

2018 Business Plan and Budget Southwest Power Pool Regional Entity

Approved by SPP Regional Entity Trustees

June xx, 2017

Table of Contents

Introduction	3
Section A - 2018 Business Plan	10
Reliability Standards Program.....	11
Compliance Monitoring and Enforcement and Organization Registration and Certification Program	14
Reliability Assessment and Performance Analysis Program	19
Training, Education, and Operator Certification Program	23
Situation Awareness and Infrastructure Security Program	26
Administrative Services.....	30
Section B - Supplemental Financial Information	36
Reserve Balance	37
Breakdown by Statement of Activity Sections.....	38
Section C - 2018 Non-Statutory Business Plan and Budget	48
Section D	52
Section E	54
Section F	56

Introduction

(in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	32.30			
Non-statutory FTEs	-			
Total FTEs	32.30			
Statutory Expenses	\$ 10,793,195			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 10,793,195			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (775,930)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (775,930)			
Total Statutory Funding Requirement	\$ 10,017,265			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 10,017,265			
Statutory Funding Assessments	\$ 10,017,265	\$ 10,017,265		
Non-Statutory Fees	\$ -	\$ -		
NEL	227,488,700	227,488,700		
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 2016.¹ As a NERC Regional Entity,

¹ 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

SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 120 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,² 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 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

2018 Key Assumptions

The key assumptions underlying the SPP RE 2018 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2018 BP&B. The assumptions that are of particular importance to the SPP RE's 2018 BP&B include the expectation that:

² 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.
9. SPP RE will participate on teams to help develop application business requirements and test business functionality for ERO Enterprise application projects.

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

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

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

Goals and Key Deliverables

As part of the implementation of the Electric Reliability Organization Strategic Goals through 2019 (ERO Strategic Plan)³, NERC and the Regional Entities developed a set of Common Assumptions⁴ 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.

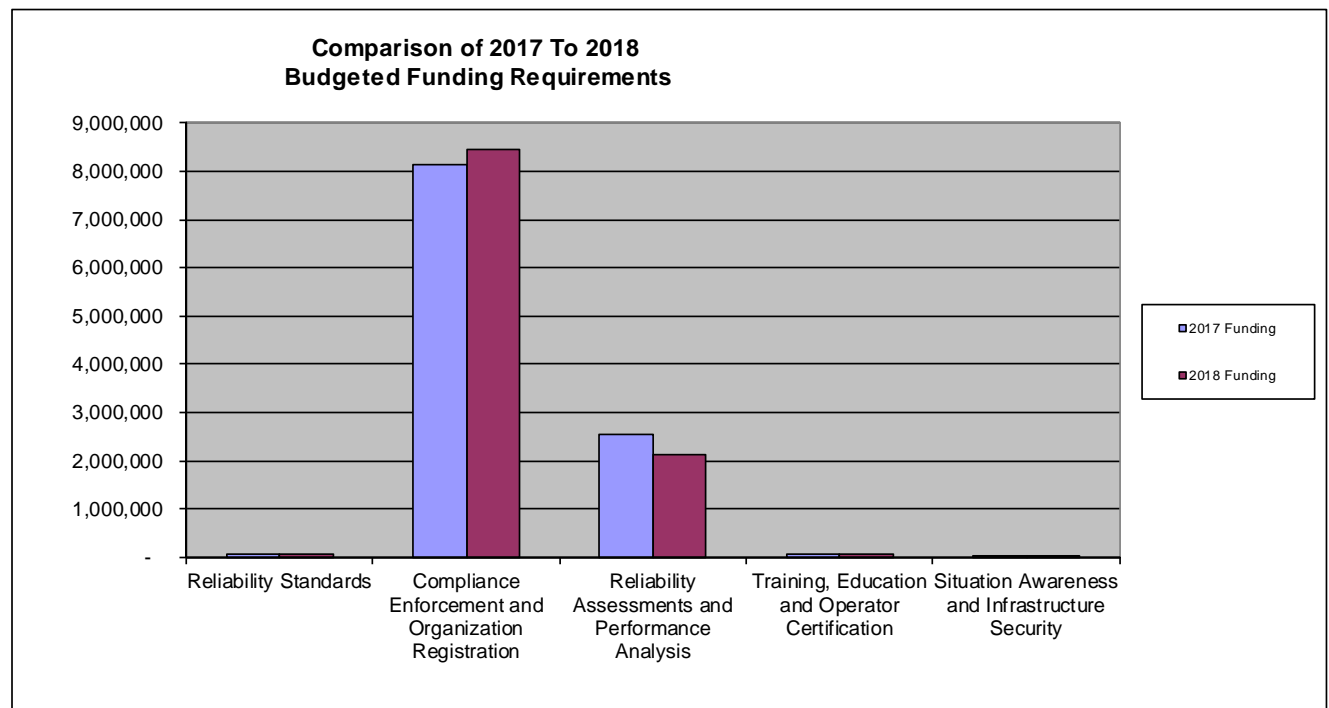
³ <http://www.nerc.com/gov/Annual%20Reports/ERO%20Enterprise%20Strategic%20Plan%202016-2019.pdf>

⁴ See NERC 2018 Business Plan and Budget, Exhibit A.

2018 Overview of Cost Impacts

The \$10.8 million operating budget reflects an approximate \$72 thousand decrease or -0.7%. Funding assessments increased by \$635 thousand or 7.0%, from \$9.09 million to \$9.73million. A summary of the funding by program area is shown in the chart below.

Program	Budget 2017	Projection 2017	Budget 2018	Change 2018 Budget v 2017 Budget	% Change
Reliability Standards	76,377	76,377	79,523	3,146	4.1%
Compliance Enforcement and Registration	8,126,399	8,126,399	8,466,710	340,312	4.2%
Reliability Assess and Perf Analysis	2,540,152	2,540,152	2,121,135	(419,017)	-16.5%
Training and Education	79,211	79,211	79,379	168	0.2%
Situation Awareness	43,372	43,372	46,448	3,076	7.1%
	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%



As shown in the chart that follows, there is a net decrease of 0.95 in budgeted Full Time Equivalents (FTE). The decrease in Shared Staff will better align the 2018 manpower requirements with historic usage while accommodating the RAPA reliability assessment and special study requirements requested by NERC.

