Southwest Power Pool
Regional Entity

Southwest Power Pool, Inc.

REGIONAL ENTITY TRUSTEE MEETING

Doubletree Hotel Tulsa Downtown

Tulsa, Oklahoma

April 25, 2011

• **M I N U T E S** •

SPP RE Trustee Chairman, John Meyer, called the meeting to order at 8:35 a.m. The following Trustees were also in attendance: Gerry Burrows, Dave Christiano. Others attending the meeting were: Ron Ciesiel (SPP RE); Joe Gertsch (SPP RE); Alice Wright (SPP RE); Sheila Scott (SPP RE); Jim Eckelberger (Southwest Power Pool- Board of Directors Chairman); Julian Brix (Southwest Power Pool- Board of Directors); Stacy Duckett (Southwest Power Pool); David Kelley (Southwest Power Pool); Bary Warren (The Empire District Electric Company); Bo Jones (Westar Energy); Brett Kruse (Calpine Energy Services, Inc.); Bruce Cude (SPS-Xcel Energy); John Rhea (Oklahoma Gas and Electric); Kip Fox (American Electric Power); Michael Wise (Golden Spread Electric Cooperative); Noman Williams (Sunflower Electric Power Company); Robert McClanahan (Arkansas Electric Cooperative Corporation); Thomas Hestermann (Sunflower Electric Power Company); and Tracey Stewart (Southwestern Power Administration). Attending by teleconference were: Stacy Dochoda (SPP RE General Manager); Jennifer Flandermeyer (Kansas City Power & Light); Jim Useldinger (Kansas City Power & Light); Alice Ireland (SPS-Xcel Energy); Alison Hayes (Southwest Power Pool); Brian Kauffman (SPS-Xcel Energy); Chris Lang (Golden Spread Electric Cooperative, Inc.); Heidt Melson (SPS-Xcel Energy); John Allen (City Utilities of Springfield, MO); and Michelle Corley (Cleco).

Agenda Item 1 – Antitrust Guidelines

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

Agenda Item 2 –Administrative Items

Minutes from the January 24, 2011 Trustee Meeting were presented for approval.

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

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 17, all items have either been completed or are ongoing. Mr. Ciesiel provided an update on the

status of items 15 and 17. Concerning item 15, Mr. Ciesiel reported that during the 2nd quarter 2011, the SPP RE will host a webinar to review the list of standards that will become mandatory and enforceable on October 1, 2011, which includes an updated version of EOP-002. Concerning item 17, Mr. Ciesiel reported that the SPP RE's CIP data handling and retention process procedures will be reviewed and refined following the first CIP audit, which is scheduled to be conducted during May. **(Attachment 2)**

Agenda Item 4 – Compliance Report

Ron Ciesiel made the Compliance Report, which included an overview of emerging issues related to Situational Awareness, Event Analysis, Bulk Electric System (BES) Definition, Risk-Based Monitoring, Mis-Operations, and Facilities Ratings Alert. Mr. Ciesiel also highlighted specific issues related to the TOP-002 and TPL standards. **(Attachment 3)**.

Trustee Chairman John Meyer and Trustee Gerry Burrows emphasized the importance of industry participation in the standards development process and in particular the development of the revised BES Definition.

Agenda Item 5 – NERC Planning Committee Report

Noman Williams presented the NERC Planning Committee Report **(Attachment 4)**, which included among other things, updates on the North American SynchroPhasor Initiative, the National Level Exercise (NEL) 201l for the New Madrid Earthquake Scenario (which includes several states in the SPP region), the NERC Alerts, and the Gas/Electric Interdependency Special Assessment.

Trustee Chairman John Meyer asked whether SPP was involved in the NEL for the New Madrid Earthquake Scenario. Ms. Stacy Duckett commented that to her knowledge SPP was not involved. Ms. Duckett indicated that she would verify this with other SPP staff.

Michael Wise commented that the interdependency of gas/electric and the apparent disconnection between gas and electric market operations could present a reliability issue in the SPP region. Mr. Williams indicated that he would follow up on this issue.

Agenda Item 6 – NERC 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, Cybersecurity Issues, and Federal Legislation. Mr. McClanahan reported that the industry has concerns regarding the CIP-002 Sufficiency Reviews and Compliance Application Notice (CAN) process. Mr. McClanahan indicated that this may suggest that there is a lack of trust between the industry and NERC. Mr. McClanahan also reported that although grid-related security legislation continues to have bipartisan support the particulars regarding the content and time of the legislation remains uncertain because of the number of parties involved.

Agenda Item 7 – NERC Operating Committee Report

Jim Useldinger presented the NERC Operating Committee Report **(Attachment 6)**. Mr. Useldinger highlighted the issues addressed by the committee during its most recent meeting, which included among other things, the merging of the Operating Reliability Subcommittee with the Reliability Coordinator Working Group, the acceptance of the position paper on Frequency Response and the conditional approval of the Time Error Correction Field Test by the Resource Subcommittee, and the Operating Committee's approval of a motion not to support the Personnel Certification Governance Committee's recommendation regarding system operator initial certification exam prerequisites.

Agenda Item 8 –NERC Compliance and Certification Committee Report

Jennifer Flandermeyer presented the NERC Compliance and Certification Committee (NERC CCC) Report **(Attachment 7)**. Ms. Flandermeyer presented an overview of the role of the NERC CCC. Ms. Flandermeyer also highlighted the issues addressed by the committee during its most recent meeting, which included among other things, a general discussion of the ERO Goals through 2015 and NERC Staff updates, including an update on standard interpretations and Compliance Application Notices (CANs). In response to a question by Ms. Alice Ireland, Ms. Flandermeyer reported that there was robust discussion regarding the purpose of CANs as well as the process of developing CANs in contrast to purpose and process used to respond to request for interpretation of standards.

