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## **2017 Business Plan and Budget**

### **Southwest Power Pool Regional Entity**

**Approved by SPP Regional Entity Trustees**

**June xx, 2016**

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## Introduction

| TOTAL RESOURCES<br>(in whole dollars)            |                       |              |        |        |
|--|-----------------------|--------------|--------|--------|
|  | 2017 Budget           | U.S.         | Canada | Mexico |
| Statutory FTEs                                   | 33.25                 |              |        |        |
| Non-statutory FTEs                               | -                     |              |        |        |
| <b>Total FTEs</b>                                | <b>33.25</b>          |              |        |        |
| Statutory Expenses                               | \$ 10,865,511         |              |        |        |
| Non-Statutory Expenses                           | \$ -                  |              |        |        |
| <b>Total Expenses</b>                            | <b>\$ 10,865,511</b>  |              |        |        |
| Statutory Inc(Dec) in Fixed Assets               | \$ -                  |              |        |        |
| Non-Statutory Inc(Dec) in Fixed Assets           | \$ -                  |              |        |        |
| <b>Total Inc(Dec) in Fixed Assets</b>            | <b>\$ -</b>           |              |        |        |
| Statutory Working Capital Requirement Adjustment | \$ (1,530,708)        |              |        |        |
| Non-Statutory Working Capital Requirement        | \$ -                  |              |        |        |
| <b>Total Working Capital Requirement</b>         | <b>\$ (1,530,708)</b> |              |        |        |
| Total Statutory Funding Requirement              | \$ 9,334,803          |              |        |        |
| Total Non-Statutory Funding Requirement          | \$ -                  |              |        |        |
| <b>Total Funding Requirement</b>                 | <b>\$ 9,334,803</b>   |              |        |        |
| <b>Statutory Funding Assessments</b>             | \$ 9,334,803          | \$ 9,334,803 |        |        |
| <b>Non-Statutory Fees</b>                        | \$ -                  | \$ -         |        |        |
| NEL  | 225,657,039           | 225,657,039  |        |        |
| 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. The current RDA was approved by FERC in March of 2016.<sup>1</sup> 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

<sup>1</sup> [http://www.nerc.com/FilingsOrders/us/FERCOOrdersRules/LetterOrder\\_RDAs\\_20160323\\_RR15-12.pdf](http://www.nerc.com/FilingsOrders/us/FERCOOrdersRules/LetterOrder_RDAs_20160323_RR15-12.pdf);  
[http://www.nerc.com/FilingsOrders/us/Regional%20Delegation%20Agreements%20DL/SPP\\_RDA\\_Effective\\_2016\\_0101.pdf](http://www.nerc.com/FilingsOrders/us/Regional%20Delegation%20Agreements%20DL/SPP_RDA_Effective_2016_0101.pdf)

reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 115 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 up to four independent Regional Entity Trustees,<sup>2</sup> 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 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

### **2017 Key Assumptions**

The key assumptions underlying the SPP RE 2017 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2017 BP&B. The assumptions that are of particular importance to the SPP RE's 2017 BP&B include the expectation that:

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<sup>2</sup> FERC Docket No. ER16-430-000, Letter Order approving a Revision to the Bylaws expanding the RE Board of Trustees by one additional seat.

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 the 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 continue to implement the risk-based Compliance Monitoring and Enforcement Program (CMEP) 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.

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**Goals and Key Deliverables**

As part of the implementation of the Electric Reliability Organization Strategic Goals through 2019 (ERO Strategic Plan)<sup>3</sup>, NERC and the Regional Entities developed a set of Common Assumptions<sup>4</sup> that are now used to guide budget resource projections for each regional entity and the ERO overall.

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.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

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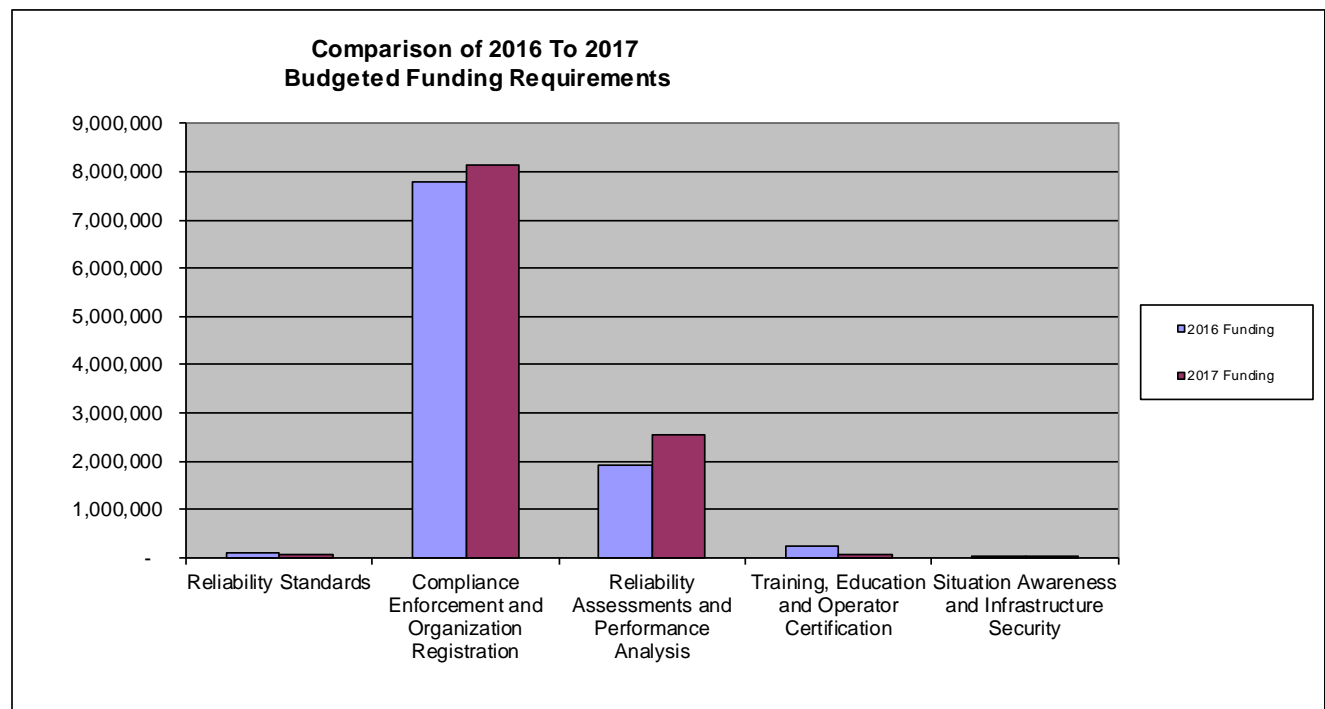
<sup>3</sup> <http://www.nerc.com/gov/Annual%20Reports/ERO%20Enterprise%20Strategic%20Plan%202016-2019.pdf>

<sup>4</sup> See NERC 2017 Business Plan and Budget, Exhibit A.

### 2017 Overview of Cost Impacts

The \$10.9 million operating budget reflects an approximate \$0.77 million increase or 7.6%. Funding assessments increased by \$338 thousand or 3.9%, from \$8.63 million to \$8.97 million. A summary of the funding by program area is shown in the chart below.

| Program                                 | Budget 2016       | Projection 2016   | Budget 2017       | Change 2017 Budget v 2016 Budget | % Change    |
|---|-------------------|-------------------|-------------------|----------------------------------|-------------|
| Reliability Standards                   | 109,518           | 76,937            | 76,377            | (33,141)                         | -30.3%      |
| Compliance Enforcement and Registration | 7,787,038         | 7,792,968         | 8,126,399         | 339,361                          | 4.4%        |
| Reliability Assess and Perf Analysis    | 1,912,600         | 1,914,013         | 2,540,152         | 627,552                          | 32.8%       |
| Training and Education                  | 245,432           | 245,639           | 79,211            | (166,222)                        | -67.7%      |
| Situation Awareness                     | 41,232            | 41,262            | 43,372            | 2,141                            | 5.2%        |
|   | <b>10,095,819</b> | <b>10,070,819</b> | <b>10,865,511</b> | <b>769,691</b>                   | <b>7.6%</b> |
| Working Capital Reserve                 | \$ -              | \$ -              | \$ -              | \$ -                             |             |
| <b>Total Funding</b>                    | <b>10,095,819</b> | <b>10,070,819</b> | <b>10,865,511</b> | <b>769,691</b>                   | <b>7.6%</b> |



As shown in the chart that follows, there is a net increase of 1.0 in budgeted Full Time Equivalents (FTE). The increase in Shared Staff is needed to accommodate the increasing RAPA reliability assessment and special study requirements. Some minor changes have also been made between the program areas to reflect the time spent by enforcement staff on reliability standards and the RAPA data groups and the time spent by the RAPA employee on Situational Awareness. In addition, the time spent by CIP audit staff performing CIP V5 transition outreach is expected to diminish in 2017.

| Total FTEs by Program Area                                 | Budget<br>2016 | Projection<br>2016 | Direct<br>FTEs 2017<br>Budget | Shared<br>FTEs <sup>1</sup> 2017<br>Budget | Total FTEs<br>2017<br>Budget | Change<br>from 2016<br>Budget |
|--|----------------|--------------------|-------------------------------|--|------------------------------|-------------------------------|
| <b>STATUTORY</b>   |                |                    |                               |  |                              |                               |
| <b>Operational Programs</b>                                |                |                    |                               |  |                              |                               |
| Reliability Standards                                      | 0.15           | 0.15               | 0.13                          | 0.00                                       | 0.13                         | -0.03                         |
| Compliance and Organization Registration and Certification | 21.35          | 21.35              | 21.75                         | 0.00                                       | 21.75                        | 0.40                          |
| Training and Education                                     | 0.50           | 0.50               | 0.00                          | 0.00                                       | 0.00                         | -0.50                         |
| Reliability Assessment and Performance Analysis            | 5.63           | 5.63               | 1.50                          | 5.25                                       | 6.75                         | 1.13                          |
| Situation Awareness and Infrastructure Security            | 0.13           | 0.13               | 0.13                          | 0.00                                       | 0.13                         | 0.00                          |
| <b>Total FTEs Operational Programs</b>                     | <b>27.75</b>   | <b>27.75</b>       | <b>23.50</b>                  | <b>5.25</b>                                | <b>28.75</b>                 | <b>1.00</b>                   |
| <b>Administrative Programs</b>                             |                |                    |                               |  |                              |                               |
| 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                          |
| <b>Total FTEs Administrative Programs</b>                  | <b>4.50</b>    | <b>4.50</b>        | <b>4.50</b>                   | <b>0.00</b>                                | <b>4.50</b>                  | <b>0.00</b>                   |
| <b>Total FTEs</b>  | <b>32.25</b>   | <b>32.25</b>       | <b>28.00</b>                  | <b>5.25</b>                                | <b>33.25</b>                 | <b>1.00</b>                   |

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

Compared to the 2016 budget, the net increase in direct expenses and the net increase in the SPP, Inc. indirect expenses are approximately \$499 thousand and \$270 thousand, respectively. The increase in direct expenses is principally due to an annual merit increase in salaries, an increase in the RAPA Shared Staff FTEs and the inclusion of funds for completion of the Engineering Data Validation tool. The increase in SPP, Inc. indirect expenses is due to a nominal inflationary increase and the increased RAPA Shared Staff FTE.<sup>5</sup> 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.

<sup>5</sup> A table showing the derivation of the Indirect Expense is presented in Section E.



