SPP Regional Entity Audit Report
Compliance Plan Status Tracking

	RECOMMENDATION	SPP RESPONSE	DONE	COMMENTS
1	Hire a full-time RE manager to oversee all delegated functions of the RE and serve as its primary representative to NERC. The RE trustees should use a process independent of SPP, Inc. management to hire a full-time RE manager. (SPP, Inc. human resources staff may assist the RE in the process).	The RE Trustees considered thirteen potential candidates, of which the SPP RE Trustees determined to interview six. The hiring process has been completed with an offer extended to and accepted by a candidate. The candidate started on March 16, 2009. The RE General Manager will report directly to the RE Trustees and will supervise all RE staff. As can be seen in the attached position description, the RE General Manager will provide leadership and vision, oversee the execution of RE strategic direction, and direct the day-to-day operations of the RE. *See* Exhibit No. SPP-1. The RE General Manager will be responsible for the SPP RE's success in achieving the mission of promoting a reliable bulk power system within the region and the SPP RE's performance of delegated statutory functions approved by FERC and NERC. The RE General Manager will be the RE's primary representative to NERC. Additionally, the RE General Manager will serve as the SPP RE representative on NERC's Member Representation Committee, will interface with other RE General Managers, and will be the SPP RE spokesman.	√	New RE General Manager, Stacy Dochoda, started on March 16, 2009
2	Eliminate all reporting relationships between RE employees and RTO employees. This includes administrative reporting (*e.g.*, approving time off and expense reports) as well as reporting related to performance evaluations. In addition, the RE manager must limit RE employees' attendance at SPP, Inc. meetings to those that do not present potential conflicts, specifically those designed to address broad corporate administrative matters and career development.	As noted in response to Audit Report Recommendation 1, SPP RE employees will report directly to the RE General Manager regarding administrative matters as well as matters related to performance evaluations. The RE General Manager will be responsible for all administrative oversight of the RE staff. The RE General Manager will monitor RE employee participation in SPP Inc. meetings to avoid any potential or perceived conflicts. Agendas for meetings generally are published in advance. The RE General Manager will review these agendas and, as necessary, direct RE staff not to participate.	√	

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3	Administer RE staff performance awards independent of RTO management and staff. The RE trustees must have full control over determining the bonuses for RE employees, provided that this shall not preclude them from considering the recommendations of the SPP Human Resources Committee concerning the size of the bonus pool.	Consistent with the SPP Board of Director's performance compensation recommendation for all SPP employees for the 2008 performance compensation program (awarded in February 2009), the RE Trustees were provided a proportionate sum of the total SPP bonus pool, as recommended by the Human Resource Committee, for distribution to the RE staff. The RE Trustees independently decided how to allocate the award dollars among the RE staff. In the future, the RE Trustees, working with the new RE General Manager, will determine whether to develop a performance compensation mechanism, and if so, will design a process to budget appropriately. This process will be independent of RTO management and staff, except that it may consider recommendations of the SPP Human Resources Committee regarding the size of the bonus pool, as contemplated in Audit Report Recommendation 3. This process will commence with the current budget cycle, and will be reflected in the next annually filed budget of the RE.		Performance compensation will be specifically calculated and included in the future SPP RE budgets. On track for completion by July 30, 2009.
4	Establish procedures giving the new RE Manager authority to approve the RE trustees' expenses.	The RE General Manager will approve the RE Trustees' expenses. The essential functions of the RE General Manager's position include responsibility for assuring the control, auditing, and legal compliance of all RE-related operational and financial matters. These are detailed in the position description attached as Exhibit No. SPP-1.	√	
5	Establish procedures to ensure the RE is free to offer employment to any candidate without consultation with or approval of the RTO. For candidates currently employed by SPP, Inc. the RE may cooperate with the RTO on the timing of the employee's transition to minimize disruption to RTO operations.	The RE General Manager will be authorized to offer employment to any candidate without consulting or seeking approval from the SPP RTO. The RE General Manager will be required to follow Corporate Human Resource policies and collaborate with the Human Resources department regarding the administrative process for hiring of candidates. The SPP Corporate Human Resource policies and procedures have been amended to comply with the appropriate variances for hiring RE staff (whether internal or external candidates). *See* Exhibit Nos. SPP-5-1 and SPP-5-2.	√	