Agenda Item 9 – 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 8)**. Specifically, Mr. Kelley highlighted the initial voting results and the concerns raised by the initial voting ballot results. Mr. Kelley reported that the UFLS standard drafting team (SDT) is working on the 6th draft of the proposed regional standard. In response to a question by RE Trustee Chairman John Meyer, Mr. Kelley indicated that he anticipates UFLS will be approved before the NERC Continent-wide standards become effective.

Agenda Item 10 – Reliability Assessment Update

David Kelley presented an update on the Post-Seasonal Assessments and the 2011 Assessment **(Attachment 9)**. Specifically, Mr. Kelley reported that the 2010 Post-Summer assessment reflected a new all-time system peak of 53,146 MW and that there were no major reliability concerns. Mr. Kelley also reported that he expects the 2011 Long-term Reliability Assessment will be presented to the RE Trustees at the July meeting.

Agenda Item 11 –2011 Performance Goals

Stacy Dochoda presented the RE 2011 Performance Goals. Ms. Dochoda reported that, as requested by RE Trustee Chairman John Meyer at the January 24, 2011 Trustee meeting, the third metric (NOCV/Settlements/Omnibus/Dismissals to NERC) had been revised to include consideration of the violation risk factor.

RE Trustee Gerry Burrows moved to approve the 2011 Performance Goals as presented and RE Trustee Chairman John Meyer seconded. The Motion passed unanimously. **(Attachment 10)**

Agenda Item 12 –SPP RE Organization Certification Appeals Process Procedures

Alice Wright presented the proposed SPP RE Organization Certification Appeals Process Procedures (Certification Appeals Procedures). In response to a question by RE Trustee Chairman John Meyer, Ms. Wright indicated her belief that the Certification Appeals Procedures in no way limited the RE Trustees' discretion and ability to retain outside legal counsel. Ms. Stacy Duckett, attorney and former SPP General Counsel, indicated her concurrence.
RE Trustee Gerry Burrows moved to approve the SPP RE Organization Certification Appeals Process Procedures as presented and RE Trustee Dave Christiano seconded. The Motion passed unanimously. **(Attachment 11)**

Agenda Item 13 – General Manager's Report

Stacy Dochoda reported on the four issues outlined in her General Manager's Report **(Attachment 12)**. Ms. Dochoda highlighted the following items:

1. Staffing – The RE filled two positions in February; offers for two of the unfilled positions have been extended and accepted, with expected start dates in April and May; and two positions remain open.

2. Mitigation Plan Submittal- As of March 31, 2011, there were 81 violations without mitigation plans submitted in the SPP RE region.

3. FERC Audit- On November 2, 2010, FERC notified SPP that FERC is beginning its follow-up audit on the 2008 audit. FERC conducted the on-site audit the week of January 31, 2011. FERC staff informed the SPP RE that they were comfortable with the issues of sufficient separation between SPP RE and the rest of SPP. The SPP RE staff is continuing to respond to FERC supplemental data requests as they are received.

4. Nebraska Entities' Registration- NERC BOT voted 6-5 not to approve the transfer at its February 17, 2011 meeting. NPPD and SPP RE filed appeals with FERC on March 18 and April 4, 2011, respectively. FERC issued an order allowing interventions and comments through April 21, 2011.

Agenda Item 14– Financial Report

Alice Wright reported on the December 2010 and March 2011 Year-to-Date financials for the SPP RE **(Attachment 13a and 13b)**. The December 2010 statement of activities indicate that the RE under-spent its budget by approximately $1.3. million. The cost under-spend is driven by lower than expected personnel and consulting costs. The March 2011 statement of activities reflects an under-budget variance of approximately $670K. The cost under-spend is driven by lower than expected personnel and consulting costs. However, it is believed that the under-spend

on consulting costs is a temporary issue; therefore, at this time, the projected 2011 year-end under-spend is $200K.

Agenda Item 15 – 2012 Business Plan and Budget- Preliminary Draft

Stacy Dochoda reviewed the preliminary 2012 RE Business Plan and Budget **(Attachment 14a and 14b)**. The $11.4 million proposed 2012 budget reflects an increase of approximately $1.6 million over the approved 2011 budget. Ms. Dochoda reported that the principal drivers of the budget increase are the need to add additional direct RE Staff FTEs and consulting costs to address the following: 1) revisions to the BES Definition & Exemption Process; 2) an increase in Compliance Investigations; 3) CIP Compliance activities; and 4) Enforcement Caseload Reduction.

Agenda Item 16 – Outreach Activity

Alice Wright reported on the SPP RE's First Quarter Outreach Activity, which included among other things, the Spring Compliance Workshop, Newsletters & News Bulletins, and Webinars **(Attachment 15)**.

Agenda Item 17 – Enforcement Report

Joe Gertsch presented the Enforcement Report which included among other things, a summary of compliance enforcement activities, violation aging tables, a summary of compliance enforcement metric performance, and the status of the SPP RE Mitigation Plans by Violation Risk Factor **(Attachment 16)**.

Agenda Item 18 – New Action Items

Alice Wright reported that there were no new formal action items. Trustee Chairman John Meyer noted that Ms. Duckett's intent to verify SPP's level of involvement, if any, in the NEL for the New Madrid Earthquake Scenario. (see Agenda Item 5)

Agenda Item 19 – Future Meetings

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 1:50 p.m. to Executive Session where the Trustees discussed confidential compliance and enforcement issues and administrative matters.

Respectfully Submitted,

Alice D. Wright
RE Trustee Secretary