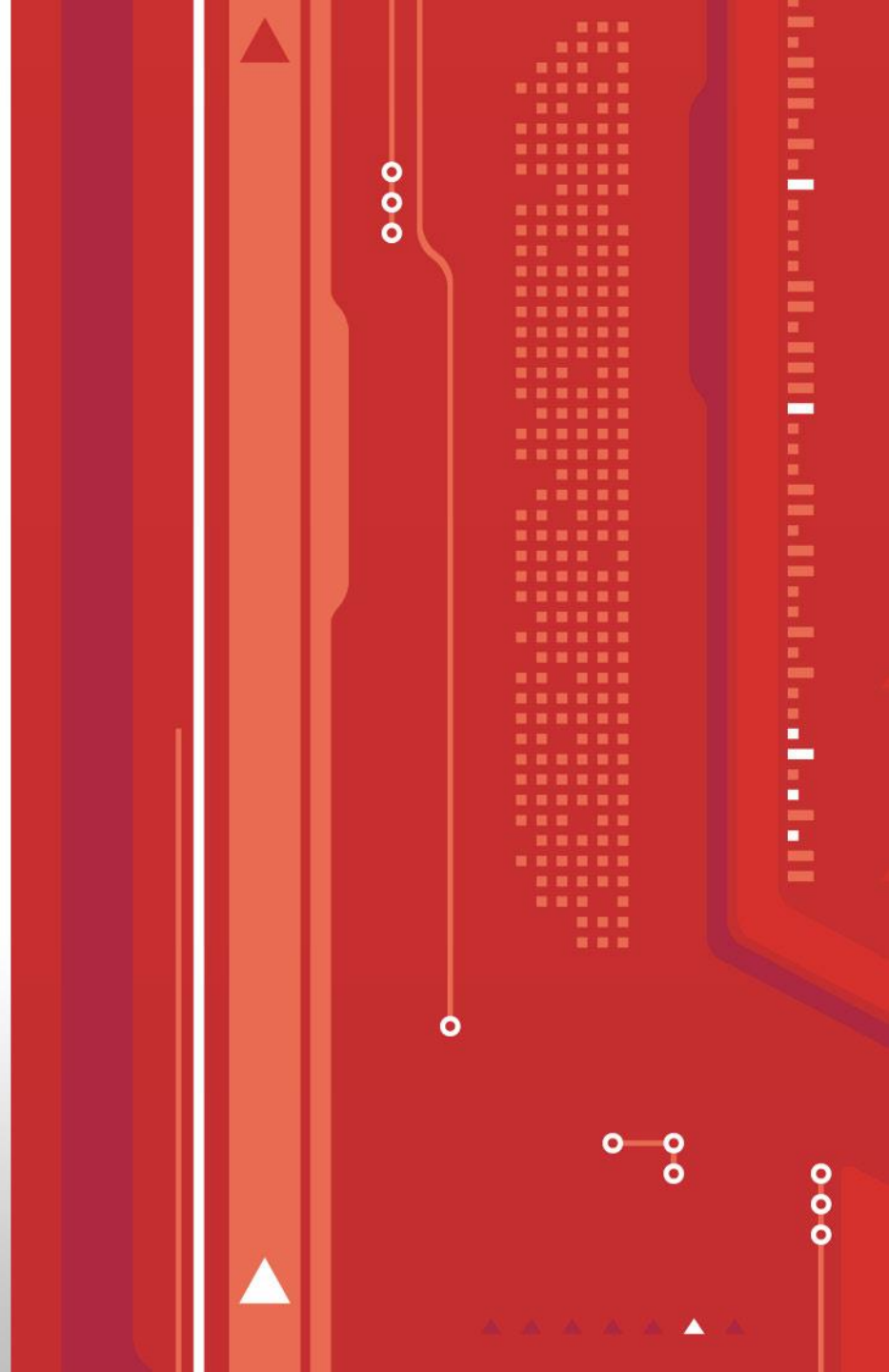


2016 Business Plan and Budget

May 27, 2015

Debbie Currie
RE Manager of Regulatory
Interface and Process
Improvement



2016 Objectives

- **SPP RE will work collaboratively with NERC and the other regions to:**
 - **Promote and improve the reliability of the BPS**
 - **Refine and revise processes and procedures**
 - **Promote cyber and critical asset security**
 - **Implement Risk-Based Compliance Monitoring and Enforcement Program**
 - **Implement the registration and certification process through Risk-Based Registration**

