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TO: SPP Regional Entity Trustees

FROM: Stacy Dochoda, RE General Manager

DATE : July 13, 2010

SUBJECT: SPP RE General Manager Report

Emerging Issue – Mitigation Plan Submittal

The number of violations awaiting mitigation plan submittal has increased significantly across North America (see Attachment 1) and within the SPP RE. While mitigation plans are not required to be submitted by a registered entity until after receipt of a Notice of Alleged Violation and Penalty or Sanctions (NAVAPS), entities are encouraged to submit a mitigation plan as soon as possible. As of July 9, 2010, SPP RE had 124 violations awaiting mitigation plan submittal. We included an article in our 2nd quarter newsletter to encourage submission of mitigation plans as soon as possible.

NERC Audit

NERC conducted its on-site audit of SPP RE in early 2010. NERC reviewed SPP RE's performance against the NERC Compliance Monitoring and Enforcement Program (CMEP), NERC Rules of Procedure and SPP RE's document management and Information Technology processes. NERC has provided its draft audit report to SPP RE and SPP RE has responded to the draft audit report. The findings fell into two categories, those for which SPP RE had implemented appropriate procedures after the period covered by the audit and those which SPP RE agreed to implement or investigate as a result of the audit. NERC's final report was received on June 25, 2010. SPP RE's response was filed with NERC on July 1. The report will be provided to the NERC board and once approved will be made public.

SPP, Inc Compliance Monitoring & Enforcement

On February 17, 2010, the NERC Board of Trustees approved the proposed contract between SPP, RE and SERC for SERC to perform compliance monitoring and enforcement for the SPP, Inc. registered entity functions in the SPP Region. The agreement was filed with FERC on March 10. MRO filed comments arguing that NERC should be the CEA. SPP, SERC and NERC filed responses to MRO's comments. On July 12, 2010 the FERC issued an order conditionally accepting the contract with two changes. First, FERC ordered a change such that any penalties paid by SPP would be paid to SERC and used to reduce future SERC funding assessments instead of reducing future SPP RE funding assessments. Second, FERC ordered

removal of the automatic renewal provision of the contract and will require re-approval of the contract at the expiration of the initial term ending December 31, 2012.

FERC Audit

SPP filed its regularly scheduled quarterly compliance report on April 30 reporting all twenty items complete. FERC is scheduled to visit SPP on August 17 to review our compliance with the recommendations from the audit report.

Revised Regional Delegation Agreements

The NERC Board of Trustees approved the revised Regional Delegation Agreements at the May 12, 2010 meeting. NERC filed the revised agreements with FERC on June 9. SPP RE has intervened.

Nebraska Entities' Registration

NERC has proposed to include a process for a registered entity to seek to transfer its registration from one Regional Entity to another Regional Entity in a proposed revision to the NERC Rules of Procedure. The NERC Board of Trustees approved the proposed process at the May 12 meeting. NERC filed the revised rules of procedure with FERC on June 9.

NERC has requested a filing from MRO and SPP RE to address the request of certain Nebraska entities to transfer registration from MRO to SPP RE. Our response is due to NERC on August 16.

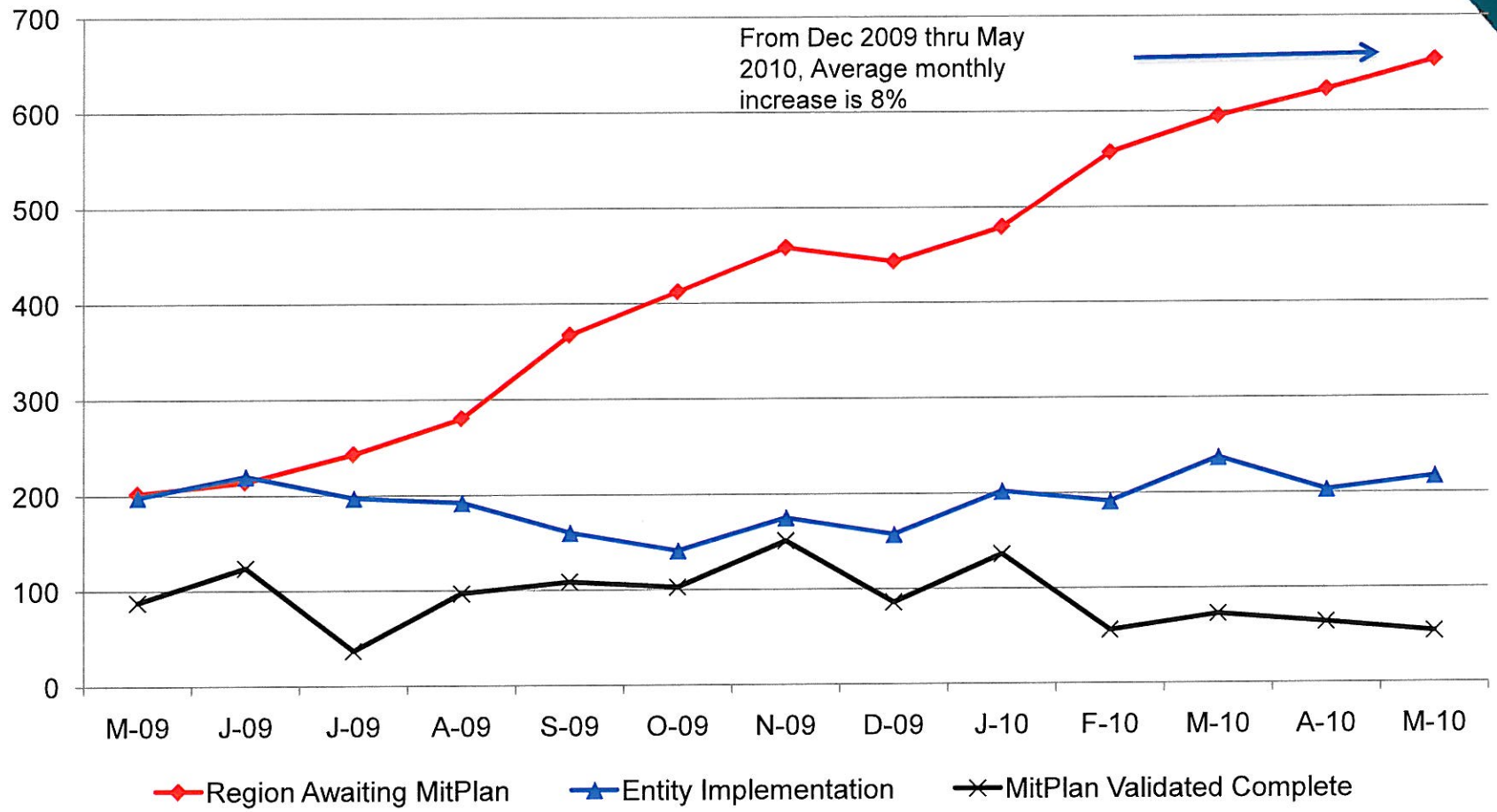
On July 9, 2010, NPPD filed a motion for clarification with FERC to clarify that the pending rules should not govern nor delay its requested transfer.

Staffing

A new compliance engineer will start on August 16, 2010. A new part-time law clerk started on July 5, 2010. We have two open full-time positions, one compliance engineer in the audit group and one compliance engineer in the enforcement group. We have interviewed several candidates and are progressing toward extending offers.

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Mitigation Status at Regions



Data as of May 31, 2010