### Statement of Activities and Capital Expenditures 2016 Budget & Projection, and 2017 Budget

|   | 2016<br>Budget        | 2016<br>Projection    | Variance<br>2016 Projection<br>v 2017 Budget<br>Over(Under) | 2017<br>Budget        | Variance<br>2017 Budget<br>v 2016 Budget<br>Over(Under) |
|---|-----------------------|-----------------------|---|-----------------------|---|
| <b>Funding</b>                                  |                       |                       |   |                       |   |
| <b>SPP RE Funding</b>                           |                       |                       |   |                       |   |
| SPP RE Assessments                              | \$ 8,626,751          | \$ 8,626,751          | \$ -  | \$ 8,965,053          | \$ 338,302  |
| Penalty Sanctions                               | \$ 193,000            | 193,000               | -   | 369,750               | 176,750   |
| <b>Total SPP RE Funding</b>                     | <b>\$ 8,819,751</b>   | <b>\$ 8,819,751</b>   | <b>\$ -</b>   | <b>\$ 9,334,803</b>   | <b>\$ 515,052</b>                                       |
| Membership Dues                                 | -                     | -                     | -   | -                     | -   |
| Federal Grants                                  | -                     | -                     | -   | -                     | -   |
| Services & Software                             | -                     | -                     | -   | -                     | -   |
| Workshops                                       | -                     | -                     | -   | -                     | -   |
| Interest  | -                     | -                     | -   | -                     | -   |
| Miscellaneous                                   | -                     | -                     | -   | -                     | -   |
| <b>Total Funding (A)</b>                        | <b>\$ 8,819,751</b>   | <b>\$ 8,819,751</b>   | <b>\$ -</b>   | <b>\$ 9,334,803</b>   | <b>\$ 515,052</b>                                       |
| <b>Expenses</b>                                 |                       |                       |   |                       |   |
| <b>Personnel Expenses</b>                       |                       |                       |   |                       |   |
| Salaries  | \$ 3,896,492          | \$ 3,896,492          | \$ -  | \$ 4,385,605          | \$ 489,113  |
| Payroll Taxes                                   | \$ 298,082            | 298,082               | -   | 335,499               | 37,417  |
| Benefits  | \$ 333,564            | 333,564               | -   | 358,263               | 24,699  |
| Retirement Costs                                | \$ 155,860            | 155,860               | -   | 175,424               | 19,565  |
| <b>Total Personnel Expenses</b>                 | <b>\$ 4,683,997</b>   | <b>\$ 4,683,997</b>   | <b>\$ -</b>   | <b>\$ 5,254,791</b>   | <b>\$ 570,793</b>                                       |
| <b>Meeting Expenses</b>                         |                       |                       |   |                       |   |
| Meetings  | \$ 90,000             | \$ 90,000             | \$ -  | \$ 120,000            | \$ 30,000   |
| Travel  | \$ 680,200            | 655,200               | (25,000)  | 537,000               | (143,200)   |
| Conference Calls                                | \$ -                  | -                     | -   | -                     | -   |
| <b>Total Meeting Expenses</b>                   | <b>\$ 770,200</b>     | <b>\$ 745,200</b>     | <b>\$ (25,000)</b>  | <b>\$ 657,000</b>     | <b>\$ (113,200)</b>                                     |
| <b>Operating Expenses</b>                       |                       |                       |   |                       |   |
| Consultants & Contracts                         | \$ 965,042            | \$ 965,042            | \$ -  | \$ 1,020,710          | \$ 55,668   |
| Office Rent                                     | \$ -                  | -                     | -   | -                     | -   |
| Office Costs                                    | \$ 8,000              | 8,000                 | -   | 10,000                | 2,000   |
| Professional Services                           | \$ 153,450            | 153,450               | -   | 212,100               | 58,650  |
| Miscellaneous                                   | \$ 74,445             | 74,445                | -   | -                     | (74,445)  |
| Depreciation                                    | \$ -                  | -                     | -   | -                     | -   |
| <b>Total Operating Expenses</b>                 | <b>\$ 1,200,937</b>   | <b>\$ 1,200,937</b>   | <b>\$ -</b>   | <b>\$ 1,242,810</b>   | <b>\$ 41,873</b>  |
| <b>Total Direct Expenses</b>                    | <b>\$ 6,655,134</b>   | <b>\$ 6,630,134</b>   | <b>\$ (25,000)</b>  | <b>\$ 7,154,601</b>   | <b>\$ 499,466</b>                                       |
| SPP Inc. Indirect Expenses                      | \$ 3,440,685          | 3,440,685             | \$ -  | \$ 3,710,910          | \$ 270,225  |
| SPP RE Indirect Expenses <sup>(1)</sup>         | -                     | -                     | -   | -                     | -   |
| <b>Total Indirect Expenses</b>                  | <b>\$ 3,440,685</b>   | <b>\$ 3,440,685</b>   | <b>\$ -</b>   | <b>\$ 3,710,910</b>   | <b>\$ 270,225</b>                                       |
| <b>Other Non-Operating Expenses</b>             | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| <b>Total Expenses (B)</b>                       | <b>\$ 10,095,819</b>  | <b>\$ 10,070,819</b>  | <b>\$ (25,000)</b>  | <b>\$ 10,865,511</b>  | <b>\$ 769,691</b>                                       |
| <b>Change in Assets</b>                         | <b>\$ (1,276,068)</b> | <b>\$ (1,251,068)</b> | <b>\$ 25,000</b>  | <b>\$ (1,530,708)</b> | <b>\$ (254,640)</b>                                     |
| <b>Fixed Assets</b>                             |                       |                       |   |                       |   |
| Depreciation                                    | -                     | -                     | -   | -                     | -   |
| Computer & Software CapEx                       | -                     | -                     | -   | -                     | -   |
| Furniture & Fixtures CapEx                      | -                     | -                     | -   | -                     | -   |
| Equipment CapEx                                 | -                     | -                     | -   | -                     | -   |
| Leasehold Improvements                          | -                     | -                     | -   | -                     | -   |
| Allocation of Fixed Assets                      | \$ -                  | \$ -                  | \$ -  | -                     | -   |
| <b>Inc(Dec) in Fixed Assets (C)</b>             | <b>-</b>              | <b>-</b>              | <b>-</b>  | <b>-</b>              | <b>-</b>  |
| <b>TOTAL BUDGET (=B + C)</b>                    | <b>\$ 10,095,819</b>  | <b>\$ 10,070,819</b>  | <b>\$ (25,000)</b>  | <b>\$ 10,865,511</b>  | <b>\$ 769,691</b>                                       |
| <b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b> | <b>\$ (1,276,068)</b> | <b>\$ (1,251,068)</b> | <b>\$ 25,000</b>  | <b>\$ (1,530,708)</b> | <b>\$ (254,640)</b>                                     |

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

Section A – Statutory Programs  
2017 Business Plan and Budget



## Section A — 2017 Business Plan

### Reliability Standards Program

| <b>Reliability Standards Program</b><br>(in whole dollars) |             |             |                        |
|--|-------------|-------------|------------------------|
|  | 2016 Budget | 2017 Budget | Increase<br>(Decrease) |
| Total FTEs   | 0.15        | 0.13        | (0.025)                |
| Direct Expenses  | \$ 71,613   | \$ 47,286   | \$ (24,327)            |
| Indirect Expenses- SPP Inc.                                | \$ 16,003   | \$ 13,951   | \$ (2,052)             |
| Indirect Expenses- SPP RE                                  | \$ 21,902   | \$ 15,140   | \$ (6,762)             |
| Inc(Dec) in Fixed Assets                                   | \$ -        | \$ -        | \$ -                   |
| Total Funding Requirement                                  | \$ 109,518  | \$ 76,377   | \$ (33,141)            |

### 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 0.125 FTEs represents the time spent by an 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.

### 2017 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.

### 2017 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; and
- Participate on in-depth reviews to further improve the Reliability Standards as needed.

## Resource Requirements

There is a minor change to the budgeted FTEs for this program area (0.15 reduced to 0.125).

## Reliability Standards Program

**Statement of Activities and Capital Expenditures  
2016 Budget & Projection, and 2017 Budget**

|   | Reliability Standards |                    |   |                  |   |
|---|-----------------------|--------------------|---|------------------|---|
|   | 2016<br>Budget        | 2016<br>Projection | Variance<br>2016 Projection<br>v 2016 Budget<br>Over(Under) | 2017<br>Budget   | Variance<br>2017 Budget<br>v 2016 Budget<br>Over(Under) |
| <b>Funding</b>                                  |                       |                    |   |                  |   |
| <b>SPP RE Funding</b>                           |                       |                    |   |                  |   |
| SPP RE Assessments                              | \$ 108,474            | \$ 108,474         | \$ -  | \$ 74,769        | \$ (33,705)   |
| Penalty Sanctions                               | 1,043                 | 1,043              | -   | 1,608            | 564   |
| <b>Total SPP RE Funding</b>                     | <b>\$ 109,518</b>     | <b>\$ 109,518</b>  | <b>\$ -</b>   | <b>\$ 76,377</b> | <b>\$ (33,141)</b>                                      |
| Membership Dues                                 | -                     | -                  | -   | -                | -   |
| Federal Grants                                  | -                     | -                  | -   | -                | -   |
| Services & Software                             | -                     | -                  | -   | -                | -   |
| Workshops                                       | -                     | -                  | -   | -                | -   |
| Interest  | -                     | -                  | -   | -                | -   |
| Miscellaneous                                   | -                     | -                  | -   | -                | -   |
| <b>Total Funding (A)</b>                        | <b>\$ 109,518</b>     | <b>\$ 109,518</b>  | <b>\$ -</b>   | <b>\$ 76,377</b> | <b>\$ (33,141)</b>                                      |
| <b>Expenses</b>                                 |                       |                    |   |                  |   |
| <b>Personnel Expenses</b>                       |                       |                    |   |                  |   |
| Salaries  | \$ 18,010             | \$ 18,010          | \$ -  | \$ 18,969        | \$ 959  |
| Payroll Taxes                                   | 1,378                 | 1,378              | -   | 1,451            | 73  |
| Benefits  | 1,505                 | 1,505              | -   | 1,107            | (398)   |
| Retirement Costs                                | 720                   | 720                | -   | 759              | 38  |
| <b>Total Personnel Expenses</b>                 | <b>\$ 21,613</b>      | <b>\$ 21,613</b>   | <b>\$ -</b>   | <b>\$ 22,286</b> | <b>\$ 673</b>   |
| <b>Meeting Expenses</b>                         |                       |                    |   |                  |   |
| Meetings  | \$ -                  | \$ -               | \$ -  | \$ -             | \$ -  |
| Travel  | 50,000                | 25,000             | (25,000)  | 25,000           | (25,000)  |
| Conference Calls                                | -                     | -                  | -   | -                | -   |
| <b>Total Meeting Expenses</b>                   | <b>\$ 50,000</b>      | <b>\$ 25,000</b>   | <b>\$ (25,000)</b>  | <b>\$ 25,000</b> | <b>\$ (25,000)</b>                                      |
| <b>Operating Expenses</b>                       |                       |                    |   |                  |   |
| Consultants & Contracts                         | \$ -                  | \$ -               | \$ -  | \$ -             | \$ -  |
| Office Rent                                     | -                     | -                  | -   | -                | -   |
| Office Costs                                    | -                     | -                  | -   | -                | -   |
| Professional Services                           | -                     | -                  | -   | -                | -   |
| Miscellaneous                                   | -                     | -                  | -   | -                | -   |
| Depreciation                                    | -                     | -                  | -   | -                | -   |
| <b>Total Operating Expenses</b>                 | <b>\$ -</b>           | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>      | <b>\$ -</b>   |
| <b>Total Direct Expenses</b>                    | <b>\$ 71,613</b>      | <b>\$ 46,613</b>   | <b>\$ (25,000)</b>  | <b>\$ 47,286</b> | <b>\$ (24,327)</b>                                      |
| SPP Inc. Indirect Expenses                      | \$ 16,003             | \$ 16,003          | \$ -  | \$ 13,951        | \$ (2,052)  |
| SPP RE Indirect Expenses                        | 21,902                | 14,321             | (7,580)   | 15,140           | (6,762)   |
| <b>Total Indirect Expenses</b>                  | <b>\$ 37,905</b>      | <b>\$ 30,324</b>   | <b>\$ (7,580)</b>   | <b>\$ 29,091</b> | <b>\$ (8,814)</b>                                       |
| <b>Other Non-Operating Expenses</b>             | <b>\$ -</b>           | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>      | <b>\$ -</b>   |
| <b>Total Expenses (B)</b>                       | <b>\$ 109,518</b>     | <b>\$ 76,937</b>   | <b>\$ (32,580)</b>  | <b>\$ 76,377</b> | <b>\$ (33,141)</b>                                      |
| <b>Change in Assets</b>                         | <b>\$ -</b>           | <b>\$ 32,580</b>   | <b>\$ 32,580</b>  | <b>\$ -</b>      | <b>\$ 1</b>   |
| <b>Fixed Assets</b>                             | \$ -                  | \$ -               | \$ -  | \$ -             | \$ -  |
| Depreciation                                    | -                     | -                  | -   | -                | -   |
| Computer & Software CapEx                       | -                     | -                  | -   | -                | -   |
| Furniture & Fixtures CapEx                      | -                     | -                  | -   | -                | -   |
| Equipment CapEx                                 | -                     | -                  | -   | -                | -   |
| Leasehold Improvements                          | -                     | -                  | -   | -                | -   |
| Allocation of Fixed Assets                      | -                     | -                  | -   | -                | -   |
| <b>Inc (Dec) in Fixed Assets (C)</b>            | <b>\$ -</b>           | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>      | <b>\$ -</b>   |
| <b>TOTAL BUDGET (=B + C)</b>                    | <b>\$ 109,518</b>     | <b>\$ 76,937</b>   | <b>\$ (32,580)</b>  | <b>\$ 76,377</b> | <b>\$ (33,141)</b>                                      |
| <b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b> | <b>\$ -</b>           | <b>\$ 32,580</b>   | <b>\$ 32,580</b>  | <b>\$ -</b>      | <b>\$ 1</b>   |
| FTEs  | 0.15                  | 0.15               | 0.00  | 0.13             | -0.03   |

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

| <b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b><br>(in whole dollars) |                    |                    |                                |
|--|--------------------|--------------------|--------------------------------|
|  | <b>2016 Budget</b> | <b>2017 Budget</b> | <b>Increase<br/>(Decrease)</b> |
| Total FTEs   | 21.35              | 21.75              | 0.40                           |
| Direct Expenses  | \$ 4,218,955       | \$ 4,316,813       | \$ 97,858                      |
| Indirect Expenses- SPP Inc.  | \$ 2,277,787       | \$ 2,427,437       | \$ 149,650                     |
| Indirect Expenses- SPP RE  | \$ 1,290,296       | \$ 1,382,149       | \$ 91,853                      |
| Inc(Dec) in Fixed Assets   | \$ -               | \$ -               | \$ -                           |
| Total Funding Requirement  | \$ 7,787,038       | \$ 8,126,399       | \$ 339,361                     |

### 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 115 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 \$41,000 in its budget to compensate SERC for performing the 2017 CMEP activities and Risk Assessments 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 possible non-compliance with a reliability standard.

A total of 12.0 FTEs are assigned to the Compliance Groups, and include: the SPP RE Director of Compliance, allocated at 0.5 FTEs, five Operations & Planning (O&P or 693) auditor positions, Director of Critical Infrastructure Protection, five CIP audit positions, and one Outreach Coordinator, allocated at 0.5 FTEs.

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 audit team and one consultant participates on SPP's offsite 693 audit team and onsite CIP audit teams. SPP RE has included \$477,610 in its budget for compliance consulting costs.

### **Enforcement Group**

The FTEs assigned to the Enforcement group are responsible for performing assigned Compliance Monitoring and Enforcement Program activities. These activities include but are not limited to: 1) the de novo review of all issues of noncompliance identified by the Compliance Monitoring Group; 2) conducting discovery; 3) documenting and filing all issues of noncompliance in accordance with the NERC Rules of Procedure; 4) preparing and issuing required Registered Entity notices, e.g., Find, Fix and Track (FFTs), Compliance Exceptions, Possible Violation, Alleged Violation and Proposed Penalty or Sanction, and Confirmed Violation; 5) reviewing, accepting, tracking and verifying completion of mitigation plans and mitigating activities; 6) engaging in settlement negotiations to resolve issues of noncompliance; 7) representing the SPP RE in hearings of contested violations; and 8) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 9.75 FTEs are assigned to this group, and include: the Manager of Enforcement, four enforcement attorneys, two compliance enforcement specialists, one mitigation plan engineer, one paralegal and one legal clerk. To recognize that Enforcement staff (0.25 FTEs) participate in NERC's Reliability standard development activities and the Reliability and Performance Analysis (RAPA) data groups, 0.125 FTEs has been allocated to the Reliability Standards Program and 0.125 FTEs to the RAPA 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.