2016 Budget Overview

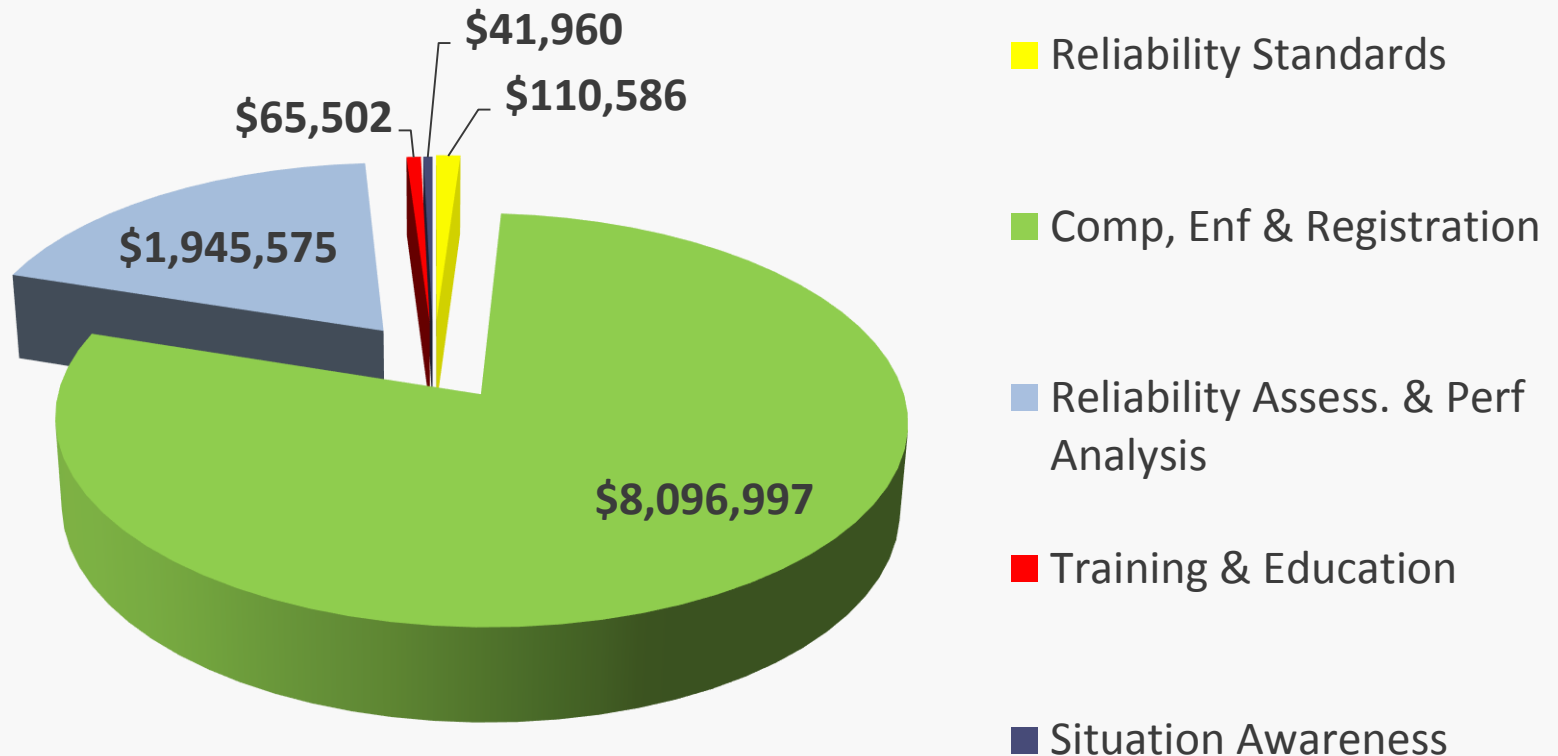
- **SPP RE has carried four open positions in the budget over the past two years**
 - **Obligations were met with existing staff and selected use of contractors**
 - **Violations leveling off**
 - **Increased experience level of existing staff**
- **Two positions to be eliminated**
- **Reliability Assurance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

