Southwest Power Pool
Regional Entity

Southwest Power Pool, Inc.

REGIONAL ENTITY TRUSTEE MEETING

Kansas City Country Club Plaza

Kansas City, Missouri

July 25, 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); Gerry Cauley (NERC- President and CEO); Jim Eckelberger (Southwest Power Pool- Board of Directors Chairman); Joshua Martin (Southwest Power Pool- Board of Directors); Julian Brix (Southwest Power Pool- Board of Directors); Phyllis Bernard (Southwest Power Pool- Board of Directors); Stacy Duckett (Southwest Power Pool); David Kelley (Southwest Power Pool); Noman Williams (Sunflower Electric Power Company); Robert McClanahan (Arkansas Electric Cooperative Corporation); Jim Useldinger (Kansas City Power & Light); Jennifer Flandermeyer (Kansas City Power & Light); Bary Warren (The Empire District Electric Company); Bo Jones (Westar Energy); Brett Kruse (Calpine Energy Services, Inc.); John Rhea (Oklahoma Gas and Electric); Kip Fox (American Electric Power); Michael Wise (Golden Spread Electric Cooperative); Thomas Hestermann (Sunflower Electric Power Company); and Lindsay Shepard (Sunflower Electric Power Company);. Attending by teleconference were: John Allen (City Utilities of Springfield, MO); and Lesley Bingham (Southwest Power Pool).

Agenda Item 1 – Call to Order and Introductions

SPP RE Trustee Chairman John Meyer called the meeting to order at 8:30 a.m., welcomed everyone, and asked for a round of introductions.

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- June 21, 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 Board of Trustees' Input to NERC Board of Trustees

SPP RE General Manager Stacy Dochoda reviewed the SPP RE's written comments prepared in response to NERC's request for policy input from the Member Representatives Committee (MRC) members for the August NERC Board of Trustees meeting. The comments provided input on the following topics: Compliance Enforcement Initiatives, MRC BES/ALR Policy Issues Task Force Report to the Board, and Compliance Application Notices in the Context of Standards and Interpretation Development. Specifically, the comments:

1. Strongly encourage NERC to continue its efforts to implement compliance enforcement improvement initiatives that would allow the regions and registered entities to focus on the highest priority reliability issues;

2. Express the SPP RE's support, in the absence of a compelling reason to change the criteria, for the current BES threshold criteria of 20 MVA for generators and opposes increasing the threshold to 75 MVA; and,

3. Express the SPP RE's support for the NERC Compliance Application (CAN) process.

Following the discussion of these three topics, each of the trustees indicated their agreement with the stated in the written comments. Trustee Chairman John Meyer requested that the written comments be revised to include a statement expressing the SPP RE's concern about the pace of reliability standard development, particularly in the area of improving existing standards, i.e., streamlining and expediting the standard development process. Although trustee-approval of the comments had been requested, the trustees agreed that a motion to approve the comments was not necessary. **(Attachment 2a, 2b, and 2c)**

Agenda Item 5 – Approval Authority Levels for Violation Penalties

SPP RE General Manager Stacy Dochoda presented her recommendation for increasing the approval authority of the RE General Manager to include penalties up to $1 million. The trustees had previously directed Ms. Dochoda to perform an analysis and to submit a recommendation for increasing the then-current approval levels, less than $150,000 for NOCV penalties and less than $100,000 for settlements, both of which were established at the June 2009 RE Trustee Meeting.

In support of her recommendation, Ms. Dochoda reported that the vast majority of the regional entities do have an approval limit. Ms. Dochoda also reported that there have been two instances in which the recommended penalty amounts exceeded the RE staff's approval level.

Jim Eckelberger, Southwest Power Pool- Board of Directors Chairman, suggested that the SPP RE's approval authority levels for penalties should be no higher than SPP RTO staff approval limit of $250,000. Mr. Eckelberger also expressed his opinion that assessing penalties has not improved reliability of the BPS. While acknowledging the reasonableness of Ms. Dochoda's

recommendation for approval authority of up to $1 million, the Trustees expressed a desire to increase the approval level in incremental steps.

