Southwest Power Pool
Regional Entity

Southwest Power Pool, Inc.

REGIONAL ENTITY TRUSTEE MEETING

Doubletree Hotel – New Orleans, Louisiana

January 24, 2011

• M I N U T E S •

SPP RE Trustee Chairman, John Meyer, called the meeting to order at 8:30 a.m. The following Trustees were also in attendance: Gerry Burrows, Dave Christiano. Others attending the meeting were: Stacy Dochoda (SPP RE General Manager); Ron Ciesiel (SPP RE); Joe Gertsch (SPP RE); Alice Wright (SPP RE); Sheila Scott (SPP RE); Adina Mineo (Federal Energy Regulatory Commission); Stephen Flanagan (Federal Energy Regulatory Commission); Harry Skilton (Southwest Power Pool- Board of Directors Vice Chairman); Phyllis E. Bernard (Southwest Power Pool- Board of Directors); Stacy Duckett (Southwest Power Pool); Bary Warren (The Empire District Electric Company); Brett Kruse (Calpine Energy Services, Inc.); Jeff Kotdtek (City Utilities of Springfield); Mark Pearce (Cleco); Michael Wise (Golden Spread Electric Cooperative); Noman Williams (Sunflower Electric Power Company); Robert McClanahan (Arkansas Electric Cooperative Corporation): Kip Fox (American Electric Power); Bill Booth (SNR Denton on behalf of the Council of New Orleans). Attending by teleconference was: Bo Jones (Westar Energy); David Kelley (Southwest Power Pool); Fred Meyer (The Empire District Electric Company); Jennifer Flandermeyer (Kansas City Power & Light); Jim Useldinger (Kansas City Power & Light); John Allen (City Utilities of Springfield, MO); and Tracey Stewart (Southwestern Power Administration).

Agenda Item 1 – Antitrust Guidelines

Alice Wright presented the Antitrust Guidelines for meeting participants to review.

Agenda Item 2 –Administrative Items

Minutes from the October 25, 2010 Trustee Meeting and January 5, 2011 Trustee Conference Call were presented for approval.

Gerry Burrows moved to approve the minutes as presented and Dave Christiano seconded. The Motion passed unanimously. **(Attachment 1a and 1b)**

Agenda Item 3 – Review of Past Action Items

Alice Wright reported on the status of past action items. With the exception of items 15 and 16, both of which were added at the October 25, 2010 Trustee Meeting, all items have either been completed or are ongoing. **(Attachment 2)**

Agenda Item 4 – Operating Committee Report

Jim Useldinger presented the NERC Operating Committee Report **(Attachment 3)**. Mr. Useldinger highlighted the issues addressed by the committee during its December 7-9, 2010 meeting, which included among other things, the committee's approval of the scopes of the Severe Impact Resilience Task Force, the Cyber Attack Task Force, and Reliability Metrics Working Group.

Agenda Item 5 – Planning Committee Report

Noman Williams presented the NERC Planning Committee Report **(Attachment 4)**, which included among other things, updates on the Critical Infrastructure Strategic Initiatives, System Modeling Initiative, Frequency Response Initiative, NERC Alerts, NERC-wide definition of the Bulk Electric System, NERC Reliability Assessment, and Event Analysis. Mr. Williams reported that the NERC reports are being picked-up and the information used by Congress, FERC and others outside the industry; thereby adding to the importance of ensuring the information is correct and is provided in an independent manner.

Agenda Item 6 – Critical Infrastructure Protection Committee Report

Robert McClanahan presented the NERC Critical Infrastructure Protection Committee (CIPC) Report **(Attachments 5a and 5b)**, which included among other things, updates on the CIPC Activities, CIP Standards, NERC's Aurora Survey, GRID Act (potential federal legislation), and SmartGrid Standards. Regarding the changes in the CIP Standards, Mr. McClanahan reported that although the CIP-002-4 "Bright Line" Criteria will result in the exclusion of some assets that currently meet the definition of critical cyber assets while at the same time including assets that are currently excluded, the bright line criteria are expected to achieve the desired results. Additionally, Mr. McClanahan reported that while CIP-003 through CIP-009 received new version numbers, no substantive changes were made to these standards.

Trustee Gerry Burrows highlighted the importance of entity participation in the standard development process.

Agenda Item 7 – Under Frequency Load Shedding Regional Standard Update

David Kelley presented an update on the status of the Under Frequency Load Shedding (UFLS) Regional Standard **(Attachment 6)**. Specifically, Mr. Kelley highlighted the 2010 activities and the expected 2011 activities. The proposed standard is scheduled for vote in February 2011. Mr. Kelley reported that the MOPC has been notified that, assuming a two-thirds affirmative weighted vote is achieved, the proposed standard will be submitted to MOPC for an advisory review and recommendation at its April 2011 meeting.

Agenda Item 8 – RE Year-End Report and the RE 2011 Goals

Stacy Dochoda presented the RE Year-End Report and the RE 2011 Goals **(Attachment 7a and 7b)**. The 2010 year-end highlights included: an increase in the technical expertise of the RE staff; negotiation of a new Regional Delegation Agreement; completion of all of the

recommendations from the 2008 FERC audit and completion of the NERC audit with good results; implementation of streamlined enforcement processes; and an increase in the RE's outreach activities.

