The meeting was called to order at 8:00 a.m. The Trustees approved the April meeting minutes with no discussion.

4. **SPP RE 2014 Business Plan and Budget** ................................................................. Ron Ciesiel

The draft 2014 budget is $11.8 million; the largest budget item is Compliance Enforcement/Organization Registration, followed by Reliability Assessments/Performance Analysis. The Training/Education budget item is for SPP RE’s outreach to Registered Entities; it does not include internal staff training or the RTO’s training program. Chairman Meyer noted the importance of education and outreach. As we move toward a greater focus on Event Analysis, we have shifted some budget dollars to the Performance Analysis budget.

We are projecting a small decrease in full time equivalents, as we’ve seen a decrease in violations (down 30% from 2011) and as the UFLS regional standard project concluded. Most other REs currently have a flat or decreasing personnel budget.

Our SPP, Inc. indirect expenses have increased. SPP, Inc. provides services such as IT, Accounting, Human Resources, and building space to SPP RE. For these services, SPP, Inc. bills us with a per/hour overhead rate. When SPP completed the new facility, the overhead rate increased, resulting in an annual increase of $400,000 to SPP RE. This overhead charge is one of the largest items in the budget, along with salaries. The overhead formula was approved by FERC.

Assessments will be up 8%. There is a two-year lag on budget adjustments to assessments and a one-year lag on penalty collection; these lags causes SPP RE’s budget to increase/decrease from year-to-year. Some regions are considering a rate conciliation effort to balance these annual swings.

We have allocated an increased amount for a hearing, should one occur. We are undergoing a hearing currently, and expenditures are running higher than expected. Consulting costs are down. Staff has a goal to reduce consulting expenses as staff matures, though we will continue to use contractors to assist with audits. Travel is also down. Direct expenses are down $152,000 and indirect expenses are up $460,000, for a total increase of $309,000.

We are reaching a fully deployed organization for 2013-2015, presuming violations stay at the current level and pending the new CIP standards.
The SPP RE Trustees unanimously approved the SPP RE 2014 Business Plan & Budget, subject to adjustment for violation penalty payments received prior to July 1, 2013, plus any other non-substantive changes required for filing with NERC.

All RE budgets will be submitted to the NERC Board of Trustees for approval August 15.

5. Regional Standards Development Process Manual ............................................ Emily Pennel

The Trustees heard a presentation from the Standards Process Manual Task Force (SPMTF) on the group’s revisions to the Regional Standards Development Process Manual (Manual). The Trustees reviewed the draft revisions, ballot results, and affirmative advisory votes from the MOPC, Board of Directors, and Members Committee.

The Trustees unanimously approved the revised Manual for submittal for NERC for approval.

The Trustees consider the Manual’s language - “within the SPP RTO or RE region” - to include any entity within any of the SPP, Inc. footprints or any entity that has any active business interests within any of these footprints. The Trustees understand that SPP RE staff will make the decision as to whether Registered Ballot Body participants meet the Manual’s segment criteria.

6a. General Manager’s Report ..................................................................................... Ron Ciesiel

SPP RE and the other REs have implemented a pilot program for the new standardized Audit Lifecycle Template; most related changes are internal. A standardized auditor handbook is under development and is expected to be rolled out in September.

FERC postponed implementation of the Bulk Electric System (BES) definition for a year, until July 2014. Registration issues, Rules Of Procedure changes, and other related issues are also being pushed out to next July. FERC asked for further examination of sub-100 kV facilities’ impact on the BES. In SPP, we already have sub-100 kV systems in our planning models and are aware of BES impacts. SPP RE hasn’t registered any sub-100 kV facilities.

6b. Enforcement Report ............................................................................................... Joe Gertsch

Ninety incoming violations have been issued YTD in 2013. We are still seeing more CIP than 693 violations. So far in 2013 we have sent 11 settlements, 16 dismissals, and 26 Find, Fix, Tracks (FFTs) to NERC. The active caseload is 205 violations, with a caseload index of 9.7 months. Enforcement is setting interim goals to ensure violations are being processed timely.

There are currently 70 open High Impact violations; we work with the impacted entities to mitigate these expeditiously due to their higher impact on BES reliability. Chairman Meyer noted the importance of mitigating these High Impact violations to maintain reliability. Mr. Ciesiel noted we would prefer that entities recognize and fix issues rather than being forced to fix them through the Compliance Monitoring and Enforcement Program (CMEP). A violation’s duration now has a higher impact on penalty determination than in the past. Cooperation credits are also considered during penalty determination.

