Southwest Power Pool
Regional Entity

# Southwest Power Pool, Inc.

## REGIONAL ENTITY TRUSTEE MEETING

SPP Regional Entity Office

Little Rock, Arkansas

## June 21, 2011

**• M I N U T E S •**

The following Trustees were in attendance: John Meyer (Chairman), Gerry Burrows, and 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); John Anderson (NERC- Board of Trustees Chairman); Nick Brown (Southwest Power Pool- President & CEO); Stacy Duckett (Southwest Power Pool); Charles Yeung (Southwest Power Pool); Philip Propes (Southwest Power Pool); Ron Losh (Southwest Power Pool); John Rhea (Oklahoma Gas and Electric); Kip Fox (American Electric Power); and Robert Lyford (Arkansas Electric Cooperative Corporation). Attending by teleconference were: Sarah Blankenship (Board of Public Utilities); John Allen (City Utilities of Springfield, MO); Jim McAvoy (Oklahoma Municipal Power Authority); Douglas Webb (Kansas City Power & Light); Jeff Knottek (City Utilities of Springfield); and Mark MacDonald (Cleco).

### Agenda Item 1 – Call to Order and Introductions

SPP RE Trustee Chairman John Meyer called the meeting to order at 8:05 a.m., welcomed everyone, and asked for a round of introductions. Following the introductions, Chairman Meyer offered NERC Board of Trustees Chairman John Anderson an opportunity to present opening comments. In his opening comments, Mr. Anderson emphasized NERC's principal objective of ensuring and improving the reliability of the bulk power system. Mr. Anderson also highlighted issues that he identified as critical to NERC, which included among other things the need to reduce the violation backlog and the need to improve the quality and output of the standards.

### Agenda Item 2 – Antitrust Guidelines

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

### Agenda Item 3 –Consent Agenda

The Consent Agenda included the following requested action:

Approval of Meeting Minutes- April 25, 2011

SPP RE Trustee Chairman Meyer asked if there were any corrections to the minutes. Hearing none, 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 4 – SPP RE Business Plan and Budget**

SPP RE General Manager Stacy Dochoda presented the RE's 2012 Business Plan and Budget (BP&B). The proposed 2012 budget is $11.4 million, which represents an approximate $1.6 million or 16% increase over the 2011 budget. The increase is composed of $1 million direct and $0.6 million indirect. Due to a budget under-run in 2011 and considering penalties collected through June 2011, the increase in assessments is $0.8 million or 8%. The principal drivers of the increase are: 1) the change in the Bulk Electric System (BES) definition and the anticipated exception process, 2) the increase emphasis on compliance investigations, 3) the greater than expected level of resources needed to perform CIP compliance activities, and 4) the enforcement violation backlog reduction initiative.

Although not specifically directed at the SPP RE budget, several of the attendees representing registered entities emphasized the need to find the proper balance between the compliance program objectives and "real" reliability issues. The attendees also requested that ratepayer impact be considered when assessing the costs/benefits of the program. Included in the list of topics that the attendees expressed an interest were: 1) discretion in determining whether a violation has occurred; 2) streamline processing of minor, "parking ticket" violations, and 3) auditor training and certification.

Following the conclusion of the discussions, RE Trustee Gerry Burrows moved to approve the proposed SPP RE 2012 Business Plan & Budget in substantially the form presented and authorize Ms. Dochoda to make all non-substantive changes as necessary to finalize the draft for filing with NERC. RE Trustee Dave Christiano seconded. The Motion passed unanimously. **(Attachment 2)**

**Agenda Item 5 – General Manager's Report**

Stacy Dochoda reported on the seven issues outlined in her General Manager's Report **(Attachment 3)**. Ms. Dochoda highlighted the following items:

1. Staffing – The RE recently filled two positions: a Lead Compliance Engineer in the Enforcement group and Senior Compliance Specialist in the CIP Compliance Monitoring group. The Training and Education Specialist position will be filled in July. Two positions remain open: one position originally structured for reliability standards, which has now been added to the Compliance group to assist with investigations and one position in the Enforcement group.

2. NERC and Regional Entity Meeting with FERC on 2012 Budget– Representatives from NERC and the eight regional entities met with FERC staff from the budgeting group, Office of Enforcement and Office of Electric Reliability and Legal. There were only a few questions from FERC staff. These focused on ensuring sufficient CIP resources

especially for reviewing the TFEs. FERC staff also asked how the regional entities considered increased efficiencies in their budgets.

3. Mitigation Plan Submittal– As of May 31, 2011, NERC reports that there were 88 violations without mitigation plans submitted in the SPP RE region.

