

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING

September 24, 2009

Westin Hilton Head Resort & Spa, Hilton Head, SC

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 9:08 a.m. The following members were in attendance: Josh Martin (Director), Julian Brix (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, David Hodges, Richard Dillon, and Lauren Krigbaum (SPP). Other attendees included: Jim Eckelberger and Larry Altenbaumer (Directors).

Mr. Martin referred to draft minutes of the June 8, 2009 meeting and asked for corrections or a motion for approval (8/6/09 Minutes – Attachment 1). Julian Brix moved to approve the draft minutes and Josh Martin seconded the motion. The motion passed unanimously.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett reviewed the Action Items Report (Action Items - Attachment 2).

Agenda Item 3 – Update on Current Activities

Market Monitoring Unit

Richard Dillon reviewed the Market Monitoring Unit Activity Report (MMU Report – Attachment 3). FERC has requested additional information with the pricing data that is provided on a regular basis. Mr. Dillon noted the state regulators and members that SPP staff has visited to date regarding new markets. Julian Brix requested follow-ups with the Board of Public Utilities and the City of Independence regarding interest in a meeting on future markets to educate their staffs on the impacts of the new markets. The Committee suggests staff re-issue the option for one-on-one presentations at individual companies after the Markets and Operations Policy Committee meeting in October.

Internal Audit

Lauren Krigbaum reviewed activities of the Internal Audit (IA) during the last quarter (Internal Audit Report and Charter – Attachment 4). Research was conducted on the reporting line for Records Management. The results show there is no real consistency in the companies surveyed – it reports in a variety of areas in companies. The Committee recommends an alternative reporting line for Records Management so IA has no functional oversight. Stacy Duckett will report back to Nick Brown. The Committee is very supportive of IA's plans to hire someone with expertise in IT to facilitate the audit of this area. The IA Charter was updated to indicate reporting responsibilities among various groups within SPP. The Committee discussed and suggested additional revisions regarding accountability, and asked for some additional focus on cost control. Ms. Krigbaum will develop and present these revisions at the next meeting. Julian Brix asked for a status of certification of the audit staff which was provided. Ms. Krigbaum then reviewed the Audit Plan for 2009-2010, noting changes since the last meeting. Lastly, Ms. Krigbaum reviewed audits completed and currently in process during the quarter. The Finance Committee asked that the IA present to the Oversight Committee a review of fixed costs for Off We Go that are billed to SPP. The Committee will review these annually unless otherwise requested by the IA. The Committee discussed at length the recent Physical and Cyber Access audit results.

Internal Compliance

David Hodges updated the Committee on the Compliance Department activities, beginning with staffing levels and roles (Compliance Report – Attachment 5). He then reviewed audit activities during the quarter. Stakeholder participation in the Compliance Forums and interim conference calls is very good and interest continues to grow. The department launched a quarterly newsletter focused on compliance activities and best practices. Mr. Hodges will ensure all Directors and Officers are on the distribution list.

Agenda Item 4 – FERC Audits and Investigation Status Report

Stacy Duckett provided a status report on the various FERC audits and investigations that are in process.

Agenda Item 5 – Market Monitoring Communication Proposal

Stacy Duckett introduced a proposal to issue a monthly e-newsletter for Directors from the MMU regarding market activity (MMU e-newsletter – Attachment 6). Mr. Dillon reviewed types of information that would be included. The Committee responded very positively and endorsed moving forward, asking that the Members Committee be included on the distribution as well.

Agenda Item 6 – Annual Assessment Review

Stacy Duckett reviewed a draft Assessment and Scope for the Committee (Assessment and Scope – Attachment 7). The Scope must be further updated to include Internal Audit. The Committee discussed additions to the Assessment as well.

Agenda Item 7 – Consulting Services for 2010

Stacy Duckett provided background on pending issues of determining consulting arrangements for 2010. Following discussion, the Committee directed staff to pursue a contract with Boston Pacific on behalf of the Board of Directors for the State of the Market report, and endorsed the MMU engaging a Potomac Economics for consultation on market design and metrics.

As a separate issue the Inquiry Process will be revised to clarify that a complainant may ask the Oversight Committee to engage a third party to conduct an inquiry, rather than referring to a specific third party.