Agenda Item 9 – General Manager's Report

Stacy Dochoda reported on 10 issues outlined in her General Manager's Report **(Attachments 8a, 8b, and 8c)**. Ms. Dochoda highlighted the following items:

1. Staffing – The RE ended the year with one open 2010 position, an enforcement engineer. All 2011 positions are posted. Steve Applegate, Lead CIP Compliance Specialist submitted his resignation, effective December 31, 2010, to accept the position of Cyber Security Threat and Vulnerability Program Manager at NERC. Staff members responsible for system events and reliability assessments will no longer perform compliance activities.

2. Administrative Citation Process - NERC has implemented a streamlined enforcement process for violations deemed to have a minimal impact on the bulk power system. On January 10, 2011, the NERC BOTCC accepted 14 of these violations from SPP RE for the first submittal to FERC as administrative citations.

3. Nebraska Entities' Registration- NERC BOT will consider this issue at its February 17, 2011 meeting.

Agenda Item 10 – Revised Regional Delegation Agreement

Stacy Dochoda presented the revised SPP Regional Delegation Agreement (SPP RDA). On October 21, 2010 the Federal Energy Regulatory Commission (FERC) issued an order approving the renegotiated Regional Entity Delegation Agreements with two minor revisions: 1) the addition of a new subsection (g) to Section 8 to "clarify that the Commission and its staff will have full access to information made non-public" and 2) the revision of Section 8 of Exhibit E "to provide that NERC may review all financial records of the Regional Entities, including records used to prepare financial statements." The compliance filing is due on February 18, 2011.

Gerry Burrows moved to approve the revised SPP RDA to reflect the changes specified in FERC's October 21, 2010 and Dave Christiano seconded. The Motion passed unanimously. **(Attachment 9)**

Agenda Item 11– Financial Report- YTD September 2010 Statement of Activities

Alice Wright reported on the Preliminary, Unadjusted, December Year-to-Date financials for the SPP RE **(Attachment 10)**. The preliminary statement of activities indicate that the RE under-spent its budget by approximately $1.47 million. The cost under-spend is driven by lower than expected personnel and consulting costs.

Agenda Item 12 – Enforcement Report

Joe Gertsch presented the Enforcement Report **(Attachment 11a)**. In addition to the providing an update on enforcement activities, Mr. Gertsch presented an overview of the recently implemented Administrative Citation Process **(Attachment 11b)**, the purpose of which is to streamlined the enforcement process for violations deemed to have a minimal impact on the bulk power system. To be eligible for the administrative citation process, the mitigation must be verified as complete, the entity must either "admit" or "neither admit nor deny" the violation and the RE must assess the impact to the bulk power system as minimal. Mr. Gertsch reported that on January 10, 2011, the NERC Board of Trustees Compliance Committee (BOTCC) accepted 14 of these violations from SPP RE for the first submittal to FERC as administrative citations.

Agenda Item 13– Compliance Report

Ron Ciesiel made the Compliance Report, which included an overview of MOD-001, MOD-004, MOD-008, and MOD-028 through MOD-30 **(Attachment 12)**.

Agenda Item 14– 2011 Metrics Discussion

Stacy Dochoda presented the SPP RE's proposed 2011 Performance Metrics, which included six metrics **(Attachments 13a and 13b)**. A draft of the 2011 Performance Metrics were presented at the October 25, 2010 RE Trustee meeting. SPP Board of Director Phyllis Bernard requested further explanation regarding the development of the performance goals, in particular those related to enforcement activities. Mrs. Dochoda and Mr. Gertsch presented an overview of the violation processes and explained that the performance goals concerning the number of violations pertain to *processing* discovered and reported violations as opposed to the discovery of new violations. Mrs. Bernard suggested that more descriptive language be used to clarify the intent of metrics. Trustee Chairman Meyer also requested that the third metric, Violations to NERC, be revised to include consideration of the violation risk factor. Subject to these two modifications, the trustees expressed their support of the proposed 2011 Performance Metrics.

Agenda Item 15 – New Action Items

Alice Wright identified the following new action items:

1. Stacy Dochoda will review and revise as necessary the description of the SPP RE's proposed 2011 Performance Metrics, in particular the metrics related to enforcement activities, to clarify that the performance goals concerning the number of violations pertain to *processing* discovered and reported violations as opposed to the discovery of new violations.

2. Stacy Dochoda and Joe Gertsch will modify the third metric, Violations to NERC, to include consideration of the violation risk factor.

Agenda Item 16 – Future Meetings

April 25 (Monday), Tulsa, OK
June 21 (Tuesday), Little Rock, AR

July 25 (Monday), Kansas City, MO
October 24 (Monday), Santa Fe, NM

With no further business, the meeting was adjourned at 1:30 p.m. to Executive Session where the Trustees discussed confidential Compliance and Enforcement and Performance Compensation issues.

Respectfully Submitted,

Alice D. Wright
RE Trustee Secretary