

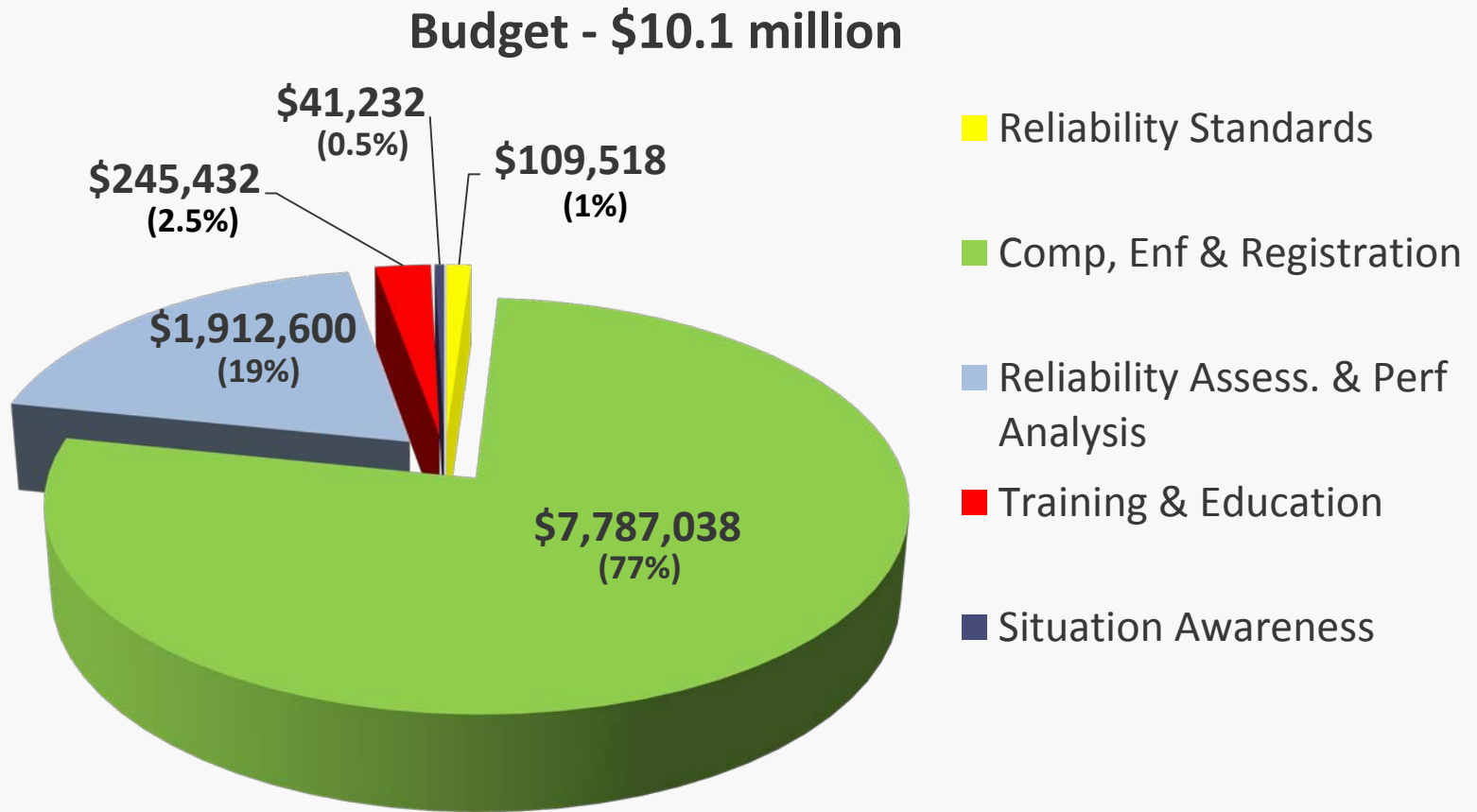
2016 Business Plan and Budget

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Debbie Currie
RE Manager of Regulatory
Interface and Process
Improvement



2016 Budget



2016 Budget Overview

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

2016 Budget Overview

- **Budget Change Drivers**
 - **3% merit pool; 5% attrition rate; 16% increase in benefit costs**
 - **25% decrease in SPP, Inc. charge; add'l \$160k decrease since previous budget submittal**
 - **Completion of Engineering Data Validation IT project**
 - **Removal of hearing costs**
 - **Headcount (2 unfilled positions eliminated; 2 part-time law clerks made full-time; increase in the use of shared staff in RAPA area; net 0.50 FTE decrease)**
 - **Penalty payment projections not budgeted**

2015-2016 Budget Comparison Overview

Resource Item	Approved 2015	Approved 2016	Increase / (Decrease)	% Increase / (Decrease)
SPP RE Direct FTEs	29.00	28.00	(1.0)	(3%)
SPP Shared FTEs	3.75	4.25	0.50	13%
Total FTEs	32.75	32.25	(0.5)	(2%)
Direct Expenses (millions)	\$7.2	\$6.7	(\$581k)	(8%)
SPP, Inc. Indirect Expenses (millions)	\$4.6	\$3.4	(\$1,131k)	(25%)
Total Expenses (millions)	\$11.8	\$10.1	(\$1,712k)	(15%)
Total Funding Requirement (millions)	\$10.1	\$8.8	(\$1,325k)	(11%)
RE Assessments (millions)	\$9.7	\$8.6	(\$1,054k)	(13%)

2015-2016 Budget Comparison Direct Expenses

Cost Item	Increase/ (Decrease)	Explanation
Personnel	\$ (6k)	0.50 FTE reduction; 2016 full-year merit increase; increase in benefit costs
Consultants	\$ (655k)	Completion of Engineering Data Validation IT tool in 2015; Elimination of hearing costs, increased staff experience and improved RE processes
Meetings/Office Costs	\$ 4k	Increase in meetings held at SPP Corporate Campus; increase in the number of meetings held with entities associated with CIP V5 outreach
Travel	\$ 77k	Increase in travel associated with CIP V5 outreach; increased airfare costs
Total Direct Expenses *	\$ (581k)	N/A
SPP Inc. Indirect Expenses	\$ (1,131)k	25% decrease in overhead charge due to change in allocation methodology
Total Decrease in Budgeted Expenses	\$ (1,712)k	N/A

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

2015-2016 Budget Comparison FTEs

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2015 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.

2015-2016 Budget Comparison Program Summary

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

Planned Use of Unreserved Cash

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

2017 and 2018 Projections

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