Total FTEs by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs ¹ 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.13	0.13	0.13	0.00	0.13	0.00
Compliance and Organization Registration and Certification	21.75	21.75	21.75	0.00	21.75	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	6.75	6.75	1.50	4.30	5.80	-0.95
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.75	28.75	23.50	4.30	27.80	-0.95
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	33.25	33.25	28.00	4.30	32.30	-0.95

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

Compared to the 2017 budget, the net decrease in direct expenses and the net decrease in the SPP, Inc. indirect expenses are approximately \$7 thousand and \$65 thousand, respectively. The decrease in direct expenses is principally due to a reduction in the Engineering shared staff FTEs in the RAPA program area and the completion of the Engineering Data Tool IT project. The decrease in SPP, Inc. indirect expenses is due to the reduction in Shared Staff FTEs.⁵ 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.

⁵ A table showing the derivation of the Indirect Expense is presented in Section E.

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Funding	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ 9,092,553	\$ 9,092,553	\$ -	\$ 9,727,265	\$ 634,712
Penalty Sanctions	\$ 369,750	369,750	-	290,000	(79,750)
Total SPP RE Funding	\$ 9,462,303	\$ 9,462,303	\$ -	\$ 10,017,265	\$ 554,962
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,462,303	\$ 9,462,303	\$ -	\$ 10,017,265	\$ 554,962
Expenses					
Personnel Expenses					
Salaries	\$ 4,385,605	\$ 4,385,605	\$ -	\$ 4,412,561	\$ 26,956
Payroll Taxes	\$ 335,499	335,499	-	337,561	2,062
Benefits	\$ 358,263	358,263	-	342,305	(15,958)
Retirement Costs	\$ 175,424	175,424	-	176,502	1,078
Total Personnel Expenses	\$ 5,254,791	\$ 5,254,791	\$ -	\$ 5,268,929	\$ 14,138
Meeting Expenses					
Meetings	\$ 120,000	\$ 120,000	\$ -	\$ 107,000	\$ (13,000)
Travel	\$ 537,000	537,000	-	451,500	(85,500)
Conference Calls	\$ -	-	-	-	-
Total Meeting Expenses	\$ 657,000	\$ 657,000	\$ -	\$ 558,500	\$ (98,500)
Operating Expenses					
Consultants & Contracts	\$ 1,020,710	\$ 1,020,710	\$ -	\$ 1,073,100	\$ 52,390
Office Rent	\$ -	-	-	-	-
Office Costs	\$ 10,000	10,000	-	10,000	-
Professional Services	\$ 212,100	212,100	-	236,988	24,888
Miscellaneous	\$ -	-	-	-	-
Depreciation	\$ -	-	-	-	-
Total Operating Expenses	\$ 1,242,810	\$ 1,242,810	\$ -	\$ 1,320,088	\$ 77,278
Total Direct Expenses	\$ 7,154,601	\$ 7,154,601	\$ -	\$ 7,147,517	\$ (7,084)
SPP Inc. Indirect Expenses	\$ 3,710,910	3,710,910	\$ -	\$ 3,645,678	\$ (65,232)
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 3,710,910	\$ 3,710,910	\$ -	\$ 3,645,678	\$ (65,232)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,865,511	\$ 10,865,511	\$ -	\$ 10,793,195	\$ (72,316)
Change in Assets	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 10,865,511	\$ 10,865,511	\$ -	\$ 10,793,195	\$ (72,316)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277

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

Section A – Statutory Programs
2018 Business Plan and Budget



Section A — 2018 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.125	0.125	-
Direct Expenses	\$ 47,286	\$ 49,444	\$ 2,158
Indirect Expenses- SPP Inc.	\$ 13,951	\$ 14,109	\$ 158
Indirect Expenses- SPP RE	\$ 15,140	\$ 15,970	\$ 830
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 76,377	\$ 79,523	\$ 3,146

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.

2018 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.

2018 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 no change to the resource requirements for this program area.

Reliability Standards Program

Statement of Activities and Capital Expenditures					
2017 Budget & Projection, and 2018 Budget					
Reliability Standards					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 74,769	\$ 74,769	\$ -	\$ 78,219	\$ 3,450
Penalty Sanctions	1,608	1,608	-	1,304	(304)
Total SPP RE Funding	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Expenses					
Personnel Expenses					
Salaries	\$ 18,969	\$ 18,969	\$ -	\$ 20,902	\$ 1,933
Payroll Taxes	1,451	1,451	-	1,599	148
Benefits	1,107	1,107	-	1,107	-
Retirement Costs	759	759	-	836	77
Total Personnel Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	25,000	25,000	-	25,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 47,286	\$ 47,286	\$ -	\$ 49,444	\$ 2,158
SPP Inc. Indirect Expenses	\$ 13,951	\$ 13,951	\$ -	\$ 14,109	\$ 158
SPP RE Indirect Expenses	15,140	15,140	-	15,970	830
Total Indirect Expenses	\$ 29,091	\$ 29,091	\$ -	\$ 30,079	\$ 988
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 1
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 1
FTEs	0.13	0.13	0.00	0.13	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	21.75	21.75	-
Direct Expenses	\$ 4,316,813	\$ 4,544,126	\$ 227,313
Indirect Expenses- SPP Inc.	\$ 2,427,437	\$ 2,454,906	\$ 27,469
Indirect Expenses- SPP RE	\$ 1,382,149	\$ 1,467,679	\$ 85,530
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 8,126,399	\$ 8,466,710	\$ 340,312

Program Scope and Functional Description

The Compliance Monitoring and Enforcement (CMEP) and Organization Registration and Certification programs are required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. There are approximately 120 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 RE, SPP RE has included \$75,000 in its budget to compensate SERC for performing the 2018 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) 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, self-reports and self-logging 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 \$745,000 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 \$100,000 in its budget for enforcement consulting costs.