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6	Review the RE engineering resource requirements and consider hiring additional engineering staff to perform the delegated functions of the RE.	The RE General Manager will have the authority to consider, and hire, any additional staff necessary to perform the delegated functions of the RE subject to appropriate budget approval by the RE Trustees. As shown in Exhibit No. SPP-1, the essential functions of the RE General Manager position include: • Develop an appropriate organizational structure and staffing level to accomplish the mission and business plan of the RE • Recruit, retain, and develop a talented staff necessary to accomplish the RE's mission, including staff development, training, evaluation, and succession planning The RE General Manager will also have the responsibility to oversee and ensure the efficient use of shared staff to perform day-to-day non-oversight and non-compliance related responsibilities of the RE. The RE General Manager will be advised of this Recommendation by the RE Counsel and, based on the foregoing, will review the RE engineering resource requirements and determine appropriate staffing.		Will be addressed in RE General Manager staffing review.
7	Ensure that RTO managers have no involvement in matters relating to NERC and SPP RE's compliance monitoring and enforcement policies unless involvement relates to public matters pertaining to RE and NERC processes available to interested parties including RTOs.	The hiring of the RE General Manager will remove RTO management from any nonpublic involvement in the RE's compliance monitoring and enforcement policies. The RE General Manager will replace any RTO management currently serving as liaison on NERC's Member Representation Committee and all other NERC, FERC and RE-related forums requiring an RE representative.	√	
8	Appoint an RE staff member to represent SPP on NERC's Reliability Assessment Subcommittee and any other committee or subcommittee whose authority includes RE statutory functions.	An RE staff person was assigned to the NERC Reliability Assessment Subcommittee effective December 8, 2008. The RE will appoint representatives to serve on any other committee or subcommittee whose authority includes RE statutory functions. *See* Exhibit Nos. SPP-8-1 and SPP-8-2.	√	

	RECOMMENDATION	SPP RESPONSE	DONE	COMMENTS
9	Implement processes and procedures to ensure the RE has full authority over its budgeted spending, including RE employees' salaries and bonuses.	SPP has amended its spending authority approval policy to provide the RE General Manager and RE Trustees full authority over budgeted spending specific to SPP's Regional Entity activities. The revisions are attached. *See* Exhibit No. SPP-9.	√	
10	Implement a process to allow the RE Manager and RE trustees to approve unbudgeted expenses at the same levels that an RTO officer may approve such expense. If the RE seeks to make an unbudgeted expense that exceeds these corporate limits, the RE shall seek Commission approval for a change in its budget.	SPP has amended its spending authority approval policy to adopt Audit Report Recommendation 10. Authority to approve expenditures is based on a tiered system, with specific positions designated with approval authority dependant upon the amount of the budgeted or unbudgeted expenditure. *See* Exhibit No. SPP-9. The RE General Manager position will have the equivalent authority of the President of SPP, Inc. for budgeted expenditures. The SPP Signature/Purchasing authorization policy has been so revised. In addition, as reflected in the position description, the RE General Manager will provide sound fiscal management with transparent accountability to the RE Trustees and assure the control, auditing, and legal compliance of all RE-related financial matters. *See* Exhibit No. SPP- 1. At the request of the RE Trustees and in accordance with this recommendation, unbudgeted expenses will be managed in accordance with revisions included in Exhibit No. SPP-9.	√	
11	Provide that the RE manager may authorize withdrawals from the RE bank account consistent with the RE budget and eliminate SPP, Inc. management's authority to review or authorize withdrawals from the RE bank account.	SPP will provide the RE General Manager with sole authority to approve all withdrawal of funds from the SPP Regional Entity bank account in accordance with the spending approval policy (Exhibit No. SPP-9). SPP accounting personnel will maintain general accounting responsibilities of the SPP Regional Entity bank account according to current standards and policies. SPP also will request that all NERC funding be deposited directly into the SPP Regional Entity bank account. Please refer to attached policy excerpts (Exhibit No. SPP-11).	√	

