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 : January 12, 2011

SUBJECT: SPP RE General Manager 2010 Fourth Quarter Report

Staffing

We 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 to accept the position of Cyber Security Threat and Vulnerability Program Manager at NERC. His last day at the RE was December 31, 2010. We thank Steve for his valuable contribution to the RE, especially his work on the 2010 TFE effort and for his efforts to transition out of the RE smoothly. Two more part-time Law Clerks, Daniel Haney and Stephanie Kimp were hired in October, 2010. An offer is being extended for the Lead Compliance Engineer in the Events Analysis area. Interviewing is in process for the training and administrative assistant positions. Our current organizational chart is included in the background materials.

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. 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.

Mitigation Plan Submittal

As of December 31, 2010, there were 101 violations without mitigation plans submitted in the SPP RE region. This compares favorably to 148 in September, 2010. We continue to encourage the submission of mitigation plans as quickly 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. 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. The report and the response by SPP RE are posted on the NERC website at http://www.nerc.com/page.php?cid=3|26|349.

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.

On December 1, 2010, FERC issued an order granting the motion for rehearing requested by NERC, SERC and SPP RE to have any penalties assessed to SPP, Inc. go to NERC instead of SERC. NERC, SPP and SERC made a compliance filing containing these changes with FERC on January 10, 2011.

FERC Audit

On November 2, 2010, FERC notified SPP that it is beginning its follow-up audit of SPP in accordance with its order on the 2008 Audit. SPP received the first interrogatory of 60 questions. FERC is scheduled to conduct its on-site audit the week of January 31, 2011.

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 were approved by FERC at its Open Meeting Agenda on October 21. A compliance filing is due at FERC on February 18, 2011.

Approval of a revised SPP Regional Entity Delegation Agreement to reflect changes ordered by FERC is covered in a separate agenda item.

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.

NERC BOT will consider this issue at its February 17, 2011 meeting.

Outreach Communication

SPP RE conducted three webinars in December, 2010 on the 2011 SPP CMEP Implementation Plan. Two webinars were held in December, 2010 on CIP-009. The SPP RE General Manager made presentations at the November 17, SPP Attorney's Forum, December 6, SPP Oversight Committee and December 14, SPP CIPWG meeting. The General Manager was requested by FERC staff to participate on a panel at the November 18, 2010 FERC Technical Conference on Enforcement.

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 slightly less favorable than the 2009 results but were generally consistent with those of 2009. The SPP RE issued a supplemental survey in December, 2010 to learn more about the decreases in stakeholder satisfaction.