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**TO:** SPP Regional Entity Trustees

**FROM:** Stacy Dochoda, RE General Manager

**DATE :** July 17, 2011

**SUBJECT:** SPP RE General Manager Report

## Emerging Issues

### Enforcement Discretion

NERC and the Regional Entities have been working together to develop improved compliance enforcement processes for violations which have little expected benefit from the full enforcement process and imposition of a penalty. SPP RE has strongly supported this effort. I believe a significant number of the violations in the SPP RE region to-date could be appropriately resolved with mitigation without pursuing the violation through enforcement. For more information on SPP RE's experience with violations, see the attached letter from me to NERC President and CEO Gerry Cauley.

### Registered Entity Compliance Programs and Self-Reports

SPP RE staff has strongly encouraged entities to self-report reliability standard compliance gaps. Credit goes to SPP RE registered entities for responding by boosting the percentage of self-reported and self-certified violations to seventy-three percent (73%) year-to-date 2011. Many registered entities have implemented thorough self-review programs as part of their compliance programs. I support giving Regional Entities the discretion to decline to pursue possible violations that were self-reported from these exemplary programs.

While the overall SPP RE story with regard to self-reports is very positive, we have experienced a small number of self-reports that are troubling. These self-reports were submitted only days before an audit team was scheduled to arrive on-site and were exceedingly general to the extent that it was not possible to know what circumstance the registered entity was reporting.

## Administrative and Organizational Issues

### Staffing

The open training position has been filled by Emily Pennel who transferred from her current position as SPP Manager of Communications. We have two remaining open positions, a CIP compliance position and as CIP enforcement position.

### SPP RE 2012 Business Plan and Budget

The Trustee-approved SPP RE 2012 Business Plan and Budget (BP&B) was submitted to NERC on July 8, 2011. The Regional Entity budgets as approved by the RE boards were posted on the NERC website on July 14, 2011. The NERC Finance and Audit Committee and the NERC Board of Trustees are scheduled to review and approve the Regional Entity BP&Bs on August 3 and 4 respectively.

### 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. FERC conducted its on-site audit the week of January 31, 2011. FERC staff informed us that they were comfortable with the issues of sufficient separation between SPP RE and SPP RTO. SPP has responded to two formal data requests and numerous informal requests for information from FERC staff. I expect to receive a draft report within two months.

### Nebraska Entities' Registration

In a proposed revision to its Rules of Procedure, NERC proposed a process for a registered entity to seek to transfer its registration from one Regional Entity to another. The NERC Board of Trustees approved the proposed process at the May 12, 2010 meeting. NERC filed the revised Rules of Procedure with FERC on June 9, 2010.

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, 2010 and a reply to MRO's filing was filed at NERC on September 20, 2010.

The NERC BOT voted 6-5 not to approve the transfer at its February 17, 2011 meeting. NPPD filed an appeal with FERC on March 18, 2011. SPP RE filed an appeal with FERC on April 4, 2011. Hastings Utilities and City of Grand Island asked to be included in our appeal. OPPD informed us it did not want to continue to pursue a registration change. MRO, Basin Electric Power Cooperative, WAPA and Lincoln Electric System filed interventions and protests on April 21, 2011. NERC filed a motion to remand the proceeding back to NERC. On May 6, 2011 SPP RE filed an answer to the protests. The issue is scheduled to be considered by FERC on July 21, 2011.