RE Trustee Gerry Burrows moved to increase the approval authority of the RE General Manager to include penalties up to $500,000 and RE Trustee Dave Christiano seconded. The Motion passed unanimously. **(Attachment 3)**

Agenda Item 6 – SPP RE NERC CIPC Alternates and NERC TIS Committee Representative

Alice Wright reviewed the proposed changes to the SPP RE's alternatives on NERC Critical Infrastructure Protection Committee (CIPC) and representative on the NERC Transmission Issues Subcommittee (TIS). Following a brief discussion of the credentials of the proposed alternatives and the proposed representative to the TIS, RE Trustee Dave Christiano moved to appoint Eric Ervin (Westar Energy) and Ron Losh (SPP) to the NERC CIPC and Jonathan Hayes (SPP) to the NERC TIS and RE Trustee Gerry Burrows seconded. The Motion passed unanimously. **(Attachment 4)**

Agenda Item 7 – 2011 Long-term Reliability Assessment

David Kelley reviewed the SPP 2010 NERC Long Term Reliability Assessment. **(Attachment 5a and 5b)**. Mr. Kelley reported that, while the SPP reporting area shows sufficient resources and adequate reserve margins for the 2011-2021 assessment period, the integration of variable generation and potential federal environmental regulations could present challenges.

RE Trustee Gerry Burrows moved to accept the LTRA report and RE Trustee Dave Christiano seconded. The Motion was unanimously approved.

Agenda Item 8 – Underfrequency Load Shedding Regional Standard

David Kelley presented an update on the development of a UFLS regional standard. **(Attachment 6)** The initial balloting of the SPP UFLS regional standard received a weighted affirmative vote of 62%. A weighted affirmative vote of 66.7% is required to pass a standard for further consideration. Although the standard was revised to address the concerns identified in the comments of those voting against the proposed standard, Mr. Kelley reported that a third of the drafting team members are still not satisfied with the standard. The main issues that remain in dispute are: 1) whether the standard should be applicable to generation owners and 2) whether there is a need for a regional standard given the adoption of a national standard.

Jim Eckelberger, Southwest Power Pool- Board of Directors Chairman, in likening the pace at which UFLS regional standard was being developed to the pace of developing NERC standards, expressed his disappointment in the lack of progress that had been made in developing the UFLS regional standard.

Mr. Kelley invited the attendees, and in particular the RE Trustees, to the UFLS standard drafting team's August 10-11 meeting. RE Trustee Chairman John Meyer indicated that one or

more of the trustees would be in attendance. Chairman Meyer requested that Mr. Kelley provide an update on the UFLS regional standard at the October RE Trustee meeting.

Agenda Item 9 – New and Emerging Enforcement Activities- Decline to Pursue

Joe Gertsch presented an overview of NERC's Decline to Pursue compliance enforcement initiative. **(Attachment 7)** Mr. Gertsch reported that the initiate is being pursued in an effort to reduce or eliminate processing of violations of minor significance by giving greater discretion to the regional compliance and enforcement staff. NERC plans to make an inaugural filing with FERC in September. The SPP RE has identified 57 violations for possible inclusion in the September filing. Several of the meeting attendees expressed their support for this initiative.

Agenda Item 10 – New and Emerging Compliance Activities- Risk-Based Compliance Monitoring

Ron Ciesiel discussed Risk-Based Reliability Compliance Monitoring, which will be implemented in the 2012 program year. **(Attachment 8)** The basis for a risk-based approach, the top reliability risk to the BPS, the "three-tiered" approach, and the components of the entity assessment were among the items discussed by Mr. Ciesiel. Mr. Ciesiel emphasized that the results of the entity risk assessments could increase the scope and/or frequency of compliance monitoring activities to which the entity is subjected.