Agenda Item 8 – New Action Items

Stacy Duckett reviewed new action items:

- Stacy Duckett will discuss Records Management reporting with the Officers.
- Lauren Krigbaum will develop and present edits to the IA Charter at the next meeting.
- Stacy Duckett will update the Scope to reflect the IA responsibilities.

Agenda Item 9 – Future Meetings

Josh Martin noted future meeting dates.

The meeting adjourned at 2:05 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING

September 24, 2009

Westin Hilton Head Resort & Spa, Hilton Head, SC

• A G E N D A •

9:00 a.m. – 3:00 p.m. (CDT)

- 1. Call to Order Josh Martin
- 2. Action Items Report..... Stacy Duckett
- 3. Update on Current Activities
 - a. Market Monitoring Unit..... Richard Dillon
 - b. Internal Audit Lauren Krigbaum
 - c. Internal Compliance..... David Hodges
- 4. FERC Audits and Investigation Status Report..... Stacy Duckett
- 5. Market Monitoring Communication Proposal..... Stacy Duckett/Richard Dillon
- 6. Annual Assessment Review..... Stacy Duckett
- 7. Consulting Services for 2010All
- 8. New Action Items Stacy Duckett
- 9. Future Meetings Josh Martin

Schedule for 2009:

December 7 Dallas (day prior to the Board of Directors meeting)

Schedule for 2010:

March 25 TBD

June 6 Little Rock (morning prior to BOD Meeting)

September 30 TBD

December 6 Dallas (day prior to BOD Meeting)

**Southwest Power Pool
OVERSIGHT COMMITTEE MEETING**

June 8, 2009

Bailey Center – Little Rock, AR

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 8:15 a.m. The following members were in attendance: Josh Martin (Director), Julian Brix (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, David Hodges, Richard Dillon, Alan McQueen and Lauren Krigbaum (SPP). Other attendees included: Harry Skilton, (Director).

Mr. Martin referred to draft minutes of the March 25, 2009 meeting and asked for corrections or a motion for approval (3/25/08 Minutes – Attachment 1). Julian Brix moved to approve the draft minutes and Phyllis Bernard seconded the motion. The motion passed unanimously.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett reviewed the Action Items Report (Action Items - Attachment 2).

Agenda Item 3 – Update on Current Activities

Compliance Department

David Hodges provided an update the Compliance Department activities (Compliance Report – Attachment 3). The SPP RC Audit in 2008 was postponed and has not yet been rescheduled in 2009. The audit of the ICT/ITO functions has been rescheduled for October 2009. The Oversight Committee will be added to the exploder for Compliance Forums. There are approximately 15-20 participants on the bimonthly conference calls. Mr. Hodges was asked to provide information in future reports regarding participation and topics requiring more focus/attention. The Committee will also receive these agendas via the Compliance exploder. The department has enhanced issues tracking to identify common issues as well as provide reference materials for staff. A monthly meeting with the SPP Operators is also being initiated. Ms. Bernard sought confirmation that a simulator is available for operator training; it is. SPP recently received notice that its Black Start Training has been cited as an Example of Excellence by NERC, and continues to be well regarded by the members. Mr. Hodges noted that the Compliance Plan for SPP has been completed and copies have been provided to the Committee via email.

Market Monitoring Unit

Richard Dillon reviewed activities of the Market Monitoring Unit (MMU Report – Attachment 4). He noted that the Manager of Market Design position is now open, but expects no impact on new market implementation initiatives. The Committee recommends direct review with Directors on the pending recommendation on Financial Transmission Rights given the history of the issue. The State of the Market presentations were made last week at FERC. Mr. Dillon also reviewed the market update. He noted the proposed Market Rule Change Process for the Committee's review and questions. The Committee accepted the Process and will recommend approval by the Board of Directors at the July meeting, following reviews at the Market Working Group (MWG) and the Markets and Operations Policy Committee (MOPC).

Agenda Item 6 – External Market Advisor

Craig Roach (Boston Pacific) called in to report on the status of a request by Chairman Barry Smitherman (Texas Public Utility Commission) to provide additional information in regard to the impact of pending federal legislation on retail rates. Under various scenarios based on current legislation being considered, Boston Pacific estimates the impact on retail rates ranges from 3 – 15%. Some other considerations could push the impact to 30% or more. The committee discussed and asked questions. Boston Pacific will provide a memo to Josh Martin with the response to Chairman Smitherman's questions; Mr. Martin will forward to Chairman

Oversight Committee Meeting
June 8, 2009

Smitherman, copying the Regional State Committee and the Board of Directors. A draft will be provided to MMU staff this week, sent next to the Committee, and distribution planned for later in June.