2018 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 2017 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

2018 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;
- Conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations;
- Coordinated oversight of Multi-Region Registered Entities (MRREs);
- Perform 6 to 8 on-site FERC Order 693 compliance audits;
- Perform 18 to 20 off-site FERC Order 693 compliance audits;
- Perform 8 to 10 on-site CIP compliance audits of registered entities with High or Medium 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 2018 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 (FFTs) and Compliance Exceptions;
- Negotiate and develop settlements of violations;
- Verify that findings of non-compliance are and/or have been appropriately mitigated; and
- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2018.

Resource Requirements

Personnel

The Compliance Program area staffing remains unchanged from 2017.

Contracts and Consultants

The use of consultants is expected to increase due to the audit schedule.

Statement of Activities and Capital Expenditures
2017 Budget & Projection, and 2018 Budget
Compliance and Organization Registration and Certification

Funding	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ 7,846,675	\$ 7,846,675	\$ -	\$ 8,239,822	\$ 393,147
Penalty Sanctions	279,724	279,724	-	226,888	(52,835)
Total SPP RE Funding	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Expenses					
Personnel Expenses					
Salaries	\$ 2,665,150	\$ 2,665,150	\$ -	\$ 2,736,426	\$ 71,276
Payroll Taxes	203,884	203,884	-	209,337	5,453
Benefits	234,563	234,563	-	225,018	(9,545)
Retirement Costs	106,606	106,606	-	109,457	2,851
Total Personnel Expenses	\$ 3,210,203	\$ 3,210,203	\$ -	\$ 3,280,238	\$ 70,035
Meeting Expenses					
Meetings	\$ 35,000	\$ 35,000	\$ -	\$ 17,000	\$ (18,000)
Travel	282,000	282,000	-	224,000	(58,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 317,000	\$ 317,000	\$ -	\$ 241,000	\$ (76,000)
Operating Expenses					
Consultants & Contracts	\$ 778,610	\$ 778,610	\$ -	\$ 1,012,000	\$ 233,390
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	11,000	11,000	-	10,888	(112)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 789,610	\$ 789,610	\$ -	\$ 1,022,888	\$ 233,278
Total Direct Expenses	\$ 4,316,813	\$ 4,316,813	\$ -	\$ 4,544,126	\$ 227,313
SPP Inc. Indirect Expenses	\$ 2,427,437	\$ 2,427,437	\$ -	\$ 2,454,906	\$ 27,469
SPP RE Indirect Expenses	1,382,149	1,382,149	-	1,467,679	85,530
Total Indirect Expenses	\$ 3,809,586	\$ 3,809,586	\$ -	\$ 3,922,585	\$ 112,999
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (1)
FTEs	21.75	21.75	-	21.75	-

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	6.750	5.800	(0.950)
Direct Expenses	\$ 1,353,461	\$ 1,108,474	\$ (244,987)
Indirect Expenses- SPP Inc.	\$ 753,343	\$ 654,642	\$ (98,701)
Indirect Expenses- SPP RE	\$ 433,348	\$ 358,019	\$ (75,329)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 2,540,152	\$ 2,121,135	\$ (419,017)

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 staff and Shared Staff members available as consultants to the Regional Entity support NERC's efforts in preparing a number of reliability assessments each year including a long-term reliability assessment (LTRA) report, seasonal assessment reports, and a probabilistic 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 assessment reports. Once each report has been prepared, SPP RE direct staff performs an independent assessment and the SPP RE, in the spirit of transparency, discusses the process, assumptions, and findings at a public Trustees meeting. The assessments are subject to endorsement by the Trustees.

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

SPP RE is responsible for overseeing and conducting Event Analyses on reliability events within the SPP RE footprint. The analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. SPP RE is responsible for producing a final technical report on each reportable event 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.

2018 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 2017.

2018 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 planning coordinators, regional entities, and 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 direct staff expects to remain consistent with 2017. Based on historic manpower requirements needed to conduct the annual reliability assessments and special engineering studies requested by NERC the Shared Staff FTEs is expected to decrease by 0.95 FTE.

Contracts and Consultants

Due to the completion of the Engineering Data Validation Tool in 2017, the consultant budget is reduced by \$146,000.

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Reliability Assessment and Performance Analysis

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 2,453,341	\$ 2,453,341	\$ -	\$ 2,060,631	\$ (392,710)
Penalty Sanctions	86,811	86,811	-	60,504	(26,307)
Total SPP RE Funding	<u>\$ 2,540,152</u>	<u>\$ 2,540,152</u>	<u>\$ -</u>	<u>\$ 2,121,135</u>	<u>\$ (419,017)</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 2,540,152</u>	<u>\$ 2,540,152</u>	<u>\$ -</u>	<u>\$ 2,121,135</u>	<u>\$ (419,017)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 895,372	\$ 895,372	\$ -	\$ 814,249	\$ (81,123)
Payroll Taxes	68,496	68,496	-	62,290	(6,206)
Benefits	62,778	62,778	-	54,365	(8,413)
Retirement Costs	35,815	35,815	-	32,570	(3,245)
Total Personnel Expenses	<u>\$ 1,062,461</u>	<u>\$ 1,062,461</u>	<u>\$ -</u>	<u>\$ 963,474</u>	<u>\$ (98,987)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	110,000	110,000	-	110,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ 181,000	\$ 181,000	\$ -	\$ 35,000	\$ (146,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 181,000</u>	<u>\$ 181,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ (146,000)</u>
Total Direct Expenses	<u>\$ 1,353,461</u>	<u>\$ 1,353,461</u>	<u>\$ -</u>	<u>\$ 1,108,474</u>	<u>\$ (244,987)</u>
SPP Inc. Indirect Expenses	\$ 753,343	\$ 753,343	\$ -	\$ 654,642	\$ (98,701)
SPP RE Indirect Expenses	433,348	433,348	-	358,019	(75,329)
Total Indirect Expenses	<u>\$ 1,186,691</u>	<u>\$ 1,186,691</u>	<u>\$ -</u>	<u>\$ 1,012,661</u>	<u>\$ (174,030)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 2,540,152</u>	<u>\$ 2,540,152</u>	<u>\$ -</u>	<u>\$ 2,121,135</u>	<u>\$ (419,017)</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 2,540,152	\$ 2,540,152	\$ -	\$ 2,121,135	\$ (419,017)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	6.75	6.75	-	5.80	(0.95)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses*	\$ 60,000	\$ 60,000	\$ -
Indirect Expenses- SPP Inc.	\$ -	\$ -	\$ -
Indirect Expenses- SPP RE	\$ 19,211	\$ 19,379	\$ 168
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 79,211	\$ 79,379	\$ 168
* 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.

