Southwest Power Pool, Inc.

REGIONAL ENTITY TRUSTEE MEETING

SPP Corporate Center

Little Rock, AR

October 29, 2012

• M I N U T E S •

Trustees John Meyer, Chairman; Gerry Burrows; and Dave Christiano attended. There were 30 people in attendance either in person or via net conference (see attached attendance list).

1 – Call to Order and Introductions

SPP RE Trustee Chairman Meyer called the meeting to order at 8:04 a.m., welcomed Board of Directors representative, and asked for a round of introductions.

2 – Antitrust Guidelines

Chairman Meyer presented the Antitrust Guidelines for meeting participants to review (Attachment 2).

3 – Consent Agenda

The Consent Agenda included the following requested action:

Approval of Meeting Minutes- July 30, 2012 (Attachment 3)

SPP RE Trustee Dave Christiano asked if there were any corrections to the minutes. Hearing none, Trustee Burrows moved to approve the minutes as presented and Chairman Meyer seconded. The Motion passed unanimously.

4 – General Manager's 2012 Third Quarter Report

SPP RE General Manager Ron Ciesiel presented the RE's First Quarter 2012 Report. (Attachment 4). NERC approved the extended agreement for SERC to serve as the Compliance Enforcement Authority for the SPP RTO; it is now at FERC awaiting approval. NERC suspended the Risk Assessment Template project and expects to implement it in 2013, along with other revamped CMEP activities.

The BES definition is still at FERC; the NOPR received a number of comments. Industry anticipates FERC will approve the definition by end of year and for the exception process to go into effect shortly thereafter. The BES Standard Drafting Team posted a Guidance Document for comments.

Extensive analysis reports were written on both Southwest outages. The underlying causes of

these events were repeats of previous events. NERC and FERC have increased their follow-up with Registered Entities involved in the events and those not involved. As these system events unfold, we can expect increased scrutiny from NERC and FERC.

All the REs have engaged Deloitte to create a baseline of current CMEP practices and recommend a model set of practices to be adopted across all footprints. Deloitte was onsite at SPP RE for four days to interview SMEs and review documents. A final report is due in the first quarter of 2013.

We have posted our 2013 CMEP documents, which did not change very much from 2012.

Stacy Duckett noted a Regional Compliance Working Group is being formed in addition to holding conference calls on individual standards issues. It was suggested that SPP streamline communications on standards and compliance issues.

5 – 2012 Stakeholder Satisfaction Survey Results

Ron Ciesiel reviewed results of the 2012 SPP RE Stakeholder Satisfaction Survey (Attachments 5). On a scale of 1-5 in which 5 represents the most favorable score, average ratings throughout the survey were in the 3-4 range. No average ratings were unfavorable (below 3), yet none were in the extremely favorable range (above 4.1). When asked how well SPP RE's programs and services meet expectations, respondents rated all with scores between 3 (*meets expectations*) and 3.4 (4 is *exceeds expectations*). When asked to rate employees' customer service ability or programs' responsiveness to needs, respondents rated all with average scores between 3.8 (3 is *average*) and just above 4 (*good*).Of the 32 respondents who interact with other Regional Entities, 59% rated SPP RE *about the same*, 25% rated SPP RE *somewhat better*, and 16% rated SPP RE *much better*. None indicated SPP RE's performance is worse.

Ratings have annually increased in five major categories from 2010-2012. Regarding overall satisfaction with SPP RE, 2012 *average* and *below average* ratings decreased, *good* ratings were slightly less than in 2011 but higher than 2010, and *excellent* ratings increased over 2010 and 2011.

6 – 2012 Trustees Self-Assessment

The 2012 Trustees' Self-Assessment (Attachment 6) noted that all Trustees attended all meetings and meetings averaged 37 attendees. Major accomplishments included adoption of the first SPP RE Strategic Plan, reduction of enforcement violation caseload to less than one year, approval of the regional UFLS standard for submission to NERC, and implementation of compliance plan associated with FERC 2011 audit.

7 – PRC-006-SPP-01 UFLS Standard Status

David Kelley gave an update on the UFLS standard, which was posted at NERC for comment (Attachment 7). OPPD, LES, and City of Abbeville provided comments about the voting process, economic impact, and the need the standard. The Standard Drafting Team met last week to finalize responses to comments. If approved at the November 7 NERC Board of Trustees

meeting, PRC-006-SPP-01 will be submitted to FERC. Chairman Meyer noted that the SPP RE standards process was approved by NERC and FERC.

8 – Winter Reliability Assessment Overview

David Kelley gave a summary of the SPP Winter Reliability Assessment. SPP RE hosted a webinar in September to discuss the report and gather stakeholder feedback to help us polish the report. This year we used in-house data from the Model Development Working Group to build the assessment; this allowed us to reduce the number of data requests we send to Registered Entities. The RTO conducted an outage assessment related to EPA regulations and did not determine any reliability impacts. Outages that are submitted for the near-term assessment will be considered in the seasonal assessment.