Agenda Item 3c - Internal Audit

Lauren Krigbaum introduced herself to the Committee, and reviewed her departmental structure (Internal Audit Report and Plan – Attachment 5). She reviewed the Internal Audit Charter. It will be reviewed annually at the June meeting. Records management currently reports to the Internal Audit; this may be changed to avoid any conflicts, but remains under assessment. The Committee requested an update at the next meeting. Ms. Krigbaum then reviewed the 2009-2010 Audit Plan. The Committee was invited to provide any feedback on the Plan as well as suggestions for any additional issues that should be considered. Audit basics training is now covered with new employees. The Audit reports will be provided to the Committee via Executive Summaries unless more detail is requested. The Committee discussed the approach to audits and reporting in the context of ensuring these are executed in concert with the SPP Value Propositions and culture.

Agenda Item 4 – FERC Audits and Investigation Status Report

Stacy Duckett reviewed the status of audits and investigations. She also noted the Department of Labor Audit of the 401(k) plan.

Agenda Item 5 – Staff Training

Stacy Duckett noted various staff training initiatives that impact compliance: Policy Re-read, Security Awareness, Ethics and Standards of Conduct, and Harassment. These are conducted annually and required by all staff.

Agenda Item 7 – New Action Items

Stacy Duckett reviewed the new action items:

- Update on reporting of the Records Management function
- Distribution of the Chairman Smitherman memo

Agenda Item 8 – Future Meetings

The September 24 meeting has been moved to Hilton Head, South Carolina. Josh Martin will host a dinner at his house that same evening. Please RSVP by September 1. The Committee will also meet on December 7 in Dallas prior to the Board of Directors meeting.

The meeting adjourned to Executive Session at 11:10 a.m.

Executive Session

David Hodges provided an update on the recent self report. The mitigation plan has been approved by NERC. Training has been enhanced to avoid future incidents.

Jason Gross, Alan McQueen and Richard Dillon reviewed the RFP process for External Market Advisor services for 2010 and provided a recommendation. Following discussion, the Committee will reconvene in conjunction with the July Board Meeting to further discuss this recommendation.

Richard Dillon updated the Committee on a referral to FERC, and an issue, for which the Market Monitoring Unit will be seeking data to determine whether it should be reviewed further.

The Executive Session adjourned at 12:25 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE
Pending Action Items Status Report
September 24, 2009

Action Item	Date Originated	Status	Comments
Stacy Duckett will request initiation of a project for a full review of the SPP OATT and report at the next meeting.	March 25	Pending	This initiative has started in Regulatory. Substantive completion is expected 4Q09.
Craig Roach is to provide future updates on ramp rate metrics and a market overview.	March 25	Completed	Discussed at June 8 meeting.
Update on reporting of the Records Management function	June 8	Pending	Report at September 24 meeting.
Distribution of the Chairman Smitherman memo	June 8	Completed	
Posting of Market Rules change process	July 28 BOD/MC meeting	Completed	Posted on MMU web page, as is Inquiry process



Southwest Power Pool, Inc.

MARKET MONITOR

Report to the Oversight Committee

24 September 2009

Staffing

- **Market Design**
 - The Manager of Market Design is now Debbie James.
 - There is an offer outstanding to fill the open engineer position.
- **Market Monitoring**
 - Barbara Stroope is our new Market Analyst II - all positions are now filled.

Activity Update

- **Federal Energy Regulatory Commission (FERC)**
 - MMU, with assistance from Ops, has implemented a weekly price spike report for FERC Staff. Activities like this have resulted in a very strong working relationship between FERC Staff and the MMU.
- **Market Design**
 - MWG is meeting every week to work on the market design and develop Protocol language.
 - Education sessions on Future Markets have been presented to five regulatory agencies and six members (in addition to the member participation in regulatory presentations).
 - The October MOPC meeting will include four hours of education on the Future Markets.
- **Regulatory**
 - Market Participant data retention audits as required by SPP tariff started in July fulfilling FERC audit requirements.

Infrastructure

- The data warehouse system is in test phase with initial live applications expected in October.
- Offer Cap system administration has been transferred from MMU to Operations as required by FERC Order 719. The transfer was accomplished without any problems and a joint review of standard processes resulted in the several efficiency improvements that were implemented on September 1.