2018 Key Assumptions

SPP RE will continue its outreach activities designed to increase regional BPS reliability, educate stakeholders about compliance matters, and 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.

2018 Goals and Key Deliverables

- Host three compliance workshops, one focused on CIP;
- Publish a monthly newsletter;
- Present at least ten 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%).

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Training and Education

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	<u>\$ 79,211</u>	<u>\$ 79,211</u>	<u>\$ -</u>	<u>\$ 79,379</u>	<u>\$ 168</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 79,211</u>	<u>\$ 79,211</u>	<u>\$ -</u>	<u>\$ 79,379</u>	<u>\$ 168</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</u>
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ -	\$ -
SPP RE Indirect Expenses	19,211	19,211	-	19,379	168
Total Indirect Expenses	<u>\$ 19,211</u>	<u>\$ 19,211</u>	<u>\$ -</u>	<u>\$ 19,379</u>	<u>\$ 168</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 79,211</u>	<u>\$ 79,211</u>	<u>\$ -</u>	<u>\$ 79,379</u>	<u>\$ 168</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
FTEs	-	-	-	-	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.13	0.13	-
Direct Expenses	\$ 22,286	\$ 24,444	\$ 2,158
Indirect Expenses- SPP Inc.	\$ 13,951	\$ 14,109	\$ 158
Indirect Expenses- SPP RE	\$ 7,135	\$ 7,895	\$ 760
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 43,372	\$ 46,448	\$ 3,076

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.

2018 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.

2018 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 2017 Budget & Projection, and 2018 Budget

Situation Awareness and Infrastructure Security

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 41,765	\$ 41,765	\$ -	\$ 45,144	\$ 3,379
Penalty Sanctions	1,608	1,608	-	1,304	(304)
Total SPP RE Funding	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,076
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,076
Expenses					
Personnel Expenses					
Salaries	\$ 18,969	\$ 18,969	\$ -	\$ 20,902	\$ 1,933
Payroll Taxes	1,451	1,451	-	1,599	148
Benefits	1,107	1,107	-	1,107	-
Retirement Costs	759	759	-	836	77
Total Personnel Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
SPP Inc. Indirect Expenses	\$ 13,951	\$ 13,951		\$ 14,109	\$ 158
SPP RE Indirect Expenses	7,135	7,135		7,895	760
Total Indirect Expenses	\$ 21,086	\$ 21,086	\$ -	\$ 22,004	\$ 918
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,077
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ (1)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,077
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (1)
FTEs	0.13	0.13	-	0.13	-

Administrative Services

	Administrative Services					
	Direct Expense and Fixed Assets (in whole dollars)			FTEs		
	2017 Budget	2018 Budget	Inc(Dec)	2017 Budget	2018 Budget	Inc(Dec)
General and Administrative	\$ 1,856,983	\$ 1,868,942	11,958	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	\$ 1,856,983	\$ 1,868,942	11,958	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 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 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 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.

2018 Key Assumptions

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

2018 Goals and Key Deliverables

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

Resource Requirements**Personnel**

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

Technical Committees and Member Forums**Program Scope and Functional Description**

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

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

2018 Key Assumptions

- SPP RE liaisons to SPP working groups are projected to attend approximately 30 SPP working group meetings in 2018.

2018 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.

2018 Key Assumptions

N/A

2018 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.

2018 Key Assumptions

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

2018 Goals and Key Deliverables

- To provide adequate information technology support for SPP RE to fulfill the responsibilities of the RE 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.

2018 Key Assumptions

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

2018 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.

2018 Key Assumptions

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

2018 Goals and Key Deliverables

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

Resource Requirements

Personnel

N/A

Methodology for Allocation of Administrative Services Expenses to Programs

The expenses for finance and accounting, information technology, and human resources administrative support services that are provided to SPP RE by SPP (SPP, Inc. Indirect Expenses), which are separate and distinct from the services provided by SPP RE direct staff and consultants

and contractors, are assessed to SPP RE on an annual basis by allocating SPP's shared services support costs by an appropriate measure (headcount, square footage, number of devices, etc.). In addition, an allocation of overhead costs will be added to the directly assignable staff's hourly rate for those employees performing SPP's statutory activities in the RAPA program area. A table showing the derivation of the SPP, Inc. Indirect Expense is presented in Section E of this BP&B.