### **2017 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 are anticipated to 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 seek and 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 2016 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

### **2017 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;
- Implement the risk-based CMEP and conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations;
- Coordinated oversight of Multi-Region Registered Entities (MRREs);
- Perform 8 to 10 on-site FERC Order 693 compliance audits;
- Perform 12 to 15 off-site FERC Order 693 compliance audits;
- Perform 10 to 13 on-site CIP compliance audits of registered entities with High or Medium Impact BES Cyber Systems;
- SPP RE anticipates that audits of registered entities with only Low Impact BES Cyber Systems can be conducted off-site. The SPP RE will work with the affected registered entities to identify appropriate forms of evidence of compliance that can be evaluated without being on-site. The CIP audit team expects to go on-site only if an audit finding cannot be determined through other means;
- Perform spot check, self-certifications, and periodic data submittals of specified standards as dictated by NERC's 2017 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 2017; and



- Provide general CIP V5 outreach support for all Registered Entities in all impact categories (High, Medium and Low BES Cyber Systems).

## **Resource Requirements**

### **Personnel**

The Compliance program area reflects a net increase of 0.40 FTEs which reflects the return of 0.50 FTES from the Training & Education program specifically designated as CIP V5 outreach in the 2016 Business Plan & Budget and the enforcement staff's participation on the RAPA data groups.

### **Contracts and Consultants**

The use of consultants is expected to be consistent with 2016.

**Statement of Activities and Capital Expenditures**  
**2016 Budget & Projection, and 2017 Budget**  
**Compliance and Organization Registration and Certification**

| Funding   | 2016<br>Budget      | 2016<br>Projection  | Variance<br>2016 Projection<br>v 2016 Budget<br>Over(Under) | 2017<br>Budget      | Variance<br>2017 Budget<br>v 2016 Budget<br>Over(Under) |
|---|---------------------|---------------------|---|---------------------|---|
| <b>SPP RE Funding</b>                           |                     |                     |   |                     |   |
| SPP RE Assessments                              | \$ 7,638,549        | \$ 7,638,549        | \$ -  | \$ 7,846,675        | \$ 208,126  |
| Penalty Sanctions                               | 148,488             | 148,488             | -   | 279,724             | 131,236   |
| <b>Total SPP RE Funding</b>                     | <b>\$ 7,787,038</b> | <b>\$ 7,787,038</b> | <b>\$ -</b>   | <b>\$ 8,126,399</b> | <b>\$ 339,361</b>                                       |
| Membership Dues                                 | -                   | -                   | -   | -                   | -   |
| Federal Grants                                  | -                   | -                   | -   | -                   | -   |
| Services & Software                             | -                   | -                   | -   | -                   | -   |
| Workshops                                       | -                   | -                   | -   | -                   | -   |
| Interest  | -                   | -                   | -   | -                   | -   |
| Miscellaneous                                   | -                   | -                   | -   | -                   | -   |
| <b>Total Funding (A)</b>                        | <b>\$ 7,787,038</b> | <b>\$ 7,787,038</b> | <b>\$ -</b>   | <b>\$ 8,126,399</b> | <b>\$ 339,361</b>                                       |
| <b>Expenses</b>                                 |                     |                     |   |                     |   |
| <b>Personnel Expenses</b>                       |                     |                     |   |                     |   |
| Salaries  | \$ 2,373,788        | \$ 2,373,788        | \$ -  | \$ 2,665,150        | \$ 291,362  |
| Payroll Taxes                                   | 181,595             | 181,595             | -   | 203,884             | 22,289  |
| Benefits  | 214,183             | 214,183             | -   | 234,563             | 20,380  |
| Retirement Costs                                | 94,952              | 94,952              | -   | 106,606             | 11,654  |
| <b>Total Personnel Expenses</b>                 | <b>\$ 2,864,518</b> | <b>\$ 2,864,518</b> | <b>\$ -</b>   | <b>\$ 3,210,203</b> | <b>\$ 345,685</b>                                       |
| <b>Meeting Expenses</b>                         |                     |                     |   |                     |   |
| Meetings  | \$ 15,000           | \$ 15,000           | \$ -  | \$ 35,000           | \$ 20,000   |
| Travel  | 400,200             | 400,200             | -   | 282,000             | (118,200)   |
| Conference Calls                                | -                   | -                   | -   | -                   | -   |
| <b>Total Meeting Expenses</b>                   | <b>\$ 415,200</b>   | <b>\$ 415,200</b>   | <b>\$ -</b>   | <b>\$ 317,000</b>   | <b>\$ (98,200)</b>                                      |
| <b>Operating Expenses</b>                       |                     |                     |   |                     |   |
| Consultants & Contracts                         | \$ 883,042          | \$ 883,042          | \$ -  | \$ 778,610          | \$ (104,432)  |
| Office Rent                                     | -                   | -                   | -   | -                   | -   |
| Office Costs                                    | -                   | -                   | -   | -                   | -   |
| Professional Services                           | 4,750               | 4,750               | -   | 11,000              | 6,250   |
| Miscellaneous                                   | 51,445              | 51,445              | -   | -                   | (51,445)  |
| Depreciation                                    | -                   | -                   | -   | -                   | -   |
| <b>Total Operating Expenses</b>                 | <b>\$ 939,237</b>   | <b>\$ 939,237</b>   | <b>\$ -</b>   | <b>\$ 789,610</b>   | <b>\$ (149,627)</b>                                     |
| <b>Total Direct Expenses</b>                    | <b>\$ 4,218,955</b> | <b>\$ 4,218,955</b> | <b>\$ -</b>   | <b>\$ 4,316,813</b> | <b>\$ 97,858</b>  |
| SPP Inc. Indirect Expenses                      | \$ 2,277,787        | \$ 2,277,787        | \$ -  | \$ 2,427,437        | \$ 149,650  |
| SPP RE Indirect Expenses                        | 1,290,296           | 1,296,227           | 5,931   | 1,382,149           | 91,853  |
| <b>Total Indirect Expenses</b>                  | <b>\$ 3,568,083</b> | <b>\$ 3,574,014</b> | <b>\$ 5,931</b>   | <b>\$ 3,809,586</b> | <b>\$ 241,503</b>                                       |
| <b>Other Non-Operating Expenses</b>             | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>   | <b>\$ -</b>         | <b>\$ -</b>   |
| <b>Total Expenses (B)</b>                       | <b>\$ 7,787,038</b> | <b>\$ 7,792,968</b> | <b>\$ 5,931</b>   | <b>\$ 8,126,399</b> | <b>\$ 339,361</b>                                       |
| <b>Change in Assets</b>                         | <b>\$ -</b>         | <b>\$ (5,931)</b>   | <b>\$ (5,931)</b>   | <b>\$ -</b>         | <b>\$ -</b>   |
| <b>Fixed Assets</b>                             | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>   | <b>\$ -</b>         | <b>\$ -</b>   |
| Depreciation                                    | -                   | -                   | -   | -                   | -   |
| Computer & Software CapEx                       | -                   | -                   | -   | -                   | -   |
| Furniture & Fixtures CapEx                      | -                   | -                   | -   | -                   | -   |
| Equipment CapEx                                 | -                   | -                   | -   | -                   | -   |
| Leasehold Improvements                          | -                   | -                   | -   | -                   | -   |
| Allocation of Fixed Assets                      | -                   | -                   | -   | -                   | -   |
| <b>Inc (Dec) in Fixed Assets (C)</b>            | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>   | <b>\$ -</b>         | <b>\$ -</b>   |
| <b>TOTAL BUDGET (=B + C)</b>                    | <b>\$ 7,787,038</b> | <b>\$ 7,792,968</b> | <b>\$ 5,931</b>   | <b>\$ 8,126,399</b> | <b>\$ 339,361</b>                                       |
| <b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b> | <b>\$ (0)</b>       | <b>\$ (5,931)</b>   | <b>\$ (5,931)</b>   | <b>\$ -</b>         | <b>\$ (1)</b>   |
| FTEs  | 21.35               | 21.35               | -   | 21.75               | 0.40  |

## Reliability Assessment and Performance Analysis Program

| <b>Reliability Assessments and Performance Analysis</b><br>(in whole dollars) |                    |                    |                                |
|---|--------------------|--------------------|--------------------------------|
|   | <b>2016 Budget</b> | <b>2017 Budget</b> | <b>Increase<br/>(Decrease)</b> |
| Total FTEs  | 5.63               | 6.75               | 1.13                           |
| Direct Expenses   | \$ 1,005,091       | \$ 1,353,461       | \$ 348,370                     |
| Indirect Expenses- SPP Inc.   | \$ 600,119         | \$ 753,343         | \$ 153,224                     |
| Indirect Expenses- SPP RE   | \$ 307,390         | \$ 433,348         | \$ 125,958                     |
| Inc(Dec) in Fixed Assets  | \$ -               | \$ -               | \$ -                           |
| Total Funding Requirement   | \$ 1,912,600       | \$ 2,540,152       | \$ 627,552                     |

### 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, discusses the process, assumptions, and findings at a public Trustees meeting. The Trustees endorse the assessments.

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 and for cause coding. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

### 2017 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;

- SPP RE will support the development of short-term reliability assessments (6-18 month horizon) and special studies requested by NERC;
- SPP RE will continue to support the NERC’s Planning Committee and its standing committees including the 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 2016.

### **2017 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 technical input to NERC’s reliability assessments each year: a long-term reliability assessment report, seasonal assessment reports and shorter-term focused reports. Perform an annual 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;

- Support development of an expanded ERO data collection and analysis system to improve performance analysis of the BPS; and
- Participate actively in the following NERC working groups/committees/task forces:
  - Event Analysis Subcommittee (EAS)
  - 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**

SPP RE staff personnel expects to remain consistent with 2016 and includes a modest increase to recognize the enforcement staff's participation on the data working groups. Shared Staff is expected to increase by 1.0 FTE due to the increasing number and scope of the annual reliability assessments and special engineering studies being requested by NERC.

### **Contracts and Consultants**

Development of the Engineering Model Data Validation project was halted in early 2016. A change in the project's scope and vendor will cause the project to carry over into 2017. \$150,000 has been budgeted for completion of the project.

## Statement of Activities and Capital Expenditures 2016 Budget & Projection, and 2017 Budget

### Reliability Assessment and Performance Analysis

|   | 2016<br>Budget      | 2016<br>Projection  | Variance<br>2016 Projection<br>v 2016 Budget<br>Over(Under) | 2017<br>Budget      | Variance<br>2017 Budget<br>v 2016 Budget<br>Over(Under) |
|---|---------------------|---------------------|---|---------------------|---|
| <b>Funding</b>                                  |                     |                     |   |                     |   |
| <b>SPP RE Funding</b>                           |                     |                     |   |                     |   |
| SPP RE Assessments                              | \$ 1,873,479        | \$ 1,873,479        | \$ -  | \$ 2,453,341        | \$ 579,863  |
| Penalty Sanctions                               | 39,122              | 39,122              | -   | 86,811              | 47,689  |
| <b>Total SPP RE Funding</b>                     | <b>\$ 1,912,600</b> | <b>\$ 1,912,600</b> | <b>\$ -</b>   | <b>\$ 2,540,152</b> | <b>\$ 627,552</b>                                       |
| Membership Dues                                 | -                   | -                   | -   | -                   | -   |
| Federal Grants                                  | -                   | -                   | -   | -                   | -   |
| Services & Software                             | -                   | -                   | -   | -                   | -   |
| Workshops                                       | -                   | -                   | -   | -                   | -   |
| Interest  | -                   | -                   | -   | -                   | -   |
| Miscellaneous                                   | -                   | -                   | -   | -                   | -   |
| <b>Total Funding (A)</b>                        | <b>\$ 1,912,600</b> | <b>\$ 1,912,600</b> | <b>\$ -</b>   | <b>\$ 2,540,152</b> | <b>\$ 627,552</b>                                       |
| <b>Expenses</b>                                 |                     |                     |   |                     |   |
| <b>Personnel Expenses</b>                       |                     |                     |   |                     |   |
| Salaries  | \$ 728,223          | \$ 728,223          | \$ -  | \$ 895,372          | \$ 167,149  |
| Payroll Taxes                                   | 55,709              | 55,709              | -   | 68,496              | 12,787  |
| Benefits  | 56,430              | 56,430              | -   | 62,778              | 6,348   |
| Retirement Costs                                | 29,129              | 29,129              | -   | 35,815              | 6,686   |
| <b>Total Personnel Expenses</b>                 | <b>\$ 869,491</b>   | <b>\$ 869,491</b>   | <b>\$ -</b>   | <b>\$ 1,062,461</b> | <b>\$ 192,970</b>                                       |
| <b>Meeting Expenses</b>                         |                     |                     |   |                     |   |
| Meetings  | \$ -                | \$ -                | \$ -  | \$ -                | \$ -  |
| Travel  | 105,000             | 105,000             | -   | 110,000             | 5,000   |
| Conference Calls                                | -                   | -                   | -   | -                   | -   |
| <b>Total Meeting Expenses</b>                   | <b>\$ 105,000</b>   | <b>\$ 105,000</b>   | <b>\$ -</b>   | <b>\$ 110,000</b>   | <b>\$ 5,000</b>   |
| <b>Operating Expenses</b>                       |                     |                     |   |                     |   |
| Consultants & Contracts                         | \$ 25,000           | \$ 25,000           | \$ -  | \$ 181,000          | \$ 156,000  |
| Office Rent                                     | -                   | -                   | -   | -                   | -   |
| Office Costs                                    | -                   | -                   | -   | -                   | -   |
| Professional Services                           | 2,600               | 2,600               | -   | -                   | (2,600)   |
| Miscellaneous                                   | 3,000               | 3,000               | -   | -                   | (3,000)   |
| Depreciation                                    | -                   | -                   | -   | -                   | -   |
| <b>Total Operating Expenses</b>                 | <b>\$ 30,600</b>    | <b>\$ 30,600</b>    | <b>\$ -</b>   | <b>\$ 181,000</b>   | <b>\$ 150,400</b>                                       |
| <b>Total Direct Expenses</b>                    | <b>\$ 1,005,091</b> | <b>\$ 1,005,091</b> | <b>\$ -</b>   | <b>\$ 1,353,461</b> | <b>\$ 348,370</b>                                       |
| SPP Inc. Indirect Expenses                      | \$ 600,119          | \$ 600,119          | \$ -  | \$ 753,343          | \$ 153,224  |
| SPP RE Indirect Expenses                        | 307,390             | 308,803             | 1,413   | 433,348             | 125,958   |
| <b>Total Indirect Expenses</b>                  | <b>\$ 907,509</b>   | <b>\$ 908,922</b>   | <b>\$ 1,413</b>   | <b>\$ 1,186,691</b> | <b>\$ 279,182</b>                                       |
| <b>Other Non-Operating Expenses</b>             | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>   | <b>\$ -</b>         | <b>\$ -</b>   |
| <b>Total Expenses (B)</b>                       | <b>\$ 1,912,600</b> | <b>\$ 1,914,013</b> | <b>\$ 1,413</b>   | <b>\$ 2,540,152</b> | <b>\$ 627,552</b>                                       |
| <b>Change in Assets</b>                         | <b>\$ -</b>         | <b>\$ (1,413)</b>   | <b>\$ (1,413)</b>   | <b>\$ -</b>         | <b>\$ 1</b>   |
| <b>Fixed Assets</b>                             |                     |                     |   |                     |   |
| Depreciation                                    | -                   | -                   | -   | -                   | -   |
| Computer & Software CapEx                       | -                   | -                   | -   | -                   | -   |
| Furniture & Fixtures CapEx                      | -                   | -                   | -   | -                   | -   |
| Equipment CapEx                                 | -                   | -                   | -   | -                   | -   |
| Leasehold Improvements                          | -                   | -                   | -   | -                   | -   |
| Allocation of Fixed Assets                      | -                   | -                   | -   | -                   | -   |
| <b>Inc (Dec) in Fixed Assets (C)</b>            | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>   | <b>\$ -</b>         | <b>\$ -</b>   |
| <b>TOTAL BUDGET (=B + C)</b>                    | <b>\$ 1,912,600</b> | <b>\$ 1,914,013</b> | <b>\$ 1,413</b>   | <b>\$ 2,540,152</b> | <b>\$ 627,552</b>                                       |
| <b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b> | <b>\$ -</b>         | <b>\$ (1,413)</b>   | <b>\$ (1,413)</b>   | <b>\$ -</b>         | <b>\$ -</b>   |
| FTEs  | 5.63                | 5.63                | -   | 6.75                | 1.13  |