Action Items

- MMU sponsored market rule changes process, as approved by the full Board, is now posted on the SPP Market Monitoring web page.

Respectfully submitted,

Richard Dillon
Director, Market Development and Analysis



Southwest Power Pool, Inc.
PROCESS INTEGRITY AND INTERNAL AUDIT
Report to the Oversight Committee
September 24, 2009

Staffing

- The Process Integrity and Internal Audit department (which includes the records management function) is fully staffed at this time.
- An incremental headcount position has been submitted in the 2010 budget. This position, Senior Information Systems Auditor, has been requested to add information technology expertise to audit staff. The addition of this position will allow the Process Integrity and Internal Audit department to better assess SPP's technology risks. The position would be active in ongoing reviews of SPP's SAS 70 IT controls and readiness assessments for IT-related projects.

Activity Update

- Updated draft of Process Integrity and Internal Audit Charter to reflect reporting responsibilities (see attached)
- Revised Audit Schedule (see attached)
- Audits Completed Since Last Meeting:

- Off We Go, LLC –

The audit was performed to validate the fairness and reasonableness of cost factors associated with reimbursements made to and requested by Off We Go, LLC for the period January 1, 2008 through July 31, 2009. The review was completed, in part, to fulfill SPP's commitment to a FERC Office of Enforcement's audit recommendation. The review included an examination of all invoices, payments and supporting documentation. Invoices paid in 2008 totaled \$55,756 for fixed and variable costs (with an associated 252 engine hours) and invoices paid January 2009 through July 2009 total \$9,689 for variable costs (with an associated 79 engine hours). Year to date reimbursements for fixed costs (as agreed to by the SPP Finance Committee) total \$24,281.

During the review of 2008 invoices, instances were noted where invoices received from Off We Go, LLC did not consistently document all pertinent information regarding flights (e.g. purpose and destination). However it was noted that all pertinent information regarding flights have been included on the invoices received in 2009.

Although minor differences were noted in the review of supporting documentation, the overall net results of the cost factors submitted for purposes of reimbursement were reasonable. Therefore it is the opinion of SPP Process Integrity and Internal Audit personnel that cost factors associated with Off We Go, LLC reimbursements were fair and reasonable.

- Physical and Cyber Access



The audit was completed to determine whether physical access and cyber access procedures utilized by SPP provide reasonable assurance that access to sensitive areas, applications and information are limited to properly authorized individuals.

See attached for summary.

- Audits Currently in Process:

- Eterrasettlement (ETS) Hosting Arrangement with AREVA TD

The purpose of the review is to determine whether AREVA TD and its contracted hosting facility, Internap, have sufficient internal controls in place to protect the interests of SPP, its members and customers for the ETS system components hosted at the AREVA TD Redmond, WA worksite and the Internap Seattle, WA worksite. ETS is the replacement system for the Lodestar Market Settlement system. Audit fieldwork is complete and we are in the process of writing the audit report.

- Employee Expense Audit

The purpose of this review is to determine whether internal controls over the employee expense process are adequate to ensure that corporate related expenses incurred by employees are processed correctly, reimbursed timely, reviewed adequately, recorded and documented appropriately. Audit testing is in process.

- Firewalls

The purpose of this audit is to ensure that SPP has firewall policies/procedures in place to protect the interests of SPP, its members, and customers; as well as to verify that internal controls are adequately designed and operating effectively. Audit has just been initiated.

- Upcoming Audits:

- Contract Administration

- Fixed Assets

- Accounts Payable (quarterly review)

- Best Practices for Employee Time Tracking

- Other Activities

- Completion of Process Integrity and Internal Audit's process documentation

- Assisting other departments in the completion of process documentation for corporate process documentation initiative

- Consulting services for the transfer of Digital Certificates from Customer Relations to IT Office Support (including process documentation)

- Special projects as assigned by Vice President, Process Integrity and others (e.g. UPS Failures, Source/Sink Additions)



- Working with all SPP departments to review and revise record retention schedule
- Participation in the initial rollout of SPP's records management system, Documentum
- SAS 70-related work
 - User Access Review for SAS 70 servers, databases and applications
 - Continuous, periodic audits
 - Report narrative
 - Settlement Disputes
 - Preparation for Phase 2 testing
 - SAS 70 training for management

Respectfully submitted,

Lauren Krigbaum
Director, Process Integrity and Internal Audit



Process Integrity and Internal Audit Charter

This charter describes the mission, independence and objectivity, scope and responsibilities, authority, accountability and standards of the internal audit function at Southwest Power Pool, Inc.