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

Administrative Services

Statement of Activities and Capital Expenditures					
2017 Budget & Projection, and 2018 Budget					
ADMINISTRATIVE SERVICES					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
Total SPP RE Funding	<u>\$ (1,403,208)</u>	<u>\$ (1,403,208)</u>	<u>\$ -</u>	<u>\$ (775,930)</u>	<u>\$ 627,277</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
Total Funding (A)	<u>\$ (1,403,208)</u>	<u>\$ (1,403,208)</u>	<u>\$ -</u>	<u>\$ (775,930)</u>	<u>\$ 627,277</u>
Expenses					
Personnel Expenses					
Salaries	\$ 787,145	\$ 787,145	\$ -	\$ 820,082	\$ 32,937
Payroll Taxes	60,217	\$ 60,217	\$ -	\$ 62,736	2,520
Benefits	58,708	\$ 58,708	\$ -	\$ 60,708	2,000
Retirement Costs	31,486	\$ 31,486	\$ -	\$ 32,803	1,317
Total Personnel Expenses	<u>\$ 937,555</u>	<u>\$ 937,555</u>	<u>\$ -</u>	<u>\$ 976,330</u>	<u>\$ 38,774</u>
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 30,000	\$ 5,000
Travel	120,000	\$ 120,000	\$ -	\$ 92,500	(27,500)
Conference Calls	-	\$ -	\$ -	\$ -	-
Total Meeting Expenses	<u>\$ 145,000</u>	<u>\$ 145,000</u>	<u>\$ -</u>	<u>\$ 122,500</u>	<u>\$ (22,500)</u>
Operating Expenses					
Consultants & Contracts	\$ 61,100	\$ 61,100	\$ -	\$ 26,100	\$ (35,000)
Office Rent	-	\$ -	\$ -	\$ -	-
Office Costs	10,000	\$ 10,000	\$ -	\$ 10,000	-
Professional Services	201,100	\$ 201,100	\$ -	\$ 226,100	25,000
Miscellaneous	-	\$ -	\$ -	\$ -	-
Depreciation	-	\$ -	\$ -	\$ -	-
Total Operating Expenses	<u>\$ 272,200</u>	<u>\$ 272,200</u>	<u>\$ -</u>	<u>\$ 262,200</u>	<u>\$ (10,000)</u>
Total Direct Expenses	<u>\$ 1,354,755</u>	<u>\$ 1,354,755</u>	<u>\$ -</u>	<u>\$ 1,361,030</u>	<u>\$ 6,274</u>
SPP Inc. Indirect Expenses	<u>\$ 502,228</u>	<u>\$ 502,228</u>	<u>\$ -</u>	<u>\$ 507,912</u>	<u>\$ 5,684</u>
SPP RE Indirect Expenses	<u>\$ (1,856,983)</u>	<u>\$ (1,856,983)</u>	<u>\$ -</u>	<u>\$ (1,868,942)</u>	<u>\$ (11,958)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ (1,403,208)</u>	<u>\$ (1,403,208)</u>	<u>\$ -</u>	<u>\$ (775,930)</u>	<u>\$ 627,277</u>
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (1,403,208)</u>	<u>\$ (1,403,208)</u>	<u>\$ -</u>	<u>\$ (775,930)</u>	<u>\$ 627,277</u>
FTEs	4.50	4.50	-	4.50	-

Section B – Supplemental Financial Information
2018 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2017-2018

STATUTORY

Beginning Working Capital Reserve (Deficit), December 31, 2016	\$	2,920,957
Less Penalties Received 7/1/2016- 12/31/2016		(220,000)
Less: 2016 Year-End True-Up		(152,069)
Plus: 2017 SPP RE Funding (from LSEs or designees)		9,092,553
Less: 2017 Projected expenses & capital expenditures		(10,865,511)
Projected Working Capital Reserve (Deficit), December 31, 2017		775,930
Desired Working Capital Reserve, December 31, 2018 ²	\$	-
Less: Projected Working Capital Reserve, December 31, 2017		(775,930)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		775,930
2018 Expenses and Capital Expenditures		10,793,195
Less: Penalty sanctions to be used as offset to 2018 assessments ¹		(290,000)
Less: Other Funding Sources		0
Adjustment to achieve desired Working Capital Reserve		(775,930)
2018 SPP RE Assessment		9,727,265

¹ Represents collections on or prior to June 30, 2017. See Table B-2 for full disclosure.

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

Explanation of Changes in Reserve Policy from Prior Years

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

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 9 of the 2018 RE Business Plan and Budget.

Penalty Sanctions

Penalty monies received from July 1, 2016 through June 30, 2017 will be used to offset assessments in the 2018 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, 2017 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

Penalty Payments		Date Received	Amount Received
Name of Entity			
Entity 1		7/1/16	\$ 220,000.00
Entity 2		2/10/17	\$ 70,000.00
Total Penalties Received			<u>\$ 290,000</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 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 – 2018 Budget versus 2017 Budget

SPP RE has not projected any interest income for 2018 because at the current market interest rate any interest income would be minimal.

Personnel Expenses**Table B-4**

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Salaries					
Salaries	\$ 4,385,605	4,385,605	\$ 4,412,561	\$ 26,956	0.6%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 4,385,605	\$ 4,385,605	\$ 4,412,561	\$ 26,956	0.6%
Total Payroll Taxes	\$ 335,499	\$ 335,499	\$ 337,561	\$ 2,062	0.6%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	297,358	297,358	284,113	(13,245)	-4.5%
Life-LTD-LTC Insurance	21,496	21,496	20,538	(958)	-4.5%
Education	39,409	39,409	37,654	(1,755)	-4.5%
Relocation	-	-	-	-	
Total Benefits	\$ 358,263	\$ 358,263	\$ 342,305	\$ (15,958)	-4.5%
Retirement					
Discretionary 401k Contribution	\$ 175,424	\$ 175,424	\$ 176,502	\$ 1,078	0.6%
Savings Plan	-	-	-	-	
Total Retirement	\$ 175,424	\$ 175,424	\$ 176,502	\$ 1,078	0.6%
Total Personnel Costs	\$ 5,254,791	\$ 5,254,791	\$ 5,268,929	\$ 14,138	0.3%
FTEs	33.25	33.25	32.30	-0.95	-2.9%
Cost per FTE					
Salaries	\$ 131,898	\$ 131,898	\$ 136,612	4,714	3.6%
Payroll Taxes	10,090	10,090	10,451	361	3.6%
Benefits	10,775	10,775	10,598	(177)	-1.6%
Retirement	5,276	5,276	5,464	189	3.6%
Total Cost per FTE	\$ 158,039	\$ 158,039	\$ 163,125	\$ 5,086	3.2%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The increase in salaries is principally due to the budgeted merit and market increases offset by the decrease in Shared Staff FTEs. The decrease in Benefits is primarily due to the decrease in Shared Staff FTEs.