## Training, Education, and Operator Certification Program

| <b>Training, Education and Operator Certification</b><br>(in whole dollars)                                |                    |                    |                                |
|--|--------------------|--------------------|--------------------------------|
|  | <b>2016 Budget</b> | <b>2017 Budget</b> | <b>Increase<br/>(Decrease)</b> |
| Total FTEs   | 0.50               | -                  | (0.50)                         |
| Direct Expenses*   | \$ 147,100         | \$ 60,000          | \$ (87,100)                    |
| Indirect Expenses- SPP Inc.  | \$ 53,344          | \$ -               | \$ (53,344)                    |
| Indirect Expenses- SPP RE  | \$ 44,988          | \$ 19,211          | \$ (25,777)                    |
| Inc(Dec) in Fixed Assets   | \$ -               | \$ -               | \$ -                           |
| Total Funding Requirement  | \$ 245,432         | \$ 79,211          | \$ (166,222)                   |
| * 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.

### 2017 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. 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.

### 2017 Goals and Key Deliverables

- Host three compliance workshops, one focused on CIP;
- Publish a monthly newsletter;
- Present at least six compliance webinars or training videos; and
- Maintain an online training video library to share compliance information with stakeholders.

## 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 net (0.5 FTE) decrease is due to the completion of the outreach being conducted prior to the implementation of CIP V5 by the CIP audit staff. Post-CIP V5 implementation outreach will continue to be performed by CIP auditors with the FTEs accounted for in the Compliance Program Area.



## Statement of Activities and Capital Expenditures 2016 Budget & Projection, and 2017 Budget

### Training and Education

|   | 2016<br>Budget    | 2016<br>Projection | Variance<br>2016 Projection<br>v 2016 Budget<br>Over(Under) | 2017<br>Budget   | Variance<br>2017 Budget<br>v 2016 Budget<br>Over(Under) |
|---|-------------------|--------------------|---|------------------|---|
| <b>Funding</b>                                  |                   |                    |   |                  |   |
| <b>SPP RE Funding</b>                           |                   |                    |   |                  |   |
| SPP RE Assessments                              | \$ 241,955        | \$ 241,955         | \$ -  | \$ 79,211        | \$ (162,744)  |
| Penalty Sanctions                               | 3,477             | 3,477              | -   | -                | (3,477)   |
| <b>Total SPP RE Funding</b>                     | <u>\$ 245,432</u> | <u>\$ 245,432</u>  | <u>\$ -</u>   | <u>\$ 79,211</u> | <u>\$ (166,222)</u>                                     |
| Membership Dues                                 | -                 | -                  | -   | -                | -   |
| Federal Grants                                  | -                 | -                  | -   | -                | -   |
| Services & Software                             | -                 | -                  | -   | -                | -   |
| Workshops                                       | -                 | -                  | -   | -                | -   |
| Interest  | -                 | -                  | -   | -                | -   |
| Miscellaneous                                   | -                 | -                  | -   | -                | -   |
| <b>Total Funding (A)</b>                        | <u>\$ 245,432</u> | <u>\$ 245,432</u>  | <u>\$ -</u>   | <u>\$ 79,211</u> | <u>\$ (166,222)</u>                                     |
| <b>Expenses</b>                                 |                   |                    |   |                  |   |
| <b>Personnel Expenses</b>                       |                   |                    |   |                  |   |
| Salaries  | \$ 64,563         | \$ 64,563          | \$ -  | \$ -             | \$ (64,563)   |
| Payroll Taxes                                   | 4,939             | 4,939              | -   | -                | (4,939)   |
| Benefits  | 5,016             | 5,016              | -   | -                | (5,016)   |
| Retirement Costs                                | 2,583             | 2,583              | -   | -                | (2,583)   |
| <b>Total Personnel Expenses</b>                 | <u>\$ 77,100</u>  | <u>\$ 77,100</u>   | <u>\$ -</u>   | <u>\$ -</u>      | <u>\$ (77,100)</u>                                      |
| <b>Meeting Expenses</b>                         |                   |                    |   |                  |   |
| Meetings  | \$ 50,000         | \$ 50,000          | \$ -  | \$ 60,000        | \$ 10,000   |
| Travel  | 20,000            | 20,000             | -   | -                | (20,000)  |
| Conference Calls                                | -                 | -                  | -   | -                | -   |
| <b>Total Meeting Expenses</b>                   | <u>\$ 70,000</u>  | <u>\$ 70,000</u>   | <u>\$ -</u>   | <u>\$ 60,000</u> | <u>\$ (10,000)</u>                                      |
| <b>Operating Expenses</b>                       |                   |                    |   |                  |   |
| Consultants & Contracts                         | \$ -              | \$ -               | \$ -  | \$ -             | \$ -  |
| Office Rent                                     | -                 | -                  | -   | -                | -   |
| Office Costs                                    | -                 | -                  | -   | -                | -   |
| Professional Services                           | -                 | -                  | -   | -                | -   |
| Miscellaneous                                   | -                 | -                  | -   | -                | -   |
| Depreciation                                    | -                 | -                  | -   | -                | -   |
| <b>Total Operating Expenses</b>                 | <u>\$ -</u>       | <u>\$ -</u>        | <u>\$ -</u>   | <u>\$ -</u>      | <u>\$ -</u>   |
| <b>Total Direct Expenses</b>                    | <u>\$ 147,100</u> | <u>\$ 147,100</u>  | <u>\$ -</u>   | <u>\$ 60,000</u> | <u>\$ (87,100)</u>                                      |
| SPP Inc. Indirect Expenses                      | \$ 53,344         | \$ 53,344          | -   | \$ -             | \$ (53,344)   |
| SPP RE Indirect Expenses                        | 44,988            | 45,195             | -   | 19,211           | (25,777)  |
| <b>Total Indirect Expenses</b>                  | <u>\$ 98,332</u>  | <u>\$ 98,539</u>   | <u>\$ 207</u>   | <u>\$ 19,211</u> | <u>\$ (79,121)</u>                                      |
| <b>Other Non-Operating Expenses</b>             | <u>\$ -</u>       | <u>\$ -</u>        | <u>\$ -</u>   | <u>\$ -</u>      | <u>\$ -</u>   |
| <b>Total Expenses (B)</b>                       | <u>\$ 245,432</u> | <u>\$ 245,639</u>  | <u>\$ 207</u>   | <u>\$ 79,211</u> | <u>\$ (166,222)</u>                                     |
| <b>Change in Assets</b>                         | <u>\$ -</u>       | <u>\$ (207)</u>    | <u>\$ (207)</u>   | <u>\$ -</u>      | <u>\$ (2)</u>   |
| <b>Fixed Assets</b>                             | \$ -              | \$ -               | \$ -  | \$ -             | \$ -  |
| Depreciation                                    | -                 | -                  | -   | -                | -   |
| Computer & Software CapEx                       | -                 | -                  | -   | -                | -   |
| Furniture & Fixtures CapEx                      | -                 | -                  | -   | -                | -   |
| Equipment CapEx                                 | -                 | -                  | -   | -                | -   |
| Leasehold Improvements                          | -                 | -                  | -   | -                | -   |
| Allocation of Fixed Assets                      | -                 | -                  | -   | -                | -   |
| <b>Inc (Dec) in Fixed Assets (C)</b>            | <u>\$ -</u>       | <u>\$ -</u>        | <u>\$ -</u>   | <u>\$ -</u>      | <u>\$ -</u>   |
| <b>TOTAL BUDGET (=B + C)</b>                    | \$ 245,432        | \$ 245,639         | \$ 207  | \$ 79,211        | \$ (166,222)  |
| <b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b> | <u>\$ -</u>       | <u>\$ (207)</u>    | <u>\$ (207)</u>   | <u>\$ -</u>      | <u>\$ -</u>   |
| FTEs  | 0.50              | 0.50               | -   | -                | (0.50)  |

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**Situation Awareness and Infrastructure Security Program**

| <b>Situation Awareness and Infrastructure Security</b><br>(in whole dollars) |                    |                    |                                |
|--|--------------------|--------------------|--------------------------------|
|  | <b>2016 Budget</b> | <b>2017 Budget</b> | <b>Increase<br/>(Decrease)</b> |
| Total FTEs   | 0.13               | 0.13               | -                              |
| Direct Expenses  | \$ 21,362          | \$ 22,286          | \$ 924                         |
| Indirect Expenses- SPP Inc.  | \$ 13,336          | \$ 13,951          | \$ 615                         |
| Indirect Expenses- SPP RE  | \$ 6,533           | \$ 7,135           | \$ 602                         |
| Inc(Dec) in Fixed Assets   | \$ -               | \$ -               | \$ -                           |
| Total Funding Requirement  | \$ 41,232          | \$ 43,372          | \$ 2,141                       |

### 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 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.

### **2017 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.

### **2017 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 a discussion forum for NERC-requested comments and ballot issues
- 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
  - 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 2016 Budget & Projection, and 2017 Budget

#### Situation Awareness and Infrastructure Security

|   | 2016<br>Budget   | 2016<br>Projection | Variance<br>2016 Projection<br>v 2016 Budget<br>Over(Under) | 2017<br>Budget   | Variance<br>2017 Budget<br>v 2016 Budget<br>Over(Under) |
|---|------------------|--------------------|---|------------------|---|
| <b>Funding</b>                                  |                  |                    |   |                  |   |
| <b>SPP RE Funding</b>                           |                  |                    |   |                  |   |
| SPP RE Assessments                              | \$ 40,362        | \$ 40,362          | \$ -  | \$ 41,765        | \$ 1,403  |
| Penalty Sanctions                               | 869              | 869                | -   | 1,608            | 738   |
| <b>Total SPP RE Funding</b>                     | <b>\$ 41,232</b> | <b>\$ 41,232</b>   | <b>\$ -</b>   | <b>\$ 43,372</b> | <b>\$ 2,141</b>   |
| Membership Dues                                 | -                | -                  | -   | -                | -   |
| Federal Grants                                  | -                | -                  | -   | -                | -   |
| Services & Software                             | -                | -                  | -   | -                | -   |
| Workshops                                       | -                | -                  | -   | -                | -   |
| Interest  | -                | -                  | -   | -                | -   |
| Miscellaneous                                   | -                | -                  | -   | -                | -   |
| <b>Total Funding (A)</b>                        | <b>\$ 41,232</b> | <b>\$ 41,232</b>   | <b>\$ -</b>   | <b>\$ 43,372</b> | <b>\$ 2,141</b>   |
| <b>Expenses</b>                                 |                  |                    |   |                  |   |
| <b>Personnel Expenses</b>                       |                  |                    |   |                  |   |
| Salaries  | \$ 18,010        | \$ 18,010          | \$ -  | \$ 18,969        | \$ 959  |
| Payroll Taxes                                   | 1,378            | 1,378              | -   | 1,451            | 73  |
| Benefits  | 1,254            | 1,254              | -   | 1,107            | (147)   |
| Retirement Costs                                | 720              | 720                | -   | 759              | 38  |
| <b>Total Personnel Expenses</b>                 | <b>\$ 21,362</b> | <b>\$ 21,362</b>   | <b>\$ -</b>   | <b>\$ 22,286</b> | <b>\$ 924</b>   |
| <b>Meeting Expenses</b>                         |                  |                    |   |                  |   |
| Meetings  | \$ -             | \$ -               | \$ -  | \$ -             | \$ -  |
| Travel  | -                | -                  | -   | -                | -   |
| Conference Calls                                | -                | -                  | -   | -                | -   |
| <b>Total Meeting Expenses</b>                   | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>      | <b>\$ -</b>   |
| <b>Operating Expenses</b>                       |                  |                    |   |                  |   |
| Consultants & Contracts                         | \$ -             | \$ -               | \$ -  | \$ -             | \$ -  |
| Office Rent                                     | -                | -                  | -   | -                | -   |
| Office Costs                                    | -                | -                  | -   | -                | -   |
| Professional Services                           | -                | -                  | -   | -                | -   |
| Miscellaneous                                   | -                | -                  | -   | -                | -   |
| Depreciation                                    | -                | -                  | -   | -                | -   |
| <b>Total Operating Expenses</b>                 | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>      | <b>\$ -</b>   |
| <b>Total Direct Expenses</b>                    | <b>\$ 21,362</b> | <b>\$ 21,362</b>   | <b>\$ -</b>   | <b>\$ 22,286</b> | <b>\$ 924</b>   |
| SPP Inc. Indirect Expenses                      | \$ 13,336        | \$ 13,336          |   | \$ 13,951        | \$ 615  |
| SPP RE Indirect Expenses                        | 6,533            | 6,563              |   | 7,135            | 602   |
| <b>Total Indirect Expenses</b>                  | <b>\$ 19,869</b> | <b>\$ 19,899</b>   | <b>\$ 30</b>  | <b>\$ 21,086</b> | <b>\$ 1,217</b>   |
| <b>Other Non-Operating Expenses</b>             | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>      | <b>\$ -</b>   |
| <b>Total Expenses (B)</b>                       | <b>\$ 41,232</b> | <b>\$ 41,262</b>   | <b>\$ 30</b>  | <b>\$ 43,372</b> | <b>\$ 2,142</b>   |
| <b>Change in Assets</b>                         | <b>\$ -</b>      | <b>\$ (30)</b>     | <b>\$ (30)</b>  | <b>\$ -</b>      | <b>\$ (1)</b>   |
| <b>Fixed Assets</b>                             |                  |                    |   |                  |   |
| Depreciation                                    | -                | -                  | -   | -                | -   |
| Computer & Software CapEx                       | -                | -                  | -   | -                | -   |
| Furniture & Fixtures CapEx                      | -                | -                  | -   | -                | -   |
| Equipment CapEx                                 | -                | -                  | -   | -                | -   |
| Leasehold Improvements                          | -                | -                  | -   | -                | -   |
| Allocation of Fixed Assets                      | -                | -                  | -   | -                | -   |
| <b>Inc (Dec) in Fixed Assets (C)</b>            | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>      | <b>\$ -</b>   |
| <b>TOTAL BUDGET (=B + C)</b>                    | <b>\$ 41,232</b> | <b>\$ 41,262</b>   | <b>\$ 30</b>  | <b>\$ 43,372</b> | <b>\$ 2,142</b>   |
| <b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b> | <b>\$ -</b>      | <b>\$ (30)</b>     | <b>\$ (30)</b>  | <b>\$ -</b>      | <b>\$ (1)</b>   |
| FTEs  | 0.13             | 0.13               | -   | 0.13             | -   |