Mission and Scope of Work

The mission of the Process Integrity and Internal Audit department is to provide independent, objective assurance and consulting activity designed to add value and improve Southwest Power Pool, Inc.'s (SPP) operations, including SPP's internal control structures and processes.

As a partnership with, and a service to management and the Board of Directors, Process Integrity and Internal Audit will act as an independent appraisal function by examining and evaluating SPP's system of internal control and quality of performance. This assurance function will systematically evaluate and improve the effectiveness and efficiency of operations, risk management, internal control structures, and governance processes (including compliance with regulation, corporate policy, strategy and culture) which will enable management to be more effective in meeting business objectives and in fulfilling obligations to SPP's members.

The scope of work of the Process Integrity and Internal Audit department is to determine whether the organization's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- The appropriate level of internal control exists within SPP to manage and mitigate risk.
- Policies, standards, procedures and controls are adequately documented as needed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial and operating information is accurate, reliable and timely.
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently and adequately protected.
- Programs, plans and objectives are achieved.
- Quality and continuous improvement are fostered in SPP's control process.
- Significant legislative or regulatory issues impacting SPP are recognized and addressed appropriately.

Opportunities for improvement may be identified during audits. These opportunities for improvement and any applicable best practices will be communicated to the appropriate levels of management.

Accountability

The Director, Process Integrity and Internal Audit, in the discharge of her/his duties, shall be accountable to management, the Finance Committee and the Oversight Committee of the Board of Directors to:

- Submit assessments to all appropriate reporting entities (see **Responsibility** section) of the adequacy and effectiveness of the SPP processes for controlling its activities and managing its risks in all areas of SPP operations on an annual basis.
- Report to all appropriate reporting entities (see **Responsibility** section) significant issues related to the processes for controlling the activities of SPP, together with recommendations for improvements to those processes.
- Periodically provide to all appropriate reporting entities (see **Responsibility** section) information on the status and results of the annual audit plan.
- Coordinate with and provide oversight of other control and monitoring functions (e.g. risk management, compliance, security, legal, ethics, external audit).

Independence and Objectivity

To provide for the independence of the Internal Audit department, its personnel report to the Director, Process Integrity and Internal Audit, who reports to the Vice President of Process Integrity and Chief Administrative Officer (CAO).

Responsibility

Process Integrity and Internal Audit shall develop a flexible annual audit plan using an appropriate process-based or risk-based methodology, including risks, process or control concerns identified by management. The annual audit plan will be submitted to the CAO, the Finance Committee and the Oversight Committee for review and approval as well as periodic updates.

Process Integrity and Internal Audit is responsible for planning, conducting, reporting, and following up on audit engagements included in the annual audit plan. The Director, Process Integrity and Internal Audit, will allocate resources, set frequencies, select subjects, determine scopes of work and audit techniques required to accomplish audit objectives.

Process Integrity and Internal Audit will conduct audit engagements in a timely and professional manner. Audit results will be communicated through an open process in which audit recommendations will be agreed upon by all involved parties. A detailed audit report and a letter to management will be issued on a timely basis and will summarize the objectives and scope of the audit as well as observations and recommendations. In all cases, follow-up work will be undertaken to ensure corrective action has been taken where necessary.

Process Integrity and Internal Audit will periodically provide information on the status and results of the audit plan and will submit periodic reports to the CAO, the Finance Committee and the Oversight Committee on the results of audit work (as outlined below) that will include any significant risk exposures and control issues identified.

<u>Reporting Entity</u>	<u>Scope of Reporting Responsibilities</u>
SPP Management	Results of audit work associated with specific areas of responsibility
CAO	Results of all audit work
Finance Committee	Results of audit work associated with SAS 70 audit requirements
Oversight Committee	Results of audit work performed by the internal audit function, except for that work associated with SAS 70 audit requirements

Process Integrity and Internal Audit will work in conjunction with Compliance and Training to support SPP's Compliance Program.