Meetings, Travel and Conference Calls

Table B-5

Meetings, Travel and Conference Calls	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 120,000	\$ 120,000	\$ 107,000	\$ (13,000)	-11%
Travel	537,000	\$ 537,000	\$ 451,500	(85,500)	-16%
Conference Calls	-	\$ -	\$ -	-	
Total Meetings, Travel & Conf Calls	\$ 770,200	\$ 657,000	\$ 558,500	\$ (98,500)	-27%

The decrease in travel expense is primarily due a number of MRRE audits led by other Regional Entities.

Consultants and Contracts

Table B-6

Consultants	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	627,610	627,610	845,000	217,390	35%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	181,000	181,000	35,000	(146,000)	-81%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	60,000	60,000	25,000	(35,000)	-58%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 868,610	\$ 868,610	\$ 905,000	\$ 36,390	4%

Contracts	Projection 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	151,000	151,000	167,000	16,000	11%
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	1,100	-	0%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 152,100	\$ 152,100	\$ 168,100	\$ 16,000	11%
Total Consulting and Contracts	\$ 1,020,710	\$ 1,020,710	\$ 1,073,100	\$ 52,390	5%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The \$36,390 increase in consultant costs is primarily due to an increase in one of the contract auditor's hourly rate and the number of audits scheduled in 2018 offset by the completion of the Engineering Data Validation tool in the RAPA program area. The increase in contract costs is due to the oversight activity being performed by SERC.

Table B-7

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
Total Office Rent	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

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

Table B-8

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	-
Internet	-	-	-	-	-
Office Supplies	10,000	10,000	10,000	-	-
Computer Supplies and Maintenance	-	-	-	-	-
Publications & Subscriptions	-	-	-	-	-
Dues	-	-	-	-	-
Postage	-	-	-	-	-
Express Shipping	-	-	-	-	-
Copying	-	-	-	-	-
Reports	-	-	-	-	-
Equipment Repair/Service Contracts	-	-	-	-	-
Bank Charges	-	-	-	-	-
Taxes	-	-	-	-	-
Merchant Card Fees	-	-	-	-	-
Presentation & Publicity	-	-	-	-	-
Total Office Costs	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-9

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Independent Trustee Fees	\$ 201,100	\$ 201,100	\$ 226,100	\$ 25,000	12.43%
Outside Legal	-	-	-	-	
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	11,000	11,000	10,888	(112)	
Total Services	\$ 212,100	\$ 212,100	\$ 236,988	\$ 24,888	11.73%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The \$25,000 increase in Independent Trustee Fees is principally due to an increase in meeting compensation.

Table B-10

Miscellaneous Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	
Employee Rewards and Recognition	\$ -	\$ -	\$ -	\$ -	
Community Resp & Employee Engagement	\$ -	\$ -	\$ -	\$ -	
Year-end Employee Recognition Event	\$ -	\$ -	\$ -	\$ -	
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-11

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-12

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

2019, 2020 and 2021 Projections
Table B-13

Statement of Activities and Capital Expenditures										
2018 Budget & Projected 2019, 2020 and 2021 Budgets										
	2018	2019	\$ Change	%	2020	\$ Change	%	2021	\$ Change	%
	Budget	Projection	19 v 18	Change	Projection	20 v 19	Change	Projection	21 v 20	Change
				19 v 18			20 v 19			21 v 20
Funding										
ERO Funding										
ERO Assessments	\$ 9,727,265	\$ 11,116,991	\$ 1,389,726	14.29%	\$ 11,450,501	\$ 333,510	2.9%	\$ 11,794,016	\$ 343,515	2.9%
Penalty Sanctions	290,000	-	(290,000)	-100.00%	-	-	-	-	-	-
Total ERO Funding	\$ 10,017,265	\$ 11,116,991	\$ 1,099,726	11.0%	\$ 11,450,501	\$ 333,510	2.9%	\$ 11,794,016	\$ 343,515	2.9%
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 10,017,265	\$ 11,116,991	\$ 1,099,726	11.0%	\$ 11,450,501	\$ 333,510	3.0%	\$ 11,794,016	\$ 343,515	3.0%
Expenses										
Personnel Expenses										
Salaries	\$ 4,412,561	\$ 4,544,938	\$ 132,377	3.0%	\$ 4,681,286	\$ 136,348	3.0%	\$ 4,821,725	\$ 140,439	3.0%
Payroll Taxes	337,561	347,688	10,127	3.0%	358,118	10,431	3.0%	368,862	10,744	3.0%
Benefits	342,305	352,574	10,269	3.0%	363,151	10,577	3.0%	374,046	10,895	3.0%
Retirement Costs	176,502	181,798	5,295	3.0%	187,251	5,454	3.0%	192,869	5,618	3.0%
Total Personnel Expenses	\$ 5,268,929	\$ 5,426,997	\$ 158,068	3.0%	\$ 5,589,807	\$ 162,810	3.0%	\$ 5,757,501	\$ 167,694	3.0%
Meeting Expenses										
Meetings	\$ 107,000	\$ 110,210	\$ 3,210	3.0%	\$ 113,516	\$ 3,306	3.0%	\$ 116,922	\$ 3,405	3.0%
Travel	451,500	465,045	13,545	3.0%	478,996	13,951	3.0%	493,366	14,370	3.0%
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 558,500	\$ 575,255	\$ 16,755	3.0%	\$ 592,513	\$ 17,258	3.0%	\$ 610,288	\$ 17,775	3.0%
Operating Expenses										
Consultants & Contracts	\$ 1,073,100	\$ 1,105,293	\$ 32,193	3.0%	\$ 1,138,452	\$ 33,159	3.0%	\$ 1,172,605	\$ 34,154	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	236,988	244,098	7,110	3.0%	251,421	7,323	3.0%	258,963	7,543	3.0%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,320,088	\$ 1,359,691	\$ 39,603	3.0%	\$ 1,400,481	\$ 40,791	3.0%	\$ 1,442,496	\$ 42,014	3.0%
Total Direct Expenses	\$ 7,147,517	\$ 7,361,943	\$ 214,426	3.0%	\$ 7,582,801	\$ 220,858	3.0%	\$ 7,810,285	\$ 227,484	3.0%
Indirect Expenses	\$ 3,645,678	\$ 3,755,048	\$ 109,370	3.0%	\$ 3,867,700	\$ 112,651	3.0%	\$ 3,983,731	\$ 116,031	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 10,793,195	\$ 11,116,991	\$ 323,796	3.0%	\$ 11,450,501	\$ 333,510	3.0%	\$ 11,794,016	\$ 343,515	3.0%
Change in Assets	\$ (775,930)	\$ -	\$ 775,930	-100.0%	\$ -	\$ -	-	\$ -	\$ -	-
Fixed Assets										
Depreciation	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL CHANGE IN NET ASSETS	\$ (775,930)	\$ -	\$ 775,930	-100.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	32.30	32.30	0.00	0.0%	32.30	0.00	0.0%	32.30	0.00	0.0%