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12	Have the ability to determine the amount of funds available to the RE at anytime upon request and develop a process for addressing discrepancies resulting from an audit, bank account reconciliation, or internal reviews of the RE segregated funds.	SPP will provide the RE General Manager with electronic viewable access to the SPP Regional Entity bank account. Any discrepancies, as mentioned in Audit Report Recommendation 12, will be addressed during monthly scheduled financial discussions between SPP accounting personnel and the RE General Manager.		In process, will be complete before July 30, 2009
13	Develop procedures to ensure that the independent RE Manager approves shared employees' allocation of costs to the RE.	SPP will provide the RE General Manager with statements itemizing and explaining the allocation of shared employees' costs. SPP will provide the RE General Manager with sole authority to approve all withdrawal of funds from the SPP Regional Entity bank account in accordance with the spending approval policy (Exhibit No. SPP-9). The RE General Manager will be responsible for approving shared staff costs. Upon approval, SPP accounting staff will initiate a transfer of funds equal to the shared staff cost amount from the SPP Regional Entity bank account into the SPP operating bank account. The RE General Manager will have sole authority to approve the initiated transfer of funds.	√	
14	Ensure that the RE reimburse the RTO for the RE trustees' 2007 travel expenses.	SPP will ensure that the SPP operating bank account is reimbursed for the Regional Entity trustee's 2007 travel expenses in the April 1, 2009 true-up filing to be submitted by NERC in accordance with the Commission's orders. *See North American Elec. Reliability Corp.*, 122 FERC ¶ 61,246 (2008).	√	

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15	Provide a detailed written response explaining how the RE manager and RE counsel plan to keep the trustees better informed of important matters affecting the RE operations.	The SPP RE provides to the Trustees the monthly reports circulated by NERC, which includes the SPP RE monthly information. The reports include violation numbers and statuses. The Trustees also receive a copy of every Notice of Alleged Violation, Notice of Confirmed Violation and all Settlement documents issued by the RE. Additionally, the RE Trustees, SPP RE Legal Counsel and Executive Director of Compliance have scheduled conference calls for updates and information sharing on the last Monday of each month beginning February 2009. The RE General Manager will also participate n these calls. During these calls, the SPP RE Legal Counsel and Executive Director of Compliance will provide status reports on all activity in the RE, including, but not limited to, new standards violations, assessed penalties, settlement negotiation progress, personnel issues, and NERC and FERC issues or directives. The Trustees will be apprised of meetings attended y staff and any substantive outcomes from those meetings. When necessary, others will be asked to attend the calls for matters such as budget explanations, reliability standards drafting updates, etc. Calls will not be held in months with regular quarterly RE Trustee meetings, unless determined to be necessary. Regular Trustee meetings are held on a quarterly basis. In preparation for the meetings, the Trustees and others submit agenda items and associated background materials. The non-confidential information is posted online and all materials are distributed to the Trustees prior to the meeting. During the open portion of the meeting, a quarterly non-confidential update is made regarding standards violations and associated processes, staff updates, budget reports and any and all other public information regarding the RE. Matters requiring decisions are voted on and reflected in the minutes. The Trustees also go into Executive Session to listen to and discuss confidential matters. Minutes of the meeting are published and distributed to the Trustees within one week of the meeting. In between these scheduled interfaces, the SPP RE Legal Counsel and Executive Director of Compliance maintain regular contact with the Trustees through email and phone calls as necessary to transfer information such as settlement negotiations. No settlement agreements are made without the approval of the Trustees. In addition, any assessed violation penalties issued in excess of $150,000 are forwarded to the Trustees for review prior to issuance. All other penalties are submitted to the entity and the Trustees simultaneously. **6 of 10** Through the monthly NERC update reports, monthly telephone conferences, quarterly meetings and other communications, all issues and activities requiring RE Trustee involvement will be brought to their	√	