## Administrative Services

|  | Administrative Services                               |              |          |             |             |          |
|--|---|--------------|----------|-------------|-------------|----------|
|  | Direct Expense and Fixed Assets<br>(in whole dollars) |              |          | FTEs        |             |          |
|  | 2016 Budget   | 2017 Budget  | Inc(Dec) | 2016 Budget | 2017 Budget | Inc(Dec) |
| General and Administrative             | \$ 1,671,109  | \$ 1,856,983 | 185,874  | 4.50        | 4.50        | -        |
| Technical Committee and Members Forums | \$ -  | \$ -         | -        | 0.00        | -           | -        |
| Legal and Regulatory                   | \$ -  | \$ -         | -        | 0.00        | -           | -        |
| Information Technology                 | \$ -  | \$ -         | -        | 0.00        | -           | -        |
| Human Resources                        | \$ -  | \$ -         | -        | 0.00        | -           | -        |
| Finance and Accounting                 | \$ -  | \$ -         | -        | 0.00        | -           | -        |
| Total Administrative Services          | \$ 1,671,109  | \$ 1,856,983 | 185,874  | 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 II, and three to four 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 SPP Bylaws were amended in 2016 to allow up to four RE Trustees therefore an additional Trustee has been budgeted for 2017.

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 Business Analyst II is responsible for managing the CMEP software (webCDMS) and provides support to all SPP RE programs and SPP RE direct staff members.

### 2017 Key Assumptions

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

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**2017 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**

The SPP Bylaws were changed to allow for one additional Trustee. 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.

**2017 Key Assumptions**

- SPP RE liaisons to SPP working groups are projected to attend approximately 30 SPP working group meetings in 2017.

**2017 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.

**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.

### **2017 Key Assumptions**

N/A

### **2017 Goals and Key Deliverables**

N/A

### **Resource Requirements**

#### **Personnel**

N/A

#### **Contractors and Consultants**

N/A

### **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.

#### **2017 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; and
- 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.

#### **2017 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.

### 2017 Key Assumptions

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

### 2017 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.

### 2017 Key Assumptions

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

### 2017 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),

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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. 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

| <b>Statement of Activities and Capital Expenditures</b> |                       |                       |   |                       |   |
|---|-----------------------|-----------------------|---|-----------------------|---|
| <b>2016 Budget &amp; Projection, and 2017 Budget</b>    |                       |                       |   |                       |   |
| <b>ADMINISTRATIVE SERVICES</b>                          |                       |                       |   |                       |   |
|   | 2016<br>Budget        | 2016<br>Projection    | Variance<br>2016 Projection<br>v 2016 Budget<br>Over(Under) | 2017<br>Budget        | Variance<br>2017 Budget<br>v 2016 Budget<br>Over(Under) |
| <b>Funding</b>  |                       |                       |   |                       |   |
| <b>SPP RE Funding</b>                                   |                       |                       |   |                       |   |
| SPP RE Assessments                                      | \$ (1,276,068)        | \$ (1,276,068)        | \$ (0)  | \$ (1,530,708)        | \$ (254,640)  |
| Penalty Sanctions                                       | \$ -                  | \$ -                  | -   | \$ -                  | -   |
| <b>Total SPP RE Funding</b>                             | <b>\$ (1,276,068)</b> | <b>\$ (1,276,068)</b> | <b>\$ (0)</b>   | <b>\$ (1,530,708)</b> | <b>\$ (254,640)</b>                                     |
| Membership Dues   | \$ -                  | -                     | -   | \$ -                  | -   |
| Federal Grants  | \$ -                  | -                     | -   | \$ -                  | -   |
| Services & Software                                     | \$ -                  | -                     | -   | \$ -                  | -   |
| Workshops   | \$ -                  | -                     | -   | \$ -                  | -   |
| Interest  | \$ -                  | -                     | -   | \$ -                  | -   |
| Miscellaneous   | \$ -                  | -                     | -   | \$ -                  | -   |
| <b>Total Funding (A)</b>                                | <b>\$ (1,276,068)</b> | <b>\$ (1,276,068)</b> | <b>\$ (0)</b>   | <b>\$ (1,530,708)</b> | <b>\$ (254,640)</b>                                     |
| <b>Expenses</b>   |                       |                       |   |                       |   |
| <b>Personnel Expenses</b>                               |                       |                       |   |                       |   |
| Salaries  | \$ 693,898            | \$ 693,898            | \$ -  | \$ 787,145            | \$ 93,247   |
| Payroll Taxes   | 53,083                | \$ 53,083             | -   | \$ 60,217             | 7,133   |
| Benefits  | 55,176                | \$ 55,176             | -   | \$ 58,708             | 3,532   |
| Retirement Costs  | 27,756                | \$ 27,756             | -   | \$ 31,486             | 3,730   |
| <b>Total Personnel Expenses</b>                         | <b>\$ 829,913</b>     | <b>\$ 829,913</b>     | <b>\$ -</b>   | <b>\$ 937,555</b>     | <b>\$ 107,642</b>                                       |
| <b>Meeting Expenses</b>                                 |                       |                       |   |                       |   |
| Meetings  | \$ 25,000             | \$ 25,000             | \$ -  | \$ 25,000             | \$ -  |
| Travel  | 105,000               | \$ 105,000            | -   | \$ 120,000            | 15,000  |
| Conference Calls  | -                     | \$ -                  | -   | \$ -                  | -   |
| <b>Total Meeting Expenses</b>                           | <b>\$ 130,000</b>     | <b>\$ 130,000</b>     | <b>\$ -</b>   | <b>\$ 145,000</b>     | <b>\$ 15,000</b>  |
| <b>Operating Expenses</b>                               |                       |                       |   |                       |   |
| Consultants & Contracts                                 | \$ 57,000             | \$ 57,000             | \$ -  | \$ 61,100             | \$ 4,100  |
| Office Rent   | -                     | \$ -                  | -   | \$ -                  | -   |
| Office Costs  | 8,000                 | \$ 8,000              | -   | \$ 10,000             | 2,000   |
| Professional Services                                   | 146,100               | \$ 146,100            | -   | \$ 201,100            | 55,000  |
| Miscellaneous   | 20,000                | \$ 20,000             | -   | \$ -                  | (20,000)  |
| Depreciation  | -                     | \$ -                  | -   | \$ -                  | -   |
| <b>Total Operating Expenses</b>                         | <b>\$ 231,100</b>     | <b>\$ 231,100</b>     | <b>\$ -</b>   | <b>\$ 272,200</b>     | <b>\$ 41,100</b>  |
| <b>Total Direct Expenses</b>                            | <b>\$ 1,191,013</b>   | <b>\$ 1,191,013</b>   | <b>\$ -</b>   | <b>\$ 1,354,755</b>   | <b>\$ 163,742</b>                                       |
| <b>SPP Inc. Indirect Expenses</b>                       | <b>\$ 480,096</b>     | <b>\$ 480,096</b>     | <b>\$ -</b>   | <b>\$ 502,228</b>     | <b>\$ 22,132</b>  |
| <b>SPP RE Indirect Expenses</b>                         | <b>\$ (1,276,068)</b> | <b>\$ (1,671,109)</b> | <b>\$ -</b>   | <b>\$ (1,856,983)</b> | <b>\$ (580,915)</b>                                     |
| <b>Other Non-Operating Expenses</b>                     | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| <b>Total Expenses (B)</b>                               | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| <b>Change in Assets</b>                                 | <b>\$ (1,276,068)</b> | <b>\$ (1,276,068)</b> | <b>\$ (0)</b>   | <b>\$ (1,530,708)</b> | <b>\$ (254,640)</b>                                     |
| <b>Fixed Assets</b>                                     |                       |                       |   |                       |   |
| Depreciation  | \$ -                  | \$ -                  | \$ -  | \$ -                  | -   |
| Computer & Software CapEx                               | -                     | -                     | -   | -                     | -   |
| Furniture & Fixtures CapEx                              | -                     | -                     | -   | -                     | -   |
| Equipment CapEx   | -                     | -                     | -   | -                     | -   |
| Leasehold Improvements                                  | -                     | -                     | -   | -                     | -   |
| Allocation of Fixed Assets                              | -                     | -                     | -   | -                     | -   |
| <b>Inc (Dec) in Fixed Assets (C)</b>                    | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| <b>TOTAL BUDGET (=B + C)</b>                            | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| <b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>         | <b>\$ (1,662,962)</b> | <b>\$ (1,276,068)</b> | <b>\$ (0)</b>   | <b>\$ (1,530,708)</b> | <b>\$ (254,640)</b>                                     |
| FTEs  | 4.50                  | 4.50                  | -   | 4.50                  | -   |

Section B – Supplemental Financial Information  
2017 Business Plan and Budget



## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

**Working Capital Reserve Analysis 2016-2017**

**STATUTORY**

|   |                 |                    |
|---|-----------------|--------------------|
| <b>Beginning Working Capital Reserve (Deficit), December 31, 2015</b>               | \$              | 3,261,209          |
| Less Penalties Received 7/1/2015- 12/31/2015  |                 | 63,750             |
| Less: 2015 Year-End True-Up   |                 | (184,564)          |
| Reserve for Engineering Data Tool   |                 | (165,619)          |
| Plus: 2016 SPP RE Funding (from LSEs or designees)                                  |                 | 8,626,751          |
| Less: 2016 Projected expenses & capital expenditures                                |                 | (10,070,819)       |
| <b>Projected Working Capital Reserve (Deficit), December 31, 2016</b>               |                 | <b>1,530,708</b>   |
| <b>Desired Working Capital Reserve, December 31, 2015</b>                           | <sup>2</sup> \$ | -                  |
| Less: Projected Working Capital Reserve, December 31, 2016                          |                 | (1,530,708)        |
| <b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b> |                 | <b>(1,530,708)</b> |
| 2016 Expenses and Capital Expenditures  |                 | 10,865,511         |
| Less: Penalty sanctions to be used as offset to 2017 assessments                    | <sup>1</sup>    | (369,750)          |
| Less: Other Funding Sources   |                 | 0                  |
| Adjustment to achieve desired Working Capital Reserve                               |                 | (1,530,708)        |
| <b>2017 SPP RE Assessment</b>   |                 | <b>8,965,053</b>   |

<sup>1</sup> Represents collections on or prior to June 30, 2016. See Table B-2 for full disclosure.

<sup>2</sup> 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

### 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.

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**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 8 of the 2016 RE Business Plan and Budget.

**Penalty Sanctions**

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

All penalties received prior to June 30, 2016 are detailed on the following page, 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

| Name of Entity                  | Date Received | Amount Received   |
|---------------------------------|---------------|-------------------|
| Entity 1                        | 12/8/15       | \$ 63,750.00      |
| Entity 2                        | 2/19/16       | \$ 44,000.00      |
| Entity 3                        | 3/9/16        | \$ 27,000.00      |
| Entity 4                        | 3/24/16       | \$ 235,000.00     |
| <b>Total Penalties Received</b> |               | <u>\$ 369,750</u> |

## Supplemental Funding

Table B-3

| Outside Funding Breakdown By Program<br>(excluding SPP RE Assessments & Penalty Sanctions) | Budget<br>2015 | Projection<br>2015 | Budget<br>2016 | Variance<br>2016 Budget v<br>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 – 2017 Budget versus 2016 Budget

SPP RE has not projected any interest income for 2017 because at the current market interest rate any interest income would be minimal.