Explanation of 2019, 2020 and 2021 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

Section C – Non-Statutory Activities
2018 Business Plan and Budget



Section C — 2018 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.⁶

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 2018 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 2018 SPP budget is not yet available, SPP is providing its Commission-approved 2017 budget and its 2016 actual results on the following table:

⁶ 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**

	<u>2017 Budget</u>	<u>2016 Actual</u>
Income		
Tariff Administration Service	\$160,482	\$144,546
Fees & Assessments	28,128	26,918
Contract Services Revenue	533	529
Miscellaneous Income	4,959	4,602
Total Income	\$194,103	\$176,595
Expense		
Salary & Benefits	\$91,316	\$90,186
Employee Travel	2,245	1,919
Administrative	5,263	4,764
Assessments & Fees	18,600	18,648
Meetings	1,012	974
Communications	4,207	3,915
Maintenance	17,964	14,775
Services	14,184	14,847
Regional State Committee	272	220
Depreciation & Amortization	30,485	58,120
Other Expense	10,813	5,493
Total Expense	\$196,360	\$213,860
Net Income (Loss)	(\$2,257)	(\$37,265)
Debt Repayment	\$23,227	\$24,194
MWh Forecast (in millions)	383,000	393,000
Net Revenue Requirement	\$160,482	\$151,626
Calculated Admin Fee / MWh	\$0.419	\$0.370
Recommended Admin Fee / MWh	\$0.419	\$0.370
Capital Expense	\$19,479	\$14,179
Headcount	610	608

Section D – Additional Consolidated Financial
Statements
2018 Business Plan and Budget



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

Section D 2018 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 300)	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
Funding																	
SPP RE Funding																	
SPP RE Assessments	9,727,265	9,727,265	-	9,727,265	78,219	8,239,822	2,060,631	79,379	45,144	-	(775,930)	-	-	-	-	-	-
Penalty Sanctions	290,000	290,000	-	290,000	1,304	226,888	60,504	-	1,304	-	-	-	-	-	-	-	-
Total SPP RE Funding	10,017,265	10,017,265	-	10,017,265	79,523	8,466,710	2,121,135	79,379	46,448	-	(775,930)	-	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	10,017,265	10,017,265	-	10,017,265	79,523	8,466,710	2,121,135	79,379	46,448	-	(775,930)	-	-	-	-	-	-
Expenses																	
Personnel Expenses																	
Salaries	4,412,561	4,412,561	-	4,412,561	20,902	2,736,426	814,249	-	20,902	-	820,082	-	-	-	-	-	-
Payroll Taxes	337,561	337,561	-	337,561	1,599	209,337	62,290	-	1,599	-	62,736	-	-	-	-	-	-
Benefits	342,305	342,305	-	342,305	1,107	225,018	54,365	-	1,107	-	60,708	-	-	-	-	-	-
Retirement Costs	176,502	176,502	-	176,502	836	109,457	32,570	-	836	-	32,803	-	-	-	-	-	-
Total Personnel Expenses	5,268,929	5,268,929	-	5,268,929	24,444	3,280,238	963,474	-	24,444	-	976,330	-	-	-	-	-	-
Meeting Expenses																	
Meetings	107,000	107,000	-	107,000	-	17,000	-	60,000	-	-	30,000	-	-	-	-	-	-
Travel	451,500	451,500	-	451,500	25,000	224,000	110,000	-	-	-	92,500	-	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	558,500	558,500	-	558,500	25,000	241,000	110,000	60,000	-	-	122,500	-	-	-	-	-	-
Operating Expenses																	
Consultants & Contracts	1,073,100	1,073,100	-	1,073,100	-	1,012,000	35,000	-	-	-	26,100	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	10,000	10,000	-	10,000	-	-	-	-	-	-	10,000	-	-	-	-	-	-
Professional Services	236,988	236,988	-	236,988	-	10,888	-	-	-	-	226,100	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,320,088	1,320,088	-	1,320,088	-	1,022,888	35,000	-	-	-	262,200	-	-	-	-	-	-
Total Direct Expenses	7,147,517	7,147,517	-	7,147,517	49,444	4,544,126	1,108,474	60,000	24,444	-	1,361,030	-	-	-	-	-	-
SPP Inc. Indirect Expenses	3,645,678	3,645,678	-	3,645,678	14,109	2,454,906	654,642	-	14,109	-	507,912	-	-	-	-	-	-
SPP RE Indirect Expenses	0	0	-	0	15,970	1,467,679	358,019	19,379	7,895	-	(1,868,942)	-	-	-	-	-	-
Total Indirect Expenses	3,645,678	3,645,678	-	3,645,678	30,079	3,922,585	1,012,661	19,379	22,004	-	(1,361,030)	-	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	10,793,195	10,793,195	-	10,793,195	79,523	8,466,710	2,121,135	79,379	46,448	-	-	-	-	-	-	-	-
Change in Assets	(775,930)	(775,930)	-	(775,930)	-	-	-	-	-	-	(775,930)	-	-	-	-	-	-
Fixed Assets																	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	(775,930)	(775,930)	-	(775,930)	-	-	-	-	-	-	(775,930)	-	-	-	-	-	-
FTEs	32.30	32.3	-	32.30	0.13	21.75	5.80	-	0.13	-	4.50	-	-	-	-	-	-
Percentage of FTEs					0.4%	67.3%	18.0%	0.0%	0.4%	0.0%	13.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs					100%	0.4%	78.2%	20.9%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses					100%	0.3%	78.5%	19.2%	1.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indirect Cost Allocation																	
SPP Inc. Indirect Costs	3,645,678	3,645,678	-	3,645,678	14,109	2,454,906	654,642	-	14,109	-	507,912	-	-	-	-	-	-
SPP RE Indirect Costs	1,868,942	1,868,942	-	1,868,942	15,970	1,467,679	358,019	19,379	7,895	-	-	-	-	-	-	-	-
Total Indirect Costs	5,514,620	5,514,620	-	5,514,620	30,079	3,922,585	1,012,661	19,379	22,004	-	507,912	-	-	-	-	-	-
Fixed Assets Allocation																	
Penalty Sactions Allocation	290,000	290,000	-	290,000	1,304	226,888	60,504	-	1,304	-	-	-	-	-	-	-	-

