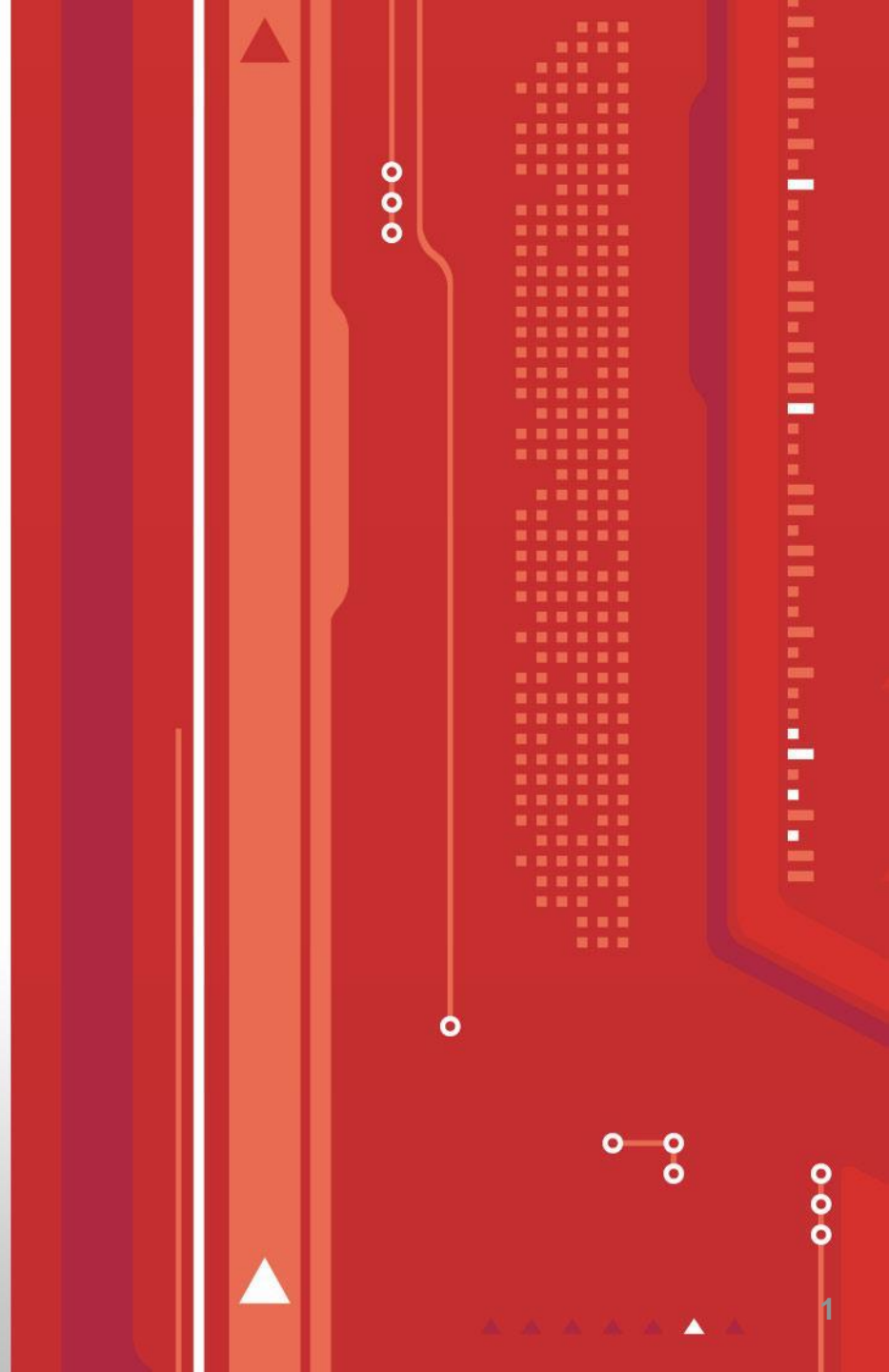


SPP RE 2015 Business Plan and Budget

Debbie Currie

RE Manager of Regulatory
Interface and Process
Improvement



2015 Budget Overview

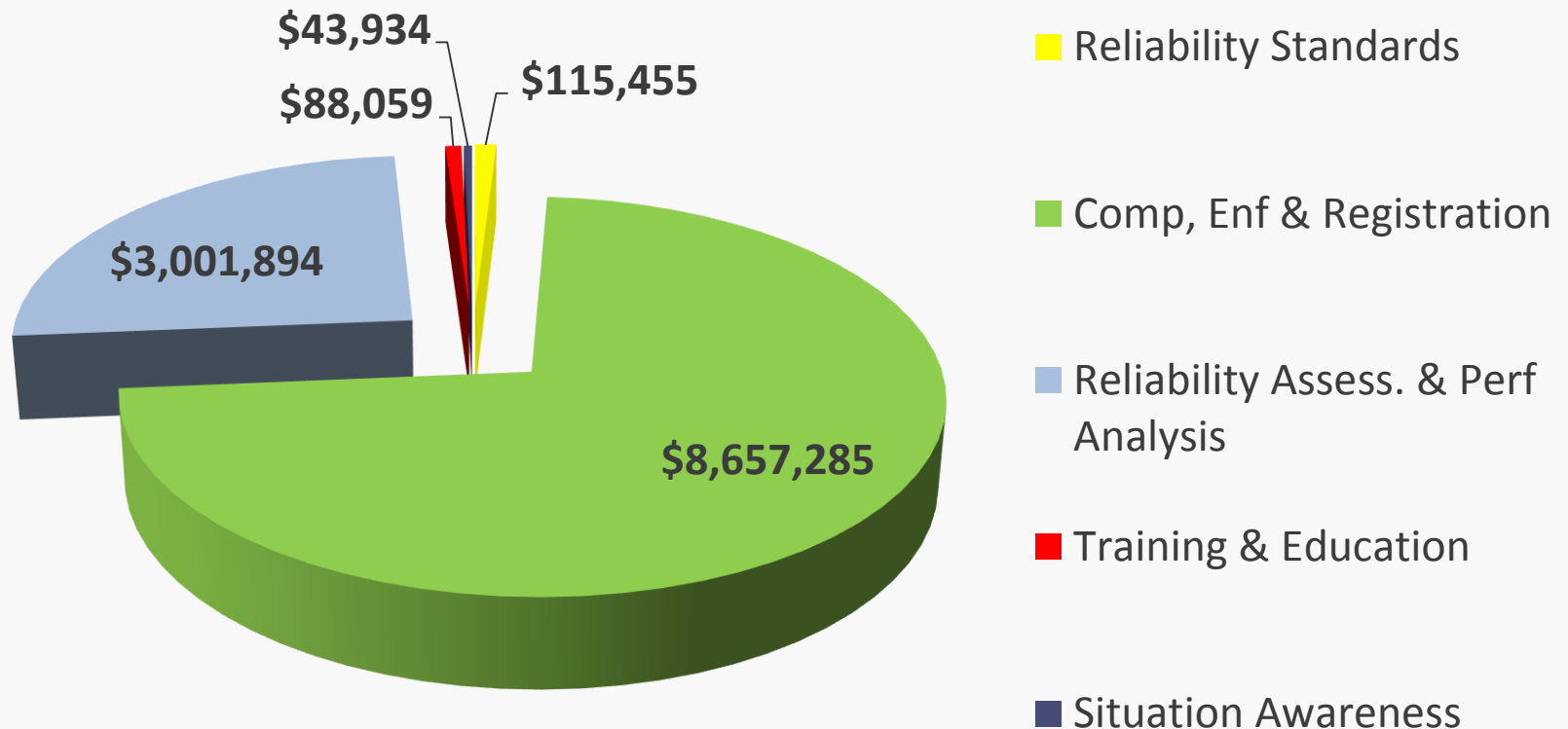
- **SPP RE has been able to meet obligations with current staff and selected use of contractors**
 - **Violations leveling off over the past two years**
 - **Increased experience level of existing staff**
- **Staffing decrease of 1.1 FTE**
- **4 open positions (Director, 2 Engineers and CIP Compliance Specialist)**
 - **Some reorganization has already occurred (CIP Auditor to Enforcement)**
 - **RAI Initiatives can be handled with existing staff or by filling open positions**

2015 Budget Overview

- **Budget Change Drivers**
 - Staff Reductions
 - 3% merit pool
 - 2% decrease in SPP, Inc. overhead charge
 - \$50,000 travel reimbursement for SDT participation
 - SPP Engineering Data Validation IT Project
- **SPP, Inc. overhead charge stabilizing**
- **Cash-build up will be used to temper assessment increases**

2015 Preliminary Budget Overview

Proposed Budget - \$11.9 Million



2015-2014 Budget Comparison Overview

Resource Item	Approved 2014	Preliminary 2015	Increase / (Decrease)	% Increase / (Decrease)
SPP RE Direct FTEs	30.00	29.00	(1.0)	(3%)
SPP Shared FTEs	3.85	3.75	(0.10)	(3%)
Total FTEs	33.85	32.75	(1.10)	(3%)
Direct Expenses (millions)	\$7.0	\$7.3	\$340k	5%
SPP, Inc. Indirect Expenses (millions)	\$4.8	\$4.6	(\$ 257k)	(5%)
Total Expenses (millions)	\$11.8	\$11.9	\$83k	<1%
Total Funding Requirement (millions)	\$9.7	\$10.7	\$1000k	10%
RE Assessments (millions)	\$9.2	\$10.3	\$1100k	12%