4. 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. At this time, it is unknown when FERC will issue its report.

5. 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. Interventions and protests were filed by MRO, Basin Electric Power Cooperative, Inc, WAPA and Lincoln Electric System on April 21, 2011. NERC filed a motion to remand the proceeding back to NERC. On May 6, SPP RE filed an answer to the protests.

6. Transmission Forum– The Transmission Forum invited leaders from each Regional Entity to participate on a panel on Compliance Programs and Compliance Culture at the Transmission Forum May 25, 2011 meeting in Detroit, Michigan. Ms. Dochoda and Daniel Skaar, MRO President, discussed the conceptual issues while the other regional representatives discussed the more detailed processes.

7. GM CIP Audit Observation– Ms. Dochoda participated as an observer in a CIP audit for an entity registered in SPP RE, RFC and Texas RE. RFC led the audit with team members from SPP RE and Texas RE. The audit was conducted by two teams each focusing on specific CIP standards. All three regional entities benefited from the collaboration.

**Agenda Item 6 – Enforcement Report**

Joe Gertsch presented the Enforcement Report which included among other things a summary of compliance enforcement activities, a summary of compliance enforcement metric performance, and the status of the SPP RE Mitigation Plans by Violation Risk Factor **(Attachment 4)**.

NERC Board of Trustee Chairman John Anderson asked for feedback regarding the Administrative Citation Process (ACP). Specifically, Chairman Anderson asked what could be done to make the process more efficient and/or effective. Mr. Gertsch and Mr. Kip Fox (American Electric Power) highlighted the difference in the level of review by NERC and FERC that was expected versus the level of review that has occurred. RE General Manager Stacy Dochoda commented that, while the ACP has resulted in some modest process efficiencies, it has not produced the efficiency gains that were expected.

**Agenda Item 7 – Compliance Report**

Ron Ciesiel made the Compliance Report which among other things included a review of the violation statistics by discovery method and the most violated standards. Mr. Ciesiel also highlighted the upcoming compliance monitoring activities. **(Attachment 5)**.

Trustee Chairman John Meyer noted that, unlike the reports made at the Quarterly Trustees meetings, Mr. Ciesiel's report did not include a presentation on the emerging compliance issues. Mr. Ciesiel commented that a discussion of emerging issues related to risk-based monitoring will be included in his July Trustee meeting report.

**Agenda Item 8 – SPP Regional Entity Written (Informational) Reports**

Trustee Chairman John Meyer asked if there were any items in the written reports that should be highlighted. **(Attachment 6).** Ms. Wright noted the July 23 enforcement processes webinar and encouraged attendees to participate.

At Ms. Stacy Duckett request, Trustee Chairman Meyer directed Ms. Wright to modify the Outreach Activity Report to include additional information detailing the number of workshop attendees that are SPP RE Registered Entities and the number of workshop attendees that are SPP members.

Trustee Dave Christiano noted that the Past Action Items Report did not reflect the modification requested at the April 25 Trustee meeting that all items that have completion dates 12 months or older be removed from the report. Ms. Wright acknowledged the oversight.

**Agenda Item 9 – New Action Items**

Alice Wright reported the new action items, which were:

- Alice Wright will modify the Outreach Activity Report to include a chart listing: 1) the total number of workshop participants, 2) the number of entities represented at the workshop, 3) number of Registered Entities represented at the workshop, and 4) the number of SPP Member Entities represented at the workshop.

- Alice Wright will modify the Past Action Items Report to remove the items that have completion dates 12 months or older.

**Agenda Item 10 – Future Meetings**

Trustee Chairman John Meyer discussed the SPP RE Meeting Day Survey, which was conducted in May to obtain stakeholder feedback regarding whether the Quarterly RE Trustees meetings should be moved from Mondays preceding the SPP Board of Directors (BOD) meetings to Wednesdays following the SPP BOD meetings. The Trustees expressed their preference to retain the current Monday meeting day. Following the recommendation of Ms. Stacy Duckett, the Trustees agreed that a change in the meeting day, if any, would not occur until 2012.

The remaining 2011 meetings of the SPP RE Trustees are:

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

SPP RE General Manager Stacy Dochoda commented that NERC President Gerry Cauley is scheduled to attend the July 25 meeting.

With no further business, the meeting was adjourned at 11:30 a.m. to Executive Session where the Trustees discussed confidential compliance and enforcement issues and administrative matters.

Respectfully Submitted,

Alice D. Wright
RE Trustee Secretary