Authority

Process Integrity and Internal Audit is authorized to:

- Have unrestricted access to all information, records, physical properties, and personnel relevant to any SPP function under review.
- Have full and free access to the President and Chief Executive Officer (CEO), Board of Directors, the Finance Committee and the Oversight Committee.
- Obtain the necessary assistance of personnel in various departments and offices of SPP subject to audit, as well as other specialized services from within or outside SPP.

Documents and information given to Process Integrity and Internal Audit during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them. All Process Integrity and Internal Audit personnel sign, upon employment, an internal audit confidentiality agreement and a separate statement agreeing to abide by The Institute of Internal Auditors (IIA) Code of Ethics.

Process Integrity and Internal Audit is *not* authorized to:

- Perform operational duties.
- Initiate or provide approval for any activities or transactions external to Process Integrity and Internal Audit.
- Direct the activities of any SPP employee not employed by Process Integrity and Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

The Vice President of Process Integrity and CAO must approve any deviations to the above. Process Integrity and Internal Audit personnel performing any approved operational duties may not perform internal audits in those areas where such duties are performed within one (1) year of performing such duties.

Code of Ethics and Standards of Audit Practice

Members of the Process Integrity and Internal Audit department will govern themselves by adhering to The IIA's "Code of Ethics" and will meet or exceed the standards of best professional practice such as the IIA's *International Standards for the Professional Practice of Internal Auditing*.

SPP
Process Integrity and Internal Audit
2009-2010 Audit Plan

Area	Activity	Anticipated Start Date
Settlements	Settlements Readiness Audit - Transmission	2009 Q4
Finance/ Various	Employee Expense Reporting	2009 Q2-Q3
Settlements/IT	COS ETS Hosting Arrangement (Areva)	2009 Q3
IT	SAS 70 IT General Controls Audit	2009 Q3
IT Security	Changes to Firewalls	2009 Q3
Finance	Fixed Assets	2009 Q3
Finance/ Various	Employee Time Tracking (JournyX) Best Practices	2009 Q3
Various	Contract Administration	2009 Q3
Settlements	Settlement Disputes	2009 Q3
IAPI	2010 Annual Audit Planning	2009 Q3-Q4
Contract Services	Tariff audit (selected sections)	2009 Q4
Various	Corporate Policy Review	2009 Q4
IT	Incident and Problem Management - Remedy	2009 Q4
HR	Employee Benefits - Time Off	2009 Q4
HR	Employee Benefits - Payroll	2009 Q4
HR	ComplianceLine Complaint Handling	2009 Q4
HR/Legal	Annual Harassment training	2009 Q4
Ops Engineering	NNL-to-MOS Interface	2009 Q4
Planning Engineering	Tariff Studies	2010 Q1
Various	Order 890 follow-up audit	2010 Q1
Contract Services	Contract Services - regulatory compliance	2010 Q1
HR/Legal	Annual Corporate Policy Reaffirmation	2010 Q1
Compliance	Model Compliance Program	2010 Q1
IT Security	User Access Audit (Physical)	2010 Q1
Finance	Bank Reconciliations	2010 Q2
Risk Management	Credit Default	2010 Q2
Legal/IT Security	Annual Security Awareness training	2010 Q2
Legal	Annual Ethics and Code-of-Conduct Reaffirmation Training (All Employees)	2010 Q2
Finance	Corporate Credit Cards	2010 Q2
Finance	Procurement Audit	2010 Q2

SPP
Process Integrity and Internal Audit
2009-2010 Audit Plan

Area	Activity	Anticipated Start Date
IT Security	CIP Audit	2010 Q3
Various	EMS	2010 Q3
IAPI	New Employee Orientation Training on Audit Basics	Monthly
Various	SAS 70 Controls Testing	Periodic Testing - report as completed
ITSM	User Access Audit (Cyber)	Quarterly
Finance	Accounts Payable (including Off We Go LLC)	Quarterly
Various	Special Request Audits	As requested



Compliance Department

Report to the Oversight Committee

September 24, 2009

Newest Employee

The SPP RTO Compliance Department would like to welcome their newest employee, Kevin Goolsby! As you are aware, Kevin joins us from the SPP Regional Entity and his transition was effective September, 16th. As a Lead Compliance Engineer, Goolsby's experience and knowledge of compliance will greatly benefit the department as well as you as members and registered entities. Welcome, Kevin!

