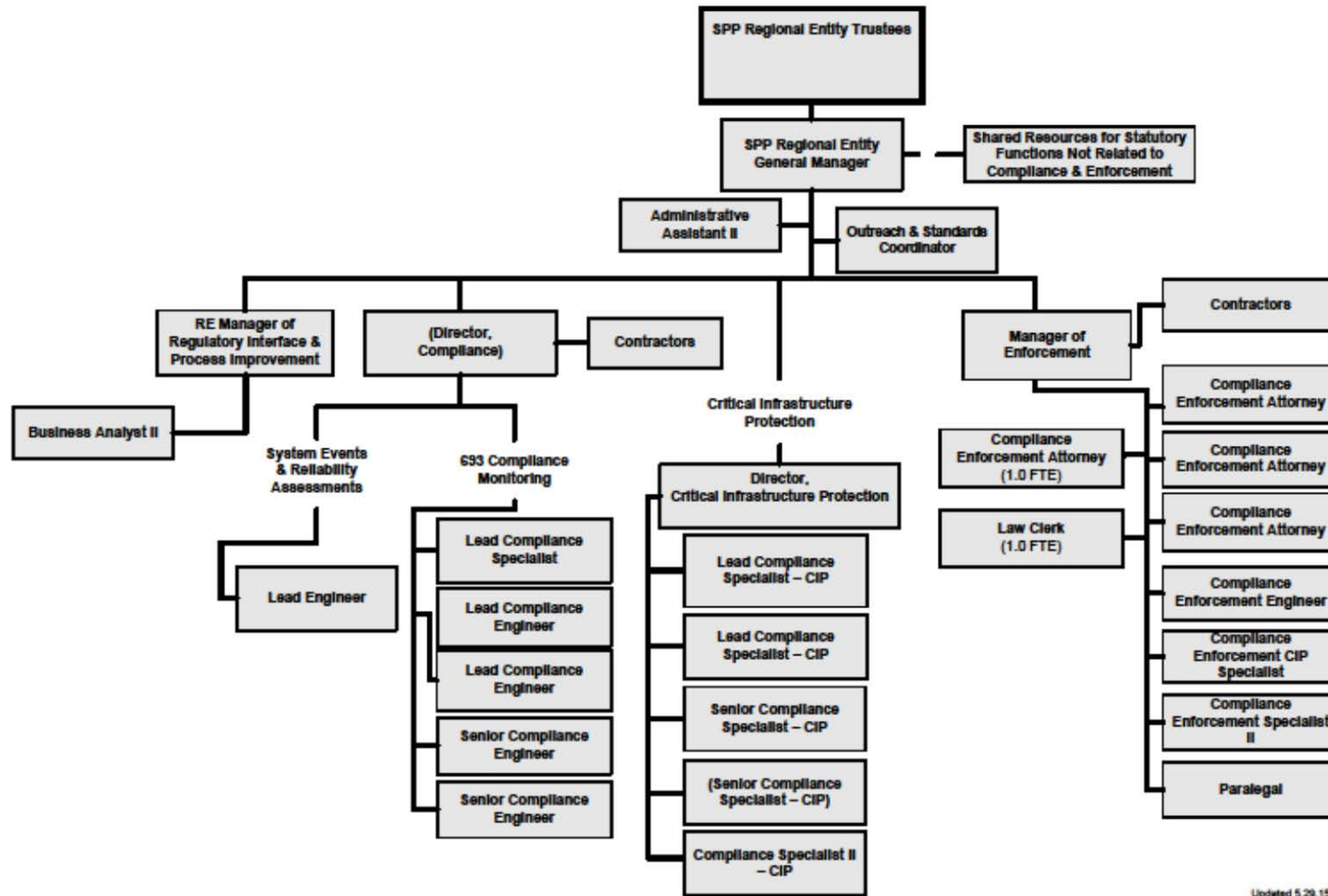
Organizational Chart – 2015



Updated 5.29.15



Organizational Chart – 2016 Proposed



Updated 5.29.15