Agenda Item 11 – NERC Planning Committee Report

Noman Williams presented the NERC Planning Committee Report **(Attachment 9a and 9b)**, which included among other things, updates on the North American SynchroPhasor Initiative, the improved processes and procedures for interconnection-wide modeling, Spare Equipment Database Task Force, ERCOT February 2011 Grid Emergency Events.

Agenda Item 12 – NERC Operating Committee Report

Jim Useldinger presented the NERC Operating Committee Report **(Attachment 10)**. Mr. Useldinger highlighted the issues addressed by the committee during its most recent meeting, which included among other things, Time Error Correction Field Test by the Resource Subcommittee, and the Personnel Certification Governance Committee's concepts regarding system operator initial certification exam prerequisites. Mr. Useldinger also noted the election of Tom Bowe and Jim Castle and the Chair and Vice Chair, respectively.

Agenda Item 13 – NERC Critical Infrastructure Protection Committee Report

Robert McClanahan presented the NERC Critical Infrastructure Protection Committee (CIPC) Report **(Attachments 11a and 11b)**, which included among other things, highlights from the most recent CIPC meeting, status of the CIP Standards, update on federal legislation. Mr. McClanahan reported that a vulnerability in the ICCP protocol had been identified. Mr. McClanahan also reported that NERC announced it would host a Grid Security Conference in New Orleans on October 19-21.

Agenda Item 14 –NERC Compliance and Certification Committee Report

Jennifer Flandermeyer presented the NERC Compliance and Certification Committee (NERC CCC) Report **(Attachment 12)**. Ms. Flandermeyer reported that the NERC CCC has spent a significant amount of time discussing how the CCC can support and further NERC's goals and initiatives. Ms. Flandermeyer also highlighted the items that will be presented to the NERC BOT during its August meeting, which included among other things, Evaluations of Regional Entities and Compliance Application Notices (CANs). Ms. Flandermeyer also reported that NERC plans to host a webinar to discuss JRO, CFR, and concurrent registration issues.

Agenda Item 15 – General Manager's Report

SPP RE General Manager Stacy Dochoda presented her General Manager's Report **(Attachment 13)**, which included the following items:

1. 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.

2. 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. 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.

3. Staffing –The Training and Education Specialist position has been filled. We have two positions that remain open, a CIP compliance position and a CIP enforcement position.

4. 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.

5. 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.

6. Nebraska Entities' Registration– 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. On July 21, 2011 FERC issued an order denying the transfer.

Agenda Item 16 – 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 14)**.

Agenda Item 17 – 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 and provided an update on Event Analysis and the Facilities Ratings Alert. **(Attachment 15)**. Mr. Ciesiel noted that the Event Analysis data represented the cumulative total for all eight regions. Mr. Ciesiel indicated that he would provide SPP RE-specific data at the next RE Trustee meeting.

Bary Warren (The Empire District Electric Company) commended the RE and RTO staff members in their efforts to collaboratively resolve the issues regarding the use of the TPL studies.

Agenda Item 18 – SPP Regional Entity Written (Informational) Reports

Alice Wright highlighted the July 28 webinar regarding the new and revised standards and answered questions regarding the written reports. **(Attachment 16a, 16b, and 16c)**.

Agenda Item 9 – New Action Items

Alice Wright reported the new action item: Ron Ciesiel will include SPP RE-specific event analysis data in his October 24, 2011 Compliance Report.

RE Trustee Dave Christiano directed SPP RE General Manager Stacy Dochoda to explore establishing an RE Compliance Hot Line that will enable RE employees and/or stakeholder to submit concerns, complaints, questions, etc. directly to the RE Trustees.

Agenda Item 10 – Future Meetings

The remaining 2011 meetings of the SPP RE Trustees are:

October 24 (Monday), Santa Fe, NM

With no further business, RE Trustee Chairman John Meyer adjourned the meeting at 2:15 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