Ms. Stacy Dochoda
Regional Entity General Manager
sdochoda@spp.org

Southwest Power Pool Regional Entity
16101 La Grande, Ste 103
Little Rock, AR 72233
P 501-688-1730
F 501.821.8726

TO: SPP Regional Entity Trustees

FROM: Stacy Dochoda, RE General Manager

DATE : October 15, 2010

SUBJECT: SPP RE General Manager Report

Staffing

Since the July Trustee meeting, we have filled the two open compliance positions with Thomas Teafatiller, Senior Compliance Engineer and Jeff Rooker, Lead Compliance Engineer. In addition, we hired Clint Lancaster and Rhonda Jones as part-time Law Clerks. Two more part-time Law Clerks are scheduled to begin work in late October or early November. We currently have one open position, an enforcement engineer. Our current organizational chart is included in the background materials.

CIP auditors Steve Applegate and Shon Austin earned their Certified Information Systems Security Professional (CISSP) certification. Tasha Ward was promoted to Compliance Enforcement Attorney. Tyler Morgan, formerly a part-time Law Clerk was hired as a full-time Compliance Specialist II. We are currently in the process of posting the approved 2011 positions. We had one employee, Alison Hayes transfer out of the RE to accept a position in the compliance department of SPP, Inc. under David Hodges.

Mitigation Plan Submittal

As of September, 2010 148 violations without mitigation plans submitted in the SPP RE region. We continue to reach out to registered entities to encourage the submission of mitigation plans.

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. The audit 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. SPP RE further evaluated each of these findings. Based upon this review, the SPP RE has concluded that the noted exceptions to the CMEP have been addressed either through changes to the SPP RE's internal process procedures or the

proposed changes to the NERC CMEP, Section 3.6, which have been approved by the NERC Board of Trustee Compliance Committee (BOTCC).

The NERC Board of Trustee Compliance Committee accepted the audit report on July 12, 2010. NERC will publicly post the report on the NERC website in the future.

SPP, Inc Compliance Monitoring & Enforcement

On July 12, 2010 FERC conditionally accepted 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. 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. FERC also 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. Pursuant to the contract, SERC conducted the on-site audit of the SPP, Inc. registered entity functions in the SPP Region in October 2010.

FERC Audit

SPP filed its regularly scheduled quarterly compliance report on April 30 reporting all twenty items complete. FERC staff visited the SPP RE on August 17 with an initial plan to review our compliance with 10 of the 20 recommendations from the audit report. FERC staff was able to review compliance with 18 recommendations. On two of the 18 recommendations, FERC staff requested additional information after the on-site review. FERC staff indicated that a more comprehensive audit pursuant to the FERC order is expected to be scheduled in fiscal year 2011 which begins in October 2010.

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. The agreements are scheduled to be considered on the FERC Open Meeting Agenda on October 21.

Nebraska Entities' Registration

NERC 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 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 was filed at NERC on August 16 and a reply to MRO's filing was filed at NERC on September 20. The SPP RE filings are included in the background materials.

NERC General Counsel has advised us that NERC BOT will not consider this issue at the November BOT meeting but is expected to consider it by February 2011 at the latest.

FERC Orders

FERC issued orders accepting the NERC Three-Year Assessment, adopting penalty guidelines (leaving NERC penalty processes intact) and providing guidance to NERC and the Regional Entities to consider violations of affiliates in determining whether an entity has experienced a repeat violation.

Compliance Workshop

FERC Commissioner Phil Moeller was the keynote speaker at the SPP RE Fall Compliance Workshop on September 21 and 22. There were 142 attendees and 11 call-in attendees.

An analysis of the workshops previous to the Fall 2010 workshop yielded the following;

- 71 entities have attended and 55 entities have not attended a compliance workshop in the last two years
- **45 entities have attended and 81 entities have not attended a CIP workshop**
- As of 8/5/2010, 42 entities have violations and 9 of those have not attended any of our workshops.

Outreach Communication

The SPP RE website has been reorganized to make it easier to use. A link was also added to provide upcoming events. The third quarter newsletter was issued. The Fall Compliance workshop was held September 21 and 22. The SPP RE Executive Director of Compliance made a presentation at the October 13 SPP MOPC meeting. The SPP RE Director of CIP made a presentation at the September 24 SPP CIPWG meeting.

Registered Entity Survey

The annual survey was conducted September 6-17. Thirty-eight of the 128 registered entities completed the survey, a 30% response rate. The 2010 survey results were generally consistent with those of 2009. The 2010 RE Survey Results Report is included in the background materials.