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16	Develop procedures to ensure that RTO managers and employees are prevented from receiving confidential compliance information and that RTO employees are permitted access to RE offices only when necessary to perform shared RE functions and when accompanied by RE staff. These procedures should include a non-disclosure agreement that shared staff must sign pledging not to reveal confidential RE information.	The SPP RE Compliance Monitoring and Enforcement staff ensures the protection and integrity of confidential compliance information. Access to the RE staff offices is secured via key card entry available only to the RE staff and, for use only in a security e Security Department of SPP. Accordingly, RTO staff will not have access to RE offices except when necessary to perform shared RE functions and when permitted access by accompanying RE staff. *See* Exhibit No. SPP-16-1. This limitation on access will be further enhanced in May 2009 when the RE staff offices will be relocated to another building. While there will be some other unrelated RTO staff at the new building, RTO staff will have no need for access to the RE staff offices. All SPP staff, including SPP RE staff, execute a Standards of Conduct Compliance Statement that addresses the maintenance of confidential information, which includes a commitment not to disclose confidential information. The Standards of Conduct have been revised to specifically include reference to confidential information that may be provided to shared staff by the RE staff, such that the non-disclosure commitment will expressly apply to this information. The revisions to the Standards of Conduct are attached. *See* Exhibit No. SPP-16-2.	√	Scheduled for May 2009
17	Require detailed completion schedules for all mitigation plans.	The SPP RE adopted the NERC approved mitigation plan template, posted in February 2008, which includes instructions concerning milestones and mitigation plan completion dates. This template was programmed into the SPP RE Compliance Data Management System ("CDMS") Version 4, which was made available to all SPP RE registered entities in April 2008. The SPP RE Enforcement and Mitigation staff reviews and accepts proposed mitigation plans from the registered entities and has developed an internal review checklist as an aid to the acceptance process. Proposed mitigation plans that do not meet the requirements of the Compliance Monitoring and Enforcement Program or do not, in the opinion of the SPP RE staff, mitigate the alleged violation are rejected and returned to the registered entity for revision. During the February 2009 Compliance Workshop, the SPP RE presented a lecture on mitigation plan preparation to the participants which included the requirements of completion dates and the requirements for milestones. *See* Exhibit No. SPP-17.	√	

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18	Work with NERC and the other REs to develop a written policy on extending self-certification deadlines.	In November 2008, NERC issued a NERC Compliance Process Bulletin (2008-RTA-010) to the Regional Entities outlining and enhancing the process steps found in Attachment 1 of the NERC Compliance Monitoring and Enforcement Program. This Bulletin was issued to improve the consistency and effectiveness of the Regional Entity processes in the event that a registered entity fails to submit data, information, self-certifications or other reports to the Regional Entity by the initial due date or Required Date. In April 2008, the SPP RE implemented Version 4 of the SPP RE CDMS, and has successfully completed two quarterly self-certification activities, two semi-annual CIP Standards self-certifications, and the 2008 year-end self-certification without requiring an extension of the original deadline. This improvement is the result of the improved performance of the upgraded CDMS and the increased experience base of the Registered Entities in participating in the Compliance Monitoring and Enforcement Program. The SPP RE has engaged the other Regional Entities and the NERC staff regarding this recommendation and has requested that this topic be placed on the agenda for the next Regional Compliance Managers meeting scheduled in March 2009.		SPP worked with NERC to create a draft NERC bulletin. Currently in circulation among all the regions for comments. On track for completion by July 30, 2009.

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19	Develop procedures to ensure the RE staff obtain corroborating evidence to verify a registered entity's compliance following a self-report.	The RE staff operates under the guidelines of the CMEP. In the third quarter of 2008, the SPP RE added a dedicated staff member to focus on mitigation and enforcement. This position now serves as the focal point for all mitigation plan submittals, plan acceptances, evidence validation and preparation of all notices. This staff member has established a team relationship with the other technical RE staff and is free to call upon their expertise and time to assist in evaluating mitigation plans as well as using them as team members for evidence validation. In addition, the SPP RE added an administrative assistant to the staff in the third quarter of 2008, in part to provide support to the mitigation and enforcement activities. An additional position in the mitigation and enforcement area is expected to be filled in April 2009. In general, the evidence evaluation is performed in the same manner as an off-site audit or a spot check review. The evidence is checked against the performance indicators of the approved mitigation plan as well as against the requirements of the applicable reliability standard. At the discretion of the review team, an on-site or field visit may be arranged. The reviewer or review team files a Compliance Mitigation Review with the mitigation and enforcement staff. The mitigation and enforcement staff then provides feedback to the registered entity that the review is complete or requests additional information, as needed. The feedback notices are added to the violation record that is attached to the Notice of Confirmed Violation or an approved Settlement Agreement. The new RE General Manager is responsible for continuously reviewing the RE's internal processes and ensuring they are adequate and in compliance with NERC and FERC requirements, and has the authority to make changes as needed.		Process to be developed. Plan to be complete by July 30, 2009.

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20	Ensure that NERC performs all audits of SPP, Inc.'s registered entity functions (Reliability Coordinator, Transmission Service Provider, Transmission Planner, Reserve Sharing Group and Planning Authority), including all facets of these audits, from audit commencement and pre-audit survey to final audit report.	NERC has previously agreed to perform all audits of SPP, Inc.'s registered entity functions, as described in the recommendation.		Contract terms under discussion and negotiation.