2016 Budget Overview

- **Budget Change Drivers**
 - **3% merit pool; 5% attrition rate; 16% increase in benefit costs**
 - **21% decrease in SPP, Inc. charge**
 - **Completion of Engineering Data Validation IT project**
 - **Removal of hearing costs**
 - **Headcount (2 positions eliminated; 2 part-time law clerks made full-time; increase in the use of shared staff; net 0.50 FTE decrease)**
 - **Cash-build up will be used to temper assessment increases**

2016 Preliminary Budget Overview

Proposed Budget - \$10.3 Million



2016-2015 Budget Comparison Overview

Resource Item	Approved 2015	Preliminary 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	\$3.6	(\$967k)	(21.1%)
Total Expenses (millions)	\$11.8	\$10.3	(\$1,547k)	(13.1%)
Total Funding Requirement (millions)	\$10.1	\$8.9	(\$968k)	(10%)
RE Assessments (millions)	\$9.7	\$8.7	(\$1,240k)	(12%)

2016-2015 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	\$ (967k)	21% decrease in overhead rate due to change in allocation methodology
Total Decrease in Budgeted Expenses	\$ (1,547)k	N/A

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

2016-2015 Budget Comparison FTEs



Total FTEs by Program Area	Budget 2015	Projection 2016	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	21.85	0.00	21.85	1.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
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.

2016-2015 Budget Comparison Program Summary

Program	Budget 2015	Projection 2015	Budget 2016	Change 2016 Budget v 2015 Budget	% Change
Reliability Standards	114,693	115,271	110,586	(4,107)	-3.6%
Compliance Enforcement and Register	8,583,743	8,836,057	8,096,997	(486,746)	-5.7%
Reliability Assess and Perf Analysis	2,978,437	2,692,168	1,945,575	(1,032,862)	-34.7%
Training and Education	88,086	88,199	65,502	(22,584)	-25.6%
Situation Awareness	43,152	43,566	41,960	(1,192)	-2.8%
	11,808,110	11,775,260	10,260,620	(1,547,490)	-13.1%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	11,808,110	11,775,260	10,260,620	(1,547,490)	-13.1%

2015 Unreserved Cash

- As of January 1, 2015 SPP RE had \$3.2 Million in unreserved cash
 - 2015 Budget \$11.8 Million
 - 2015 Assessments \$9.7 Million
 - Difference \$2.1 Million
- Assume that SPP RE under-runs the budget during 2015 and there are no penalty payments
 - \$193k held in reserve for 2016
 - Actual 1st Quarter Variance - \$546k
 - Projected Year-End Variance - \$1.1 Million
- The cash balance at year's end would range from ~\$1.9 to ~\$2.4 Million

2016 Unreserved Cash

- As of January 1, 2016 SPP RE would have ~\$1.9 Million to ~\$2.4 Million in unreserved cash
- Assume that SPP RE remains on budget during 2016 and there are no penalty payments
- The cash balance would be largely reduced
 - Preliminary 2016 Budget \$10.3 Million
 - Preliminary 2016 Assessments \$8.7 Million
 - Difference of \$1.6 Million
- To keep the Working Capital balance at \$0 the 2017 assessment would decrease by ~\$300k to ~\$800k if the January 1, 2016 unreserved balance is realized due to 2015 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 2016; assessments would equal budget by 2018
 - Penalty payments, SPP Inc. 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