Chairman Meyer asked Mr. Gertsch to begin noting in his monthly Enforcement report how many High Impact violations are CIP or 693.

We have reduced consultants’ assistance with mitigation plans and are processing them in-house. We cannot submit a violation to NERC unless the entity has a mitigation plan that has been accepted by SPP RE. It is important for entities to focus on mitigation, though it was noted that an entity that
believes it is not at fault may not want to complete a mitigation plan. Mr. Gertsch said that a mitigation plan is not an admission of guilt. Chairman Meyer noted that industry should explore how we can revise the CMEP to encourage expedited mitigation.

6c. Compliance Report

We are still in a state of flux regarding the transition to CIP Version 5; we will hopefully have a clearer path at the July Trustee meeting.

Once the BES definition exclusion process opens in 2014, we expect a rush of applications. We will first process requests that would change an entity’s registration.

Regarding the Reliability Assurance Initiative: we have implemented the “Paragraph 81” requirement retirements from active oversight. Reliability Standards Auditor Worksheets are being revamped to incorporate the retirements of Compliance Application Notes. NERC made an FFT filing, including suggestions to improve that process. A work team is holding focus groups to determine how we could improve the Self Report process.

The semi-annual Facility Ratings Alert reports are due from entities July 31, 2013. Mitigation of discovered issues is due one year from discovery or December 31, 2014, whichever is sooner.

We added a four-quarter rolling average to our monthly Misoperations chart. Regional operations success rates have continued to improve. Incorrect settings/logic/design errors and communications failures continue to be the highest cause of misoperations. Our region has a higher rate of communications failures than other regions. We have passed the misoperations raw data to the System Protection and Control Working Group to see if they can help determine the cause of these errors. A NERC North American Misoperations Analysis report is pending. These causes need to be studied systematically rather than just on a company-by-company basis.

6d. Summary of Recent System Events

The number of regional system events is dropping, which is a good qualitative indicator of improvements brought about by the CMEP. We have had eight regional events YTD but only two were categorized as Category 1 events. Six events were coded as “category 0” related to vandalism or weather. The first category 1 event was the evacuation of a control center due to fire. We developed and posted a Lesson Learned on this event. The second category 1 event was a lightning strike that caused catastrophic insulator failure on a 345 KV line, resulting in ~1,400 MW of generation loss by two entities in adjacent regions. NERC and the regions are reviewing this event.

Starting this year, we are working with NERC and the impacted entities to apply cause codes to each event. We are already seeing some trends, which is the first step in correcting the root cause, such as identifying a piece of equipment that has been involved in several events.

An Event Analysis Subcommittee developed a Winter Weather Readiness Reliability Guide that focuses on maintaining individual unit reliability and preventing future cold weather events. Another Event Analysis Subcommittee, the Trend Working Group, examined 11 cold weather events to determine common issues. Chairman Meyer noted the importance of this focus on cold weather reliability.

7a. Staff goals and metrics update

Staff is on track with our 2013 goals and metrics except caseload maintenance, which is behind.
7b. YTD Financial Statement .......................................................................................... Ron Ciesiel

We are under-running on personnel expenses due to several open positions. We are also under-running on travel and contractors/consultants. Once the positions are filled, the indirect expenses from the overhead charge will increase.

7c. SPP RE Outreach Activity ..................................................................................... Emily Pennel

We have had 583 "plays" on our video series YTD. We taped four sessions at the CIP workshop that will be posted soon. There were 172 stakeholders who participated in the CIP workshop. We are hosting a webinar June 27 on EOP-003 and PRC-006 Standards Effective October 1, 2013.

7d. Past Action Items ..................................................................................................... Emily Pennel

The three action items from the April meeting were completed.

8. New Action Items ...................................................................................................... Emily Pennel

We did not create any new action items.

9. Future Meetings ....................................................................................................... John Meyer

    July 29, 2013 - Denver
    October 28, 2013 - Little Rock

The meeting was adjourned at 12:16 p.m.

Respectfully submitted,

Emily Pennel
SPP RE Trustees Secretary
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Mark Robinson
Noumvi Ahomsi
Kim Van Brimer

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Public Service
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