Assessment Drivers

- **18 Month Budget Cycle**
 - **2015 Budget finalized mid-2014**
- **Two Year Delay in NELs**
 - **2013 NELS establish 2105 Assessment**
- **Three Year Delay in SPP, Inc. Overhead Charge True-up**
 - **2012 True-up included in 2015 Budget**
 - **Adjustment has been made to shorten the delay to 2-years**
- **Penalty payments credited to assessment leveling off**
- **Cash build-up due to assessment/budget timing mismatch and budget underruns**

SPP RE Cash Balance

- **As of January 1, 2014, SPP RE's Cash Balance has built up to ~\$3.5 Million**
 - **Assessment/Budget Timing; particularly due to variability of SPP, Inc. Overhead Charge**
 - **Budget Under Runs**
- **Currently projecting a budget under run of ~\$1 Million for 2014**
- **Some of the cash balance will be used to reduce the 2015 Assessment**

2015-2014 Budget Comparison Direct Expenses

Cost Item	Increase/ (Decrease)	Explanation
Personnel	\$ (93k)	1.1 FTE reduction; 2014 full-year merit & promotion increases
Consultants	\$ 310k	Creation of an in-house Engineering Data Validation IT tool
Meetings/Office Costs	\$ (5k)	Less off-site meetings
Travel	\$ 117k	Increased airfare costs and additional trips taken by enforcement staff for RAI working groups
Total Direct Expenses *	\$ 340k	N/A
SPP Inc. Indirect Expenses	\$ (257k)	2% decrease in overhead rate
Total Increase in Budgeted Expenses	\$ 83k	N/A
* Includes SPP RE General & Administrative Services and Legal and Regulatory program expenses		

2015-2014 Budget Comparison FTEs

Total FTEs by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs ¹ 2015 Budget	Total FTEs 2015 Budget	Change from 2015 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.25	0.15	0.15	0.00	0.15	-0.10
Compliance and Organization Registration and Certification	22.10	21.35	20.85	0.00	20.85	-1.25
Training and Education	1.25	0.00	0.00	0.00	0.00	-1.25
Reliability Assessment and Performance Analysis	7.13	6.63	3.38	3.75	7.13	0.00
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	30.85	28.25	24.50	3.75	28.25	-2.60
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	3.00	4.50	4.50	0.00	4.50	1.50
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	3.00	4.50	4.50	0.00	4.50	1.50
Total FTEs	33.85	32.75	29.00	3.75	32.75	-1.10

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

2015-2014 Budget Comparison Program Summary

Program	Budget 2014	Projection 2014	Budget 2015	Change 2015 Budget v 2014 Budget	% Change
Reliability Standards	79,330	65,857	115,455	36,125	45.5%
Compliance Enforcement and Registr	8,662,902	8,523,804	8,657,285	(5,617)	-0.1%
Reliability Assess and Perf Analysis	2,756,961	2,685,907	3,001,894	244,933	8.9%
Training and Education	279,252	96,006	88,059	(191,193)	-68.5%
Situation Awareness	45,184	45,300	43,934	(1,250)	-2.8%
	11,823,629	11,416,874	11,906,628	82,999	0.7%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	11,823,629	11,416,874	11,906,628	82,999	0.7%

Resource Adequacy

- **SPP RE has matched resources to projected workload for 2014 and 2015 and feels that with the current projection of direct staff and the selected use of contractors that all requirements will be met**
- **RAI initiatives, Risk-Based Registration and the transition to CIP v5 will be managed by reallocating existing staff and/or by filling open positions**

Process Improvements

- **SPP RE has implemented administrative process changes to facilitate the handoff between compliance to enforcement and event analysis to compliance to improve activity turnaround time**
- **SPP RE continues to evaluate all areas for process and efficiency improvements**

Alignment of RE and ERO

- SPP RE has public goals that include efficiency, effectiveness, and reliability
 - These goals generally support the NERC Strategic Plans for 2014 to 2016
 - Public SPP RE Goals and Metrics can be found at www.spp.org

Efficiency & Controlling costs

- **SPP RE uses management practices generally based on the SPP, Inc.'s internal oversight practices in the areas of purchasing, personnel expenses, travel and meeting expenses.**

Working Capital

- **SPP RE adjusts assessments annually based on budget performance from the prior years as well as all penalty money collected through June 30th of the prior year**
- **SPP RE does not maintain an active operating reserve account**
- **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.**

Questions?

Debbie Currie

**Manager, Regulatory Interface and Process
Improvement**

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