**Personnel Expenses****Table B-4**

| <b>Personnel Expenses</b>       | <b>Budget 2016</b>  | <b>Projection 2016</b> | <b>Budget 2017</b>  | <b>Variance 2017 Budget v 2016 Budget</b> | <b>Variance %</b> |
|---------------------------------|---------------------|------------------------|---------------------|---|-------------------|
| <b>Salaries</b>                 |                     |                        |                     |   |                   |
| Salaries                        | \$ 3,896,492        | 3,896,492              | \$ 4,385,605        | \$ 489,113                                | 12.6%             |
| Employment Agency Fees          | -                   | -                      | -                   | -   |                   |
| Temporary Office Services       | -                   | -                      | -                   | -   |                   |
| <b>Total Salaries</b>           | <b>\$ 3,896,492</b> | <b>\$ 3,896,492</b>    | <b>\$ 4,385,605</b> | <b>\$ 489,113</b>                         | <b>12.6%</b>      |
| <b>Total Payroll Taxes</b>      | <b>\$ 298,082</b>   | <b>\$ 298,082</b>      | <b>\$ 335,499</b>   | <b>\$ 37,417</b>                          | <b>12.6%</b>      |
| <b>Benefits</b>                 |                     |                        |                     |   |                   |
| Workers Compensation            | \$ -                | \$ -                   | \$ -                | \$ -                                      |                   |
| Medical Insurance               | 276,858             | 276,858                | 297,358             | 20,500                                    | 7.4%              |
| Life-LTD-LTC Insurance          | 20,014              | 20,014                 | 21,496              | 1,482                                     | 7.4%              |
| Education                       | 36,692              | 36,692                 | 39,409              | 2,717                                     | 7.4%              |
| Relocation                      | -                   | -                      | -                   | -   |                   |
| <b>Total Benefits</b>           | <b>\$ 333,564</b>   | <b>\$ 333,564</b>      | <b>\$ 358,263</b>   | <b>\$ 24,699</b>                          | <b>7.4%</b>       |
| <b>Retirement</b>               |                     |                        |                     |   |                   |
| Discretionary 401k Contribution | \$ 155,860          | \$ 155,860             | \$ 175,424          | \$ 19,565                                 | 12.6%             |
| Savings Plan                    | -                   | -                      | -                   | -   |                   |
| <b>Total Retirement</b>         | <b>\$ 155,860</b>   | <b>\$ 155,860</b>      | <b>\$ 175,424</b>   | <b>\$ 19,565</b>                          | <b>12.6%</b>      |
| <b>Total Personnel Costs</b>    | <b>\$ 4,683,997</b> | <b>\$ 4,683,997</b>    | <b>\$ 5,254,791</b> | <b>\$ 570,793</b>                         | <b>12.2%</b>      |
| <b>FTEs</b>                     | <b>32.25</b>        | <b>32.25</b>           | <b>33.25</b>        | <b>1.00</b>                               | <b>3.1%</b>       |
| <b>Cost per FTE</b>             |                     |                        |                     |   |                   |
| Salaries                        | \$ 120,821          | \$ 120,821             | \$ 131,898          | 11,076                                    | 9.2%              |
| Payroll Taxes                   | 9,243               | 9,243                  | 10,090              | 847                                       | 9.2%              |
| Benefits                        | 10,343              | 10,343                 | 10,775              | 432                                       | 4.2%              |
| Retirement                      | 4,833               | 4,833                  | 5,276               | 443                                       | 9.2%              |
| <b>Total Cost per FTE</b>       | <b>\$ 145,240</b>   | <b>\$ 145,240</b>      | <b>\$ 158,039</b>   | <b>\$ 12,799</b>                          | <b>8.8%</b>       |

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

The increase in salaries is principally due to the budgeted merit increase combined with the increase in Shared Staff FTEs. The increase in Benefits is primarily due to the increase in Shared Staff FTEs.

**Meetings, Travel and Conference Calls****Table B-5**

| <b>Meetings, Travel and Conference Calls</b>   | <b>Budget 2016</b> | <b>Projection 2016</b> | <b>Budget 2017</b> | <b>Variance 2017 Budget v 2016 Budget</b> | <b>Variance %</b> |
|--|--------------------|------------------------|--------------------|---|-------------------|
| Meetings                                       | \$ 90,000          | \$ 90,000              | \$ 120,000         | \$ 30,000                                 | 33%               |
| Travel   | 680,200            | \$ 655,200             | \$ 537,000         | (143,200)                                 | -21%              |
| Conference Calls                               | -                  | \$ -                   | \$ -               | -   |                   |
| <b>Total Meetings, Travel &amp; Conf Calls</b> | <b>\$ 770,200</b>  | <b>\$ 745,200</b>      | <b>\$ 657,000</b>  | <b>\$ (113,200)</b>                       | <b>-15%</b>       |

The decrease in travel expense is primarily due to the number of CIP audits for MRREs and the completion of CIP V5 outreach by the CIP audit team as well as a reduction in funds allocated for reimbursing travel expenses to participate in Standard Drafting Teams.

## Consultants and Contracts

Table B-6

| Consultants  | Budget<br>2016    | Projection<br>2016 | Budget<br>2017      | Variance<br>2017 Budget v<br>2016 Budget | Variance<br>% |
|--|-------------------|--------------------|---------------------|--|---------------|
| <b>Consultants</b>   |                   |                    |                     |  |               |
| Reliability Standards                                      | \$ -              | \$ -               | \$ -                | \$ -                                     |               |
| Compliance and Organization Registration and Certification | 670,042           | 670,042            | 627,610             | (42,432)                                 | -6%           |
| Reliability Readiness Evaluation and Improvement           | -                 | -                  | -                   | -  |               |
| Reliability Assessment and Performance Analysis            | 25,000            | 25,000             | 181,000             | 156,000                                  | 624%          |
| Training and Education                                     | -                 | -                  | -                   | -  |               |
| Situation Awareness and Infrastructure Security            | -                 | -                  | -                   | -  |               |
| Committee and Member Forums                                | -                 | -                  | -                   | -  |               |
| General and Administrative                                 | 57,000            | 57,000             | 60,000              | 3,000                                    | 5%            |
| Legal and Regulatory                                       | -                 | -                  | -                   | -  |               |
| Information Technology                                     | -                 | -                  | -                   | -  |               |
| Human Resources  | -                 | -                  | -                   | -  |               |
| Accounting and Finance                                     | -                 | -                  | -                   | -  |               |
| <b>Consultants Total</b>                                   | <b>\$ 752,042</b> | <b>\$ 752,042</b>  | <b>\$ 868,610</b>   | <b>\$ 116,568</b>                        | <b>16%</b>    |
| <b>Contracts</b>   |                   |                    |                     |  |               |
| Contracts  | Budget<br>2016    | Projection<br>2016 | Budget<br>2017      | Variance<br>2017 Budget v<br>2016 Budget | Variance<br>% |
| Reliability Standards                                      | \$ -              | \$ -               | \$ -                | \$ -                                     |               |
| Compliance and Organization Registration and Certification | 213,000           | 213,000            | 151,000             | (62,000)                                 | -29%          |
| 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                                 | -                 | -                  | 1,100               | 1,100                                    |               |
| Legal and Regulatory                                       | -                 | -                  | -                   | -  |               |
| Information Technology                                     | -                 | -                  | -                   | -  |               |
| Human Resources  | -                 | -                  | -                   | -  |               |
| Accounting and Finance                                     | -                 | -                  | -                   | -  |               |
| <b>Contracts Total</b>                                     | <b>\$ 213,000</b> | <b>\$ 213,000</b>  | <b>\$ 152,100</b>   | <b>\$ (60,900)</b>                       | <b>-29%</b>   |
| <b>Total Consulting and Contracts</b>                      | <b>\$ 965,042</b> | <b>\$ 965,042</b>  | <b>\$ 1,020,710</b> | <b>\$ 55,668</b>                         | <b>6%</b>     |

### Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The \$116,568 increase in consultant and contract costs is primarily due to the carry-over of the Engineering Data Validation software tool development into 2017 in the RAPA program offset by the reduction in the use of consultants in Compliance.

Table B-7

| Office Rent              | Budget<br>2015 | Projection<br>2015 | Budget<br>2016 | Variance<br>2016 Budget<br>v 2015<br>Budget | Variance<br>% |
|--------------------------|----------------|--------------------|----------------|---|---------------|
| Office Rent              | \$ -           | \$ -               | \$ -           | \$ -  | -             |
| Utilities                | -              | -                  | -              | -   | -             |
| Maintenance              | -              | -                  | -              | -   | -             |
| Security                 | -              | -                  | -              | -   | -             |
| <b>Total Office Rent</b> | <b>\$ -</b>    | <b>\$ -</b>        | <b>\$ -</b>    | <b>\$ -</b>                                 | <b>-</b>      |

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

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

Table B-8

| Office Costs                       | Budget<br>2016  | Projection<br>2016 | Budget<br>2017   | Variance<br>2017 Budget v<br>2016 Budget | Variance<br>% |
|------------------------------------|-----------------|--------------------|------------------|--|---------------|
| Telephone                          | \$ -            | \$ -               | \$ -             | \$ -                                     | -             |
| Internet                           | -               | -                  | -                | -  | -             |
| Office Supplies                    | 8,000           | 8,000              | 10,000           | 2,000                                    |               |
| Computer Supplies and Maintenance  | -               | -                  | -                | -  | -             |
| Publications & Subscriptions       | -               | -                  | -                | -  | -             |
| Dues                               | -               | -                  | -                | -  | -             |
| Postage                            | -               | -                  | -                | -  | -             |
| Express Shipping                   | -               | -                  | -                | -  | -             |
| Copying                            | -               | -                  | -                | -  | -             |
| Reports                            | -               | -                  | -                | -  | -             |
| Equipment Repair/Service Contracts | -               | -                  | -                | -  | -             |
| Bank Charges                       | -               | -                  | -                | -  | -             |
| Taxes                              | -               | -                  | -                | -  | -             |
| Merchant Card Fees                 | -               | -                  | -                | -  | -             |
| Presentation & Publicity           | -               | -                  | -                | -  | -             |
| <b>Total Office Costs</b>          | <b>\$ 8,000</b> | <b>\$ 8,000</b>    | <b>\$ 10,000</b> | <b>\$ 2,000</b>                          |               |

**Explanation of Significant Variances – 2017 Budget versus 2016 Budget**

Office Costs are included in the SPP, Inc. Indirect Expense. The \$2,000 increase is a general inflationary cost increase for supplies needed for RE workshops and RE Trustee meetings.

Table B-9

| Professional Services      | Budget<br>2016    | Projection<br>2016 | Budget<br>2017    | Variance<br>2017 Budget v<br>2016 Budget | Variance %   |
|----------------------------|-------------------|--------------------|-------------------|--|--------------|
| Independent Trustee Fees   | \$ 145,000        | \$ 145,000         | \$ 200,000        | \$ 55,000                                | 37.93%       |
| Outside Legal              | -                 | -                  | -                 | -  |              |
| Accounting & Auditing Fees | -                 | -                  | -                 | -  |              |
| Insurance Commercial       | -                 | -                  | -                 | -  |              |
| Other                      | 50,000            | 25,000             | 25,000            | (25,000)                                 | -50.00%      |
| <b>Total Services</b>      | <b>\$ 495,000</b> | <b>\$ 170,000</b>  | <b>\$ 225,000</b> | <b>\$ 30,000</b>                         | <b>6.06%</b> |

### Explanation of Significant Variances – 2017 Budget versus 2016 Budget

The \$55,000 increase in Independent Trustee Fees is principally due to the addition of one Trustee. The \$25,000 decrease in Other Professional Services is due to the reduction of budgeted Standard Drafting Team travel reimbursement cost.

Table B-10

| Other Non-Operating Expenses        | Budget<br>2016 | Projection<br>2016 | Budget<br>2017 | Variance<br>2017 Budget v<br>2016 Budget | Variance % |
|-------------------------------------|----------------|--------------------|----------------|--|------------|
|                                     | \$ -           | \$ -               |                | \$ -                                     |            |
|                                     | \$ -           | \$ -               |                | \$ -                                     |            |
|                                     | \$ -           | \$ -               |                | \$ -                                     |            |
| <b>Total Non-Operating Expenses</b> | <b>\$ -</b>    | <b>\$ -</b>        | <b>\$ -</b>    | <b>\$ -</b>                              |            |