Section E – Calculation of SPP, Inc. Indirect Expense 2018 Business Plan and Budget



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE¹

<u>Expense Category²</u>	<u>Overhead Costs Allocation (\$000)</u>	
Facilities	\$	506
Information Technology		533
Human Resources/Benefits/Payroll		381
Corporate Services		1,206
2017 Total Costs		2,626
Escalated by 3%	\$	2,705

(E)

Shared Staff Overhead Allocation

2016 Overhead Allocation Escalated by 6% (\$000)	897	A
Ending 2016 FTEs	4.1	B
2018 Budgeted FTEs	4.3	C
Total Cost (\$000)	941	D

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

Budgeted SPP Inc. Indirect Costs \$ **3,645,677** **(D+E)**

¹Due to the timing of the budget process/schedule, the fixed estimated indirect expense charge for 2018 is based on 2016 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2018 overhead expenses will be included in the annual 2018 Business Plan and Budget true-up filing.

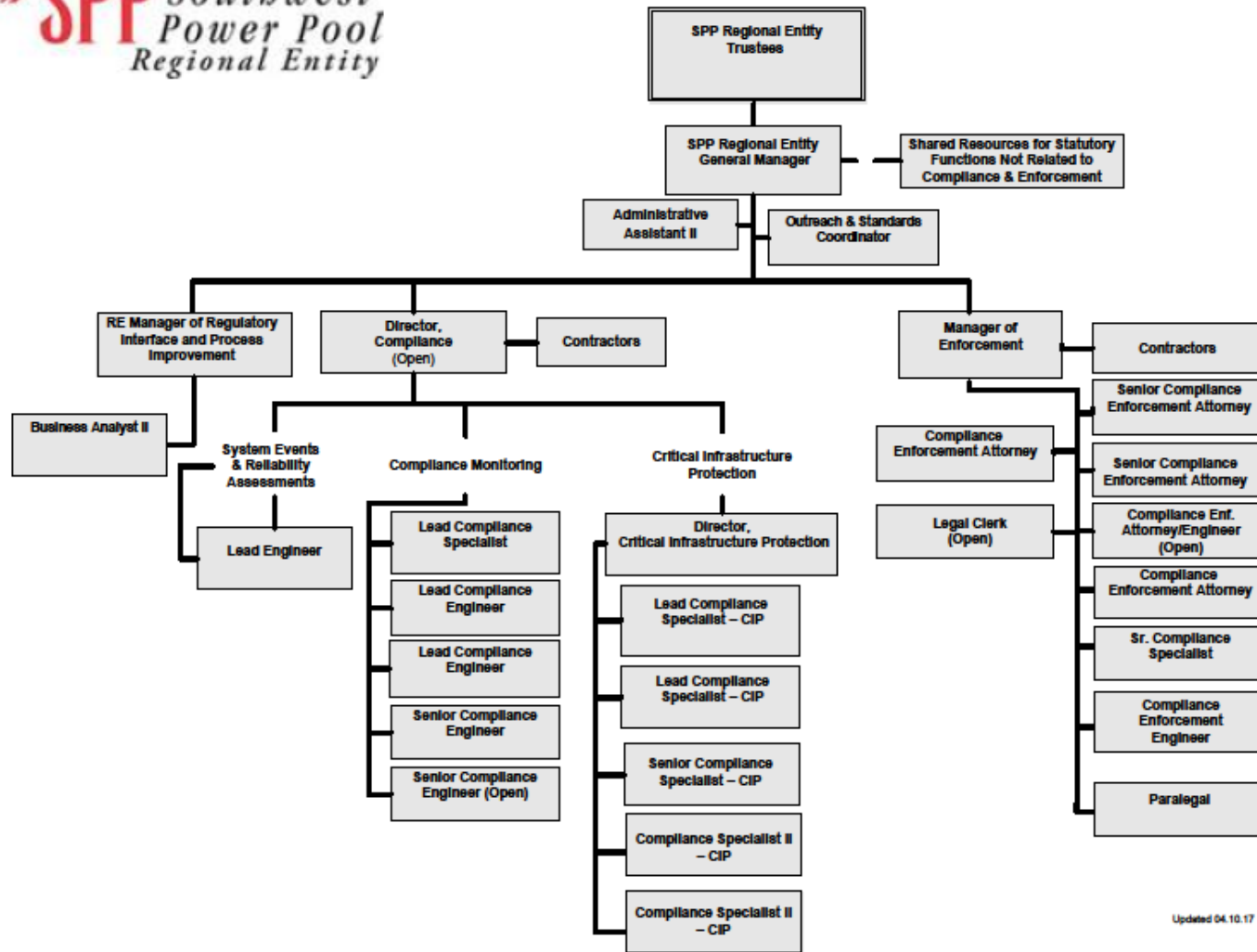
² SPP RE cost allocation is based on an appropriate measure per expense category (square footage, number of devices, headcount, etc.)

Section F– Organizational Chart 2018 Business Plan and Budget





Organizational Chart - 2017





Organizational Chart - 2018 Proposed