9 – Compliance Report

Ron Ciesiel presented the Compliance Report (Attachment 9). The 2013 Audit Scope plan is similar to last year's plan; NERC's 2013 documents are also posted. A major NERC filing is expected in March 2013 with changes to the Compliance and Enforcement program.

We are halfway through the Facilities Ratings Alert Program, which continues through the end of 2013. Discrepancies should be remediated in a year. Physical discrepancies occur when there is a difference between design and construction; companies can fix the problem, derate the lines to match the finding, or increase ratings for overbuilds. Any compliance actions are deferred to the end of the program.

Winter preparations should be underway at our Registered Entities. NERC is processing a Standards Authorization Request for a winder preparation standard. Entities are encouraged to review the recommendations from the Arizona-California Outages report. According to our survey, SPP RE entities are implementing the recommendations.

We will expect all Registered Entities to abide by the BES Guidance Document for consistency across all regions.

We have not had eight quarters with no reportable vegetation contacts, which is a very long time period to have no events. We have been emphasizing misoperations for several years, and misoperations have dropped. The vast majority of misoperations, both nationally and at SPP RE, are unnecessary trips and are on facilities under 200 kV, which are often more congested and older. A national task force plans to publish a findings paper at the end of the year. We have asked the SPCWG to determine an appropriate level of successful operations for which the region should strive.

Trustee Christiano noted that misoperations are usually a component of blackouts and expressed a concern that unnecessary trips are so high. When facilities trip at a high voltage, it can cause major problems.

We are on track toward our 2012 goals. The Most Violated Standards list represents 80% of SPP RE violations; the list continues to be dominated by CIP Standards. About 65% of SPP RE

violations are CIP. CIP Version 5 recently passed a NERC ballot. There are now three standard versions in play; NERC needs to clearly explain how to migrate from version 3 to 4 to 5.

10 – Enforcement Report

Joe Gertsch presented the Enforcement Report (Attachments 10). Mr. Gertsch reviewed third quarter compliance Enforcement activities and caseload, the High Impact Violations summary, and Mitigation Plan metric results. Our goal is to process 245 violations in 2012. There are 205 open violations; 59 are High Impact. NERC is moving to a one-year rolling violation caseload.

The Enforcement group's objective is to process violations within one year of receipt, on a "first in first out" basis. We have implemented a "triage" process. When a violation comes to Enforcement, it is assigned to one of the two enforcement engineers to identify FFT candidates as quickly and more fully develop the violation scope as soon in the process as possible. Enforcement can manage 200-250 violations per year internally; the use of consultants would allow us to expand that number. We are sensitive to Registered Entities that are trying to move their violations forward more quickly to NERC. SPP RE and all other Regional Entities are striving for a 12-month caseload.

Trustee Burrows suggested we consider surveying Registered Entities regarding caseload and violation processing. We need to ensure Registered Entities understand their obligations (mitigation plans, open discovery) to move violations forward.

11 – Critical Infrastructure Protection Committee Report

Robert McClanahan gave an update on some recent cyber attacks against an oil company, banks and other institutions. There is a proposed cyber security Executive Order; the Administration wants to see Department Homeland Security coordinating cyber issues.

Board Chairman Jim Eckelberger noted that satellite communications are important during cyber outages; Bary Warren confirmed that SPP Operations does have satellite phones.

12 – NERC Representatives Written Reports

Chairman Meyer asked if there were questions or comments about the NERC Committee Representatives' written reports (Attachments 12 a-e). Hearing none, Chairman Meyer thanked the NERC representatives for submitting their reports.

13 –Standards Process Manual Task Force Report (SPMTF)

Stacy Duckett provided an update on the SPMTF, which is updating the SPP RE Regional Standards Process Manual and clarifying issues regarding voting, communications, MOPC's role, and other issues. Chairman Meyer discouraged creating a new committee just for regional standards and noted that MOPC did a good job with the UFLS process.

14 – Written Reports: SPP RE Staff

Chairman Meyer asked if there were comments or questions on the YTD Financial Statement, SPP RE Outreach Activity, or the Past Action Item Status Report (Attachments 12a-c). The Trustees noted the SPP RE training video series is a good addition to the outreach program.

Ron Ciesiel reported we are running under budget, primarily due to understaffing.

Agenda Item 13 – New Action Items

Joe Gertsch took an action item to discuss the Enforcement caseload issue more fully at the January meeting, with input from Registered Entities and other REs.

Agenda Item 14 – Future Meetings

2013 SPP RE Trustees meetings:

January 28, 2013 – Little Rock
April 29, 2013 - Kansas City
June 17, 2013 - Little Rock
July 29, 2013 - Denver
October 28, 2013- Tulsa

With no further business, RE Trustee Chairman Meyer adjourned the meeting at 11:57 a.m.

Respectfully Submitted,

Emily Pennel
Acting RE Trustee Secretary