### Explanation of Significant Variances – 2017 Budget versus 2016 Budget

N/A

## 2017, 2018 and 2019 Projections

Table B-11

| Statement of Activities and Capital Expenditures<br>2017 Budget & Projected 2018, 2019 and 2020 Budgets |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
|---|-----------------------|----------------------|----------------------|------------------------|----------------------|----------------------|------------------------|----------------------|----------------------|------------------------|
|   | 2017<br>Budget        | 2018<br>Projection   | \$ Change<br>18 v 17 | %<br>Change<br>18 v 17 | 2019<br>Projection   | \$ Change<br>19 v 18 | %<br>Change<br>19 v 18 | 2020<br>Projection   | \$ Change<br>20 v 19 | %<br>Change<br>20 v 19 |
| <b>Funding</b>  |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
| <b>ERO Funding</b>  |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
| ERO Assessments   | \$ 8,965,053          | \$ 11,191,476        | \$ 2,226,423         | 24.83%                 | \$ 11,527,221        | \$ 335,744           | 2.9%                   | \$ 11,873,037        | \$ 345,817           | 2.9%                   |
| Penalty Sanctions   | 369,750               | -                    | (369,750)            | -100.00%               | -                    | -                    | -                      | -                    | -                    | -                      |
| <b>Total ERO Funding</b>  | <b>\$ 9,334,803</b>   | <b>\$ 11,191,476</b> | <b>\$ 1,856,673</b>  | <b>19.9%</b>           | <b>\$ 11,527,221</b> | <b>\$ 335,744</b>    | <b>2.9%</b>            | <b>\$ 11,873,037</b> | <b>\$ 345,817</b>    | <b>2.9%</b>            |
| Membership Dues   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Testing Fees  | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Services & Software   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Workshops   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Interest  | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Miscellaneous   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| <b>Total Funding</b>  | <b>\$ 9,334,803</b>   | <b>\$ 11,191,476</b> | <b>\$ 1,856,673</b>  | <b>19.9%</b>           | <b>\$ 11,527,221</b> | <b>\$ 335,744</b>    | <b>3.0%</b>            | <b>\$ 11,873,037</b> | <b>\$ 345,817</b>    | <b>3.0%</b>            |
| <b>Expenses</b>   |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
| <b>Personnel Expenses</b>   |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
| Salaries  | \$ 4,385,605          | \$ 4,517,173         | \$ 131,568           | 3.0%                   | \$ 4,652,688         | \$ 135,515           | 3.0%                   | \$ 4,792,269         | \$ 139,581           | 3.0%                   |
| Payroll Taxes   | 335,499               | 345,564              | 10,065               | 3.0%                   | 355,931              | 10,367               | 3.0%                   | 366,609              | 10,678               | 3.0%                   |
| Benefits  | 358,263               | 369,011              | 10,748               | 3.0%                   | 380,081              | 11,070               | 3.0%                   | 391,484              | 11,402               | 3.0%                   |
| Retirement Costs  | 175,424               | 180,687              | 5,263                | 3.0%                   | 186,108              | 5,421                | 3.0%                   | 191,691              | 5,583                | 3.0%                   |
| <b>Total Personnel Expenses</b>   | <b>\$ 5,254,791</b>   | <b>\$ 5,412,435</b>  | <b>\$ 157,644</b>    | <b>3.0%</b>            | <b>\$ 5,574,808</b>  | <b>\$ 162,373</b>    | <b>3.0%</b>            | <b>\$ 5,742,052</b>  | <b>\$ 167,244</b>    | <b>3.0%</b>            |
| <b>Meeting Expenses</b>   |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
| Meetings  | \$ 120,000            | \$ 123,600           | \$ 3,600             | 3.0%                   | \$ 127,308           | \$ 3,708             | 3.0%                   | \$ 131,127           | \$ 3,819             | 3.0%                   |
| Travel  | 537,000               | 553,110              | 16,110               | 3.0%                   | 569,703              | 16,593               | 3.0%                   | 586,794              | 17,091               | 3.0%                   |
| Conference Calls  | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| <b>Total Meeting Expenses</b>   | <b>\$ 657,000</b>     | <b>\$ 676,710</b>    | <b>\$ 19,710</b>     | <b>3.0%</b>            | <b>\$ 697,011</b>    | <b>\$ 20,301</b>     | <b>3.0%</b>            | <b>\$ 717,922</b>    | <b>\$ 20,910</b>     | <b>3.0%</b>            |
| <b>Operating Expenses</b>   |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
| Consultants & Contracts   | \$ 1,020,710          | \$ 1,051,331         | \$ 30,621            | 3.0%                   | \$ 1,082,871         | \$ 31,540            | 3.0%                   | \$ 1,115,357         | \$ 32,486            | 3.0%                   |
| Office Rent   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Office Costs  | 10,000                | 10,300               | 300                  | 3.0%                   | 10,609               | 309                  | 3.0%                   | 10,927               | 318                  | 3.0%                   |
| Professional Services   | 212,100               | 218,463              | 6,363                | 3.0%                   | 225,017              | 6,554                | 3.0%                   | 231,767              | 6,751                | 3.0%                   |
| Miscellaneous   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Depreciation  | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| <b>Total Operating Expenses</b>   | <b>\$ 1,242,810</b>   | <b>\$ 1,280,094</b>  | <b>\$ 37,284</b>     | <b>3.0%</b>            | <b>\$ 1,318,497</b>  | <b>\$ 38,403</b>     | <b>3.0%</b>            | <b>\$ 1,358,052</b>  | <b>\$ 39,555</b>     | <b>3.0%</b>            |
| <b>Total Direct Expenses</b>  | <b>\$ 7,154,601</b>   | <b>\$ 7,369,239</b>  | <b>\$ 214,638</b>    | <b>3.0%</b>            | <b>\$ 7,590,316</b>  | <b>\$ 221,077</b>    | <b>3.0%</b>            | <b>\$ 7,818,026</b>  | <b>\$ 227,709</b>    | <b>3.0%</b>            |
| <b>Indirect Expenses</b>  | <b>\$ 3,710,910</b>   | <b>\$ 3,822,237</b>  | <b>\$ 111,327</b>    | <b>3.0%</b>            | <b>\$ 3,936,904</b>  | <b>\$ 114,667</b>    | <b>3.0%</b>            | <b>\$ 4,055,012</b>  | <b>\$ 118,107</b>    | <b>3.0%</b>            |
| <b>Other Non-Operating Expenses</b>   | <b>\$ -</b>           | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               |
| <b>Total Expenses</b>   | <b>\$ 10,865,511</b>  | <b>\$ 11,191,476</b> | <b>\$ 325,965</b>    | <b>3.0%</b>            | <b>\$ 11,527,221</b> | <b>\$ 335,744</b>    | <b>3.0%</b>            | <b>\$ 11,873,037</b> | <b>\$ 345,817</b>    | <b>3.0%</b>            |
| <b>Change in Assets</b>   | <b>\$ (1,530,708)</b> | <b>\$ -</b>          | <b>\$ 1,530,708</b>  | <b>-100.0%</b>         | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               |
| <b>Fixed Assets</b>   |                       |                      |                      |                        |                      |                      |                        |                      |                      |                        |
| Depreciation  | \$ -                  | \$ -                 | \$ -                 | -                      | \$ -                 | \$ -                 | -                      | \$ -                 | \$ -                 | -                      |
| Computer & Software CapEx   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Furniture & Fixtures CapEx  | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Equipment CapEx   | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| Leasehold Improvements  | -                     | -                    | -                    | -                      | -                    | -                    | -                      | -                    | -                    | -                      |
| <b>(Incr)Dec in Fixed Assets</b>  | <b>\$ -</b>           | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               | <b>\$ -</b>          | <b>\$ -</b>          | <b>-</b>               |
| <b>TOTAL CHANGE IN NET ASSETS</b>   | <b>\$ (1,530,708)</b> | <b>\$ -</b>          | <b>\$ 1,530,708</b>  | <b>-100.0%</b>         | <b>\$ -</b>          | <b>\$ -</b>          | <b>0.0%</b>            | <b>\$ -</b>          | <b>\$ -</b>          | <b>0.0%</b>            |
| <b>FTEs</b>   | 33.25                 | 33.25                | 0.00                 | 0.0%                   | 33.25                | 0.00                 | 0.0%                   | 33.25                | 0.00                 | 0.0%                   |

## Explanation of 2018, 2019 and 2020 Projections

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

- 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

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# Section C – Non-Statutory Activities

## 2017 Business Plan and Budget

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## Section C — 2016 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.<sup>6</sup>

### **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 2017 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 2017 SPP budget is not yet available, SPP is providing its Commission-approved 2016 budget and its 2015 actual results on the following table:

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<sup>6</sup> 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>2016 Budget</u>       | <u>2015 Actual</u>       |
|------------------------------------|--------------------------|--------------------------|
| <b>Income</b>                      |                          |                          |
| Tariff Administrative Service      | 150,660                  | 143,826                  |
| Fees & Assessments                 | 27,520                   | 27,891                   |
| Contract Services Revenue          | 498                      | 975                      |
| Miscellaneous Income               | 3,400                    | 6,040                    |
| <b>Total Income</b>                | <u>182,079</u>           | <u>178,733</u>           |
| <b>Expense</b>                     |                          |                          |
| Salary & Benefits                  | 85,153                   | 84,043                   |
| Employee Travel                    | 2,449                    | 1,903                    |
| Administrative                     | 5,198                    | 4,928                    |
| Assessments & Fees                 | 17,000                   | 13,939                   |
| Meetings                           | 983                      | 825                      |
| Communications                     | 4,091                    | 3,758                    |
| Leases                             | -                        | 123                      |
| Maintenance                        | 16,847                   | 13,553                   |
| Services                           | 14,803                   | 12,329                   |
| Regional State Committee           | 263                      | 200                      |
| Depreciation & Amortization        | 59,736                   | 59,285                   |
| Other Expense (Income)             | 10,569                   | 26,317                   |
| <b>Total Expense</b>               | <u>217,092</u>           | <u>221,203</u>           |
| <b>Net Income (Loss)</b>           | <u><u>(\$35,013)</u></u> | <u><u>(\$42,470)</u></u> |
| <b>Debt Repayment</b>              | <b>\$24,194</b>          | <b>\$24,887</b>          |
| <b>Billing Determinant (MWh)</b>   | <b>407,200</b>           | <b>373,649</b>           |
| <b>Net Revenue Requirement</b>     | <b>\$150,495</b>         | <b>\$142,587</b>         |
| <b>Calculated Admin Fee / MWh</b>  | <b>\$ 0.370</b>          | <b>\$ 0.382</b>          |
| <b>Recommended Admin Fee / MWh</b> | <b>\$ 0.370</b>          | <b>\$ 0.390</b>          |
| <b>Capital Expense</b>             | <b>\$22,279</b>          | <b>\$19,143</b>          |
| <b>Headcount</b>                   | <b>599</b>               | <b>596</b>               |

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Section D – Additional Consolidated Financial  
Statements  
2017 Business Plan and Budget

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

Section D 2017 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

| Statement of Activities and Capital Expenditures by Program 2017 Budget | Functions in Delegation Agreement |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        | Non-Statutory Functions |                     |
|---|-----------------------------------|--------------------|---------------------|--------------------|-------------------------------------|--|---|--------------------------------------|--|-----------------------------|----------------------------|----------------------|------------------------|-----------------|------------------------|-------------------------|---------------------|
|   | Total                             | Statutory Total    | Non-Statutory Total | Statutory Total    | Reliability Standards (Section 306) | Compliance and Organization Registration and Certification (Section 400 & 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 |
| <b>Funding</b>  |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| <b>SPP RE Funding</b>   |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| SPP RE Assessments  | 8,965,053                         | 8,965,053          | -                   | 8,965,053          | 74,769                              | 7,846,675  | 2,453,341   | 79,211                               | 41,765   | -                           | (1,530,708)                | -                    | -                      | -               | -                      | -                       | -                   |
| Penalty Sanctions   | 369,750                           | 369,750            | -                   | 369,750            | 1,608                               | 279,724  | 86,811  | -                                    | 1,608  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| <b>Total SPP RE Funding</b>   | <b>9,334,803</b>                  | <b>9,334,803</b>   | <b>-</b>            | <b>9,334,803</b>   | <b>76,377</b>                       | <b>8,126,399</b>   | <b>2,540,152</b>  | <b>79,211</b>                        | <b>43,372</b>  | <b>-</b>                    | <b>(1,530,708)</b>         | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| Non-Statutory Funding   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Federal Grants  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Services & Software   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Workshops   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Interest  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Miscellaneous   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| <b>Total Funding</b>  | <b>9,334,803</b>                  | <b>9,334,803</b>   | <b>-</b>            | <b>9,334,803</b>   | <b>76,377</b>                       | <b>8,126,399</b>   | <b>2,540,152</b>  | <b>79,211</b>                        | <b>43,372</b>  | <b>-</b>                    | <b>(1,530,708)</b>         | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Expenses</b>   |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| <b>Personnel Expenses</b>   |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| Salaries  | 4,385,605                         | 4,385,605          | -                   | 4,385,605          | 18,969                              | 2,665,150  | 895,372   | -                                    | 18,969   | -                           | 787,145                    | -                    | -                      | -               | -                      | -                       | -                   |
| Payroll Taxes   | 335,499                           | 335,499            | -                   | 335,499            | 1,451                               | 203,884  | 68,496  | -                                    | 1,451  | -                           | 60,217                     | -                    | -                      | -               | -                      | -                       | -                   |
| Benefits  | 358,263                           | 358,263            | -                   | 358,263            | 1,107                               | 234,563  | 62,778  | -                                    | 1,107  | -                           | 58,708                     | -                    | -                      | -               | -                      | -                       | -                   |
| Retirement Costs  | 175,424                           | 175,424            | -                   | 175,424            | 759                                 | 106,606  | 35,815  | -                                    | 759  | -                           | 31,486                     | -                    | -                      | -               | -                      | -                       | -                   |
| <b>Total Personnel Expenses</b>   | <b>5,254,791</b>                  | <b>5,254,791</b>   | <b>-</b>            | <b>5,254,791</b>   | <b>22,286</b>                       | <b>3,210,203</b>   | <b>1,062,461</b>  | <b>-</b>                             | <b>22,286</b>  | <b>-</b>                    | <b>937,555</b>             | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Meeting Expenses</b>   |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| Meetings  | 120,000                           | 120,000            | -                   | 120,000            | -                                   | 35,000   | -   | 60,000                               | -  | -                           | 25,000                     | -                    | -                      | -               | -                      | -                       | -                   |
| Travel  | 537,000                           | 537,000            | -                   | 537,000            | 25,000                              | 282,000  | 110,000   | -                                    | -  | -                           | 120,000                    | -                    | -                      | -               | -                      | -                       | -                   |
| Conference Calls  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| <b>Total Meeting Expenses</b>   | <b>657,000</b>                    | <b>657,000</b>     | <b>-</b>            | <b>657,000</b>     | <b>25,000</b>                       | <b>317,000</b>   | <b>110,000</b>  | <b>60,000</b>                        | <b>-</b>   | <b>-</b>                    | <b>145,000</b>             | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Operating Expenses</b>   |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| Consultants & Contracts   | 1,020,710                         | 1,020,710          | -                   | 1,020,710          | -                                   | 778,610  | 181,000   | -                                    | -  | -                           | 61,100                     | -                    | -                      | -               | -                      | -                       | -                   |
| Office Rent   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Office Costs  | 10,000                            | 10,000             | -                   | 10,000             | -                                   | -  | -   | -                                    | -  | -                           | 10,000                     | -                    | -                      | -               | -                      | -                       | -                   |
| Professional Services   | 212,100                           | 212,100            | -                   | 212,100            | -                                   | 11,000   | -   | -                                    | -  | -                           | 201,100                    | -                    | -                      | -               | -                      | -                       | -                   |
| Miscellaneous   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Depreciation  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| <b>Total Operating Expenses</b>   | <b>1,242,810</b>                  | <b>1,242,810</b>   | <b>-</b>            | <b>1,242,810</b>   | <b>-</b>                            | <b>789,610</b>   | <b>181,000</b>  | <b>-</b>                             | <b>-</b>   | <b>-</b>                    | <b>272,200</b>             | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Total Direct Expenses</b>  | <b>7,154,601</b>                  | <b>7,154,601</b>   | <b>-</b>            | <b>7,154,601</b>   | <b>47,286</b>                       | <b>4,316,813</b>   | <b>1,353,461</b>  | <b>60,000</b>                        | <b>22,286</b>  | <b>-</b>                    | <b>1,354,755</b>           | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>SPP Inc. Indirect Expenses</b>                                       | <b>3,710,910</b>                  | <b>3,710,910</b>   | <b>-</b>            | <b>3,710,910</b>   | <b>13,951</b>                       | <b>2,427,437</b>   | <b>753,343</b>  | <b>-</b>                             | <b>13,951</b>  | <b>-</b>                    | <b>502,228</b>             | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>SPP RE Indirect Expenses</b>   | <b>(0)</b>                        | <b>(0)</b>         | <b>-</b>            | <b>(0)</b>         | <b>15,140</b>                       | <b>1,382,149</b>   | <b>433,348</b>  | <b>19,211</b>                        | <b>7,135</b>   | <b>-</b>                    | <b>(1,856,983)</b>         | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Total Indirect Expenses</b>  | <b>3,710,910</b>                  | <b>3,710,910</b>   | <b>-</b>            | <b>3,710,910</b>   | <b>29,091</b>                       | <b>3,809,586</b>   | <b>1,186,691</b>  | <b>19,211</b>                        | <b>21,086</b>  | <b>-</b>                    | <b>(1,354,755)</b>         | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Other Non-Operating Expenses</b>                                     | <b>-</b>                          | <b>-</b>           | <b>-</b>            | <b>-</b>           | <b>-</b>                            | <b>-</b>   | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>-</b>                    | <b>-</b>                   | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Total Expenses</b>   | <b>10,865,511</b>                 | <b>10,865,511</b>  | <b>-</b>            | <b>10,865,511</b>  | <b>76,377</b>                       | <b>8,126,399</b>   | <b>2,540,152</b>  | <b>79,211</b>                        | <b>43,372</b>  | <b>-</b>                    | <b>(1,530,708)</b>         | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Change in Assets</b>   | <b>(1,530,708)</b>                | <b>(1,530,708)</b> | <b>-</b>            | <b>(1,530,708)</b> | <b>-</b>                            | <b>-</b>   | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>-</b>                    | <b>(1,530,708)</b>         | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Fixed Assets</b>   |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| Depreciation  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Computer & Software CapEx   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Furniture & Fixtures CapEx  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Equipment CapEx   | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| Leasehold Improvements  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| <b>(Inc)/Dec in Fixed Assets</b>  | <b>-</b>                          | <b>-</b>           | <b>-</b>            | <b>-</b>           | <b>-</b>                            | <b>-</b>   | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>-</b>                    | <b>-</b>                   | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| Allocation of Fixed Assets  | -                                 | -                  | -                   | -                  | -                                   | -  | -   | -                                    | -  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| <b>Change in Fixed Assets</b>   | <b>-</b>                          | <b>-</b>           | <b>-</b>            | <b>-</b>           | <b>-</b>                            | <b>-</b>   | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>-</b>                    | <b>-</b>                   | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>TOTAL CHANGE IN NET ASSETS</b>                                       | <b>(1,530,708)</b>                | <b>(1,530,708)</b> | <b>-</b>            | <b>(1,530,708)</b> | <b>-</b>                            | <b>-</b>   | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>-</b>                    | <b>(1,530,708)</b>         | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>FTEs</b>   | <b>33.25</b>                      | <b>33.3</b>        | <b>-</b>            | <b>33.25</b>       | <b>0.13</b>                         | <b>21.75</b>   | <b>6.75</b>   | <b>-</b>                             | <b>0.13</b>  | <b>-</b>                    | <b>4.50</b>                | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| Percentage of FTEs  |                                   |                    |                     |                    | 100%                                | 65.4%  | 20.3%   | 0.0%                                 | 0.4%   | 0.0%                        | 13.5%                      | 0.0%                 | 0.0%                   | 0.0%            | 0.0%                   | 0.0%                    | 0.0%                |
| Percentage of Functional Program FTEs                                   |                                   |                    |                     |                    | 100%                                | 75.7%  | 23.5%   | 0.0%                                 | 0.4%   | 0.0%                        | 0.0%                       | 0.0%                 | 0.0%                   | 0.0%            | 0.0%                   | 0.0%                    | 0.0%                |
| Percentage of Functional Program Direct Expenses                        |                                   |                    |                     |                    | 100%                                | 8.8%   | 74.4%   | 23.3%                                | 1.0%   | 0.4%                        | 0.0%                       | 0.0%                 | 0.0%                   | 0.0%            | 0.0%                   | 0.0%                    | 0.0%                |
| <b>Indirect Cost Allocation</b>   |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| SPP Inc. Indirect Costs   | 3,710,910                         | 3,710,910          | -                   | 3,710,910          | 13,951                              | 2,427,437  | 753,343   | -                                    | 13,951   | -                           | 502,228                    | -                    | -                      | -               | -                      | -                       | -                   |
| SPP RE Indirect Costs   | 1,856,983                         | 1,856,983          | -                   | 1,856,983          | 15,140                              | 1,382,149  | 433,348   | 19,211                               | 7,135  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |
| <b>Total Indirect Costs</b>   | <b>5,567,893</b>                  | <b>5,567,893</b>   | <b>-</b>            | <b>5,567,893</b>   | <b>29,091</b>                       | <b>3,809,586</b>   | <b>1,186,691</b>  | <b>19,211</b>                        | <b>21,086</b>  | <b>-</b>                    | <b>502,228</b>             | <b>-</b>             | <b>-</b>               | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>            |
| <b>Fixed Assets Allocation</b>  |                                   |                    |                     |                    |                                     |  |   |                                      |  |                             |                            |                      |                        |                 |                        |                         |                     |
| Penalty Sanctions Allocation  | 369,750                           | 369,750            | -                   | 369,750            | 1,608                               | 279,724  | 86,811  | -                                    | 1,608  | -                           | -                          | -                    | -                      | -               | -                      | -                       | -                   |

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# Section E – Calculation of SPP, Inc. Indirect Expense 2017 Business Plan and Budget

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## Section E

### CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE<sup>1</sup>

| <u>Expense Category<sup>2</sup></u> | <u>Overhead Costs Allocation (\$000)</u> |
|-------------------------------------|--|
| Facilities                          | \$ 446                                   |
| Information Technology              | 595                                      |
| Human Resources/Benefits/Payroll    | 310                                      |
| Corporate Services                  | 1,169                                    |
| 2016 Total Costs                    | <u>2,520</u>                             |
| <b>Escalated by 3%</b>              | <b>\$ 2,596</b>                          |

### Shared Staff Overhead Allocation

|  |                       |
|--|-----------------------|
| 2016 Overhead Allocation Escalated by 3% | 850 A                 |
| Ending 2015 FTEs                         | 4 B                   |
| 2017 Budgeted FTEs                       | 5.25 C                |
| <b>2016 Total Cost</b>                   | <b><u>1,115 D</u></b> |

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

|   |                     |
|---|---------------------|
| <b>Budgeted SPP Inc. Indirect Costs</b> | <b>\$ 3,710,910</b> |
|---|---------------------|

<sup>1</sup>Due to the timing of the budget process/schedule, the fixed estimated indirect expense charge for 2017 is based on 2015 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2017 overhead expenses will be included in the annual 2017 Business Plan and Budget true-up filing.

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

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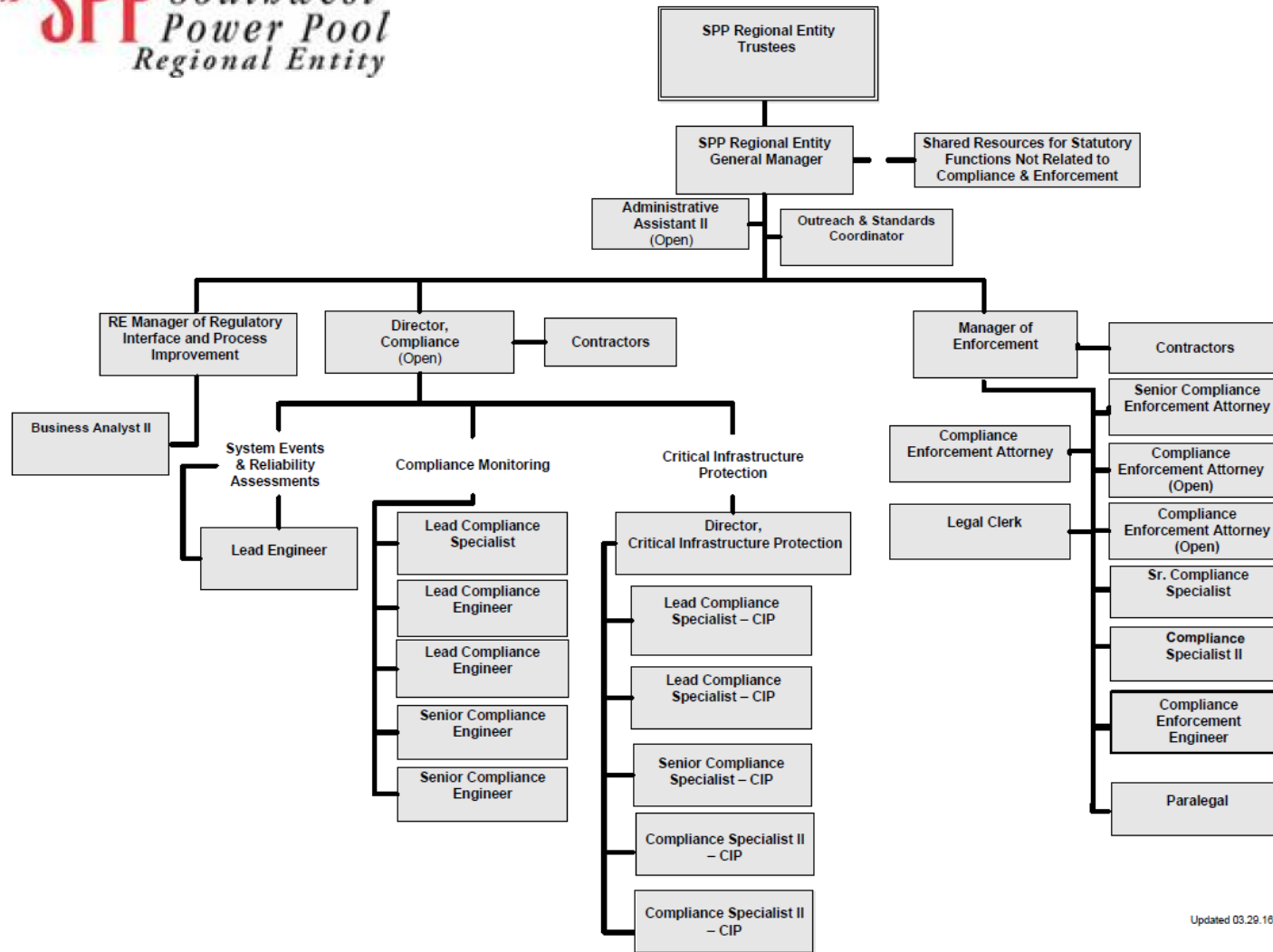
## Section F– Organizational Chart 2017 Business Plan and Budget

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### Organizational Chart - 2016

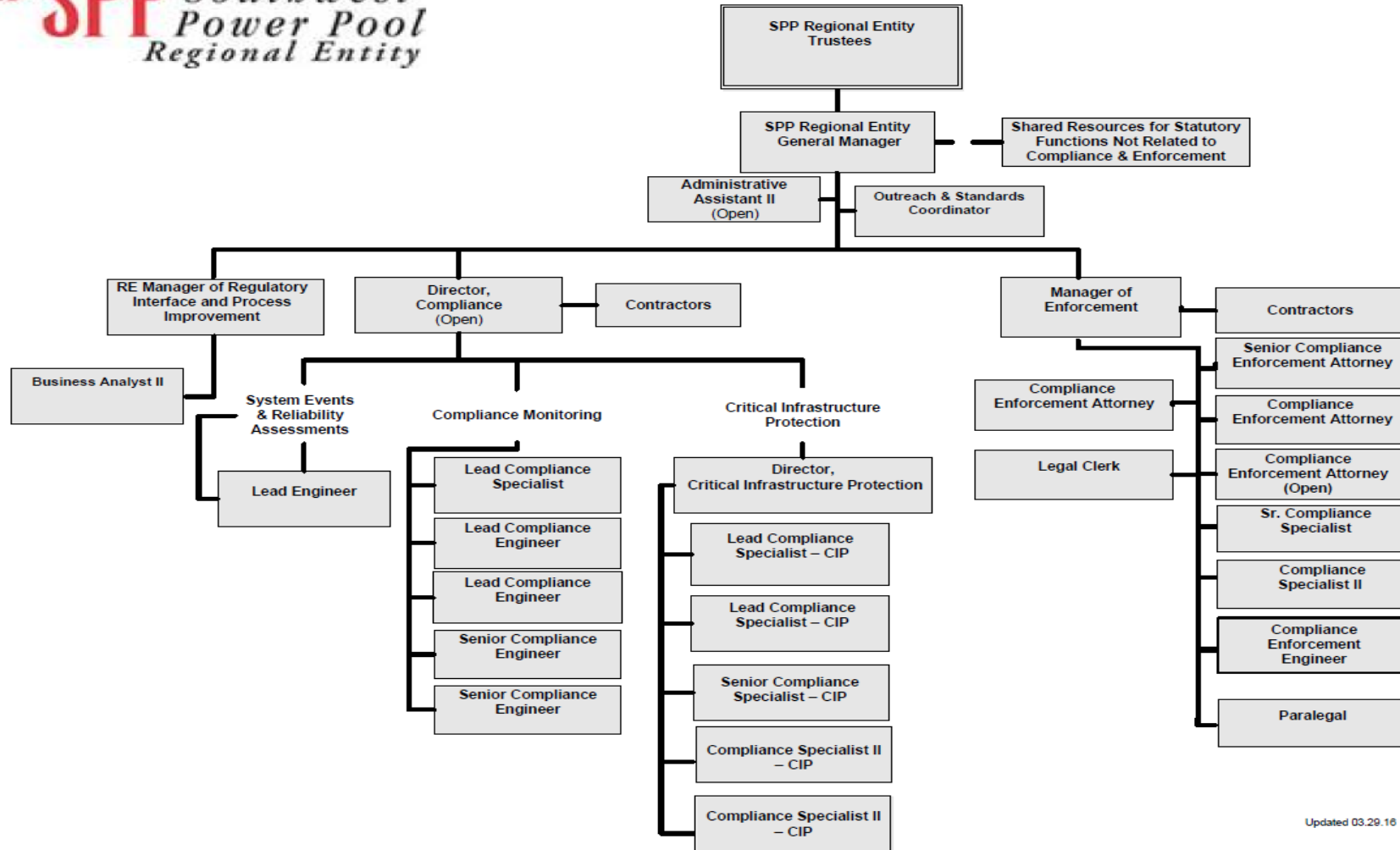


Updated 03.29.16





### Organizational Chart - 2017 Proposed



Updated 03.29.16