Compliance Audits

NERC notified David Hodges of a 2009 Spot Check Audit on seven enforceable standards. The SPP RC was required to submit evidence showing compliance with each applicable requirement by August 10, 2009.

SPP is waiting on NERC's findings regarding the audit.

The SPP RC (RTO and ICT) had a Compliance Spot Check on September 1, 2, and 3. The scope of this audit included 15 CIPS requirements. The audit team has representation from NERC, SERC, and MRO which enabled SPP to complete 3 three audits in one session. SPP was found to be 100% compliant.

The SPP Regional Entity conducted a compliance spot check on CIP-002-1 R1. After completing the review, the SPP RE Compliance Staff determined that SPP is compliant with the requirements of NERC Standard CIP-002-1, Requirement 1.

SPP is scheduled for a compliance audit for the week of May 10, 2010. This audit will include the 2010 CMEP monitored standards for all functions that SPP is currently registered for. The audit team will have representation from multiple regions similar to the CIPS audit.

2009 Compliance Forums

On August 20, 2009 SPP held a quarterly Compliance Forum in Kansas City, KS (special thanks to BPU and Sarah Blankenship for hosting this event). Agenda items included CIP Standards, PRC-005 Compliance, Audit Lessons Learned, and Compliance Monitoring Programs. There were approximately 60 participants in attendance and the discussion throughout the event was excellent.

The next Compliance Forum is scheduled for November 19, 2009 in Kansas City, MO.



The momentum of the Compliance Forums continues to grow as additional entities attend after hearing about them.

The Compliance Department is hosting 2 conference calls every month for compliance support in addition to the forums. It looks like we may add a 3rd conference call as members and registered entities request additional discussion regarding specific functions.

Compliance Outreach

The Compliance Department started having monthly meetings in July 2009 with several of the RTO operations managers to discuss updates to NERC reliability standards, standards under development, and NAESB updates. The objective of these meetings is keep operations up to date with any upcoming changes that may have an impact to current processes, procedures, or systems.

The Compliance Department participates in the SPP new hire orientation sessions to introduce new staff to the “Culture of Compliance” at SPP.

The Grand River Dam Authority (GRDA) has requested that David Hodges visit and speak at their 2009 Customer Conference regarding the importance of compliance. The conference is scheduled for October 9-10 in Tulsa, OK.

The Compliance Department will publish a quarterly newsletter following our Compliance Forums. We intend to recap what happened at our forums, share best practices within the industry, and provide avenues for SPP members and registered entities to be aware of compliance happenings.

Email the SPP RTO Compliance Department

The SPP RTO Compliance Department is here to help you in any way we can with your compliance needs or concerns. You can submit any feedback or questions to the following email account. Email [**SPPRTOCompliance@spp.org**](mailto:SPPRTOCompliance@spp.org)

Training

In May 2009, SPP created the Operations Training Advisory Committee (OTAC) which consists of unit leaders from Operations, Operations Engineering, Compliance, Training and Performance Support, and subject matter experts and other specialists where appropriate.

The OTAC meets biweekly to examine, evaluate and provide feedback regarding proposed, new, and established training and performance support programs to ensure training and performance support initiatives are designed to effectively and efficiently close competency gaps. OTAC activities focus on training and performance improvement interventions as related to operations training for SPP operations



personnel. This committee also provides a venue to examine lessons learned and human error prevention.

Attached is an insert containing the **Reliability Standards Acronyms**. I hope this is helpful when reviewing the many different standards.

Reliability Standards Acronyms

BAL	Resource and Demand Balancing	NUC	Nuclear
CIP	Critical Infrastructure Protection	ORG	Organization Certification
COM	Communications	PER	Personnel Performance, Training, and Qualifications
EOP	Emergency Preparedness and Operations	PRC	Protection and Control
FAC	Facilities Design, Connections and Maintenance	TOP	Transmission Operations
INT	Interchange Scheduling and Coordination	TPL	Transmission Planning
IRO	Interconnection Reliability Operations and Coordination	VAR	Voltage and Reactive
MOD	Modeling, Data, and Analysis		

Future Activities

- Provide assistance to members and registered entities regarding compliance.
- Compliance Forums
- Participate in national forums
- NERC Compliance and Certification Committee
- TOOF – Compliance Practices Group
- OATI WebCompliance Software being implemented for compliance tracking, monitoring, and standards updates.

Respectfully submitted,

David H. Hodges
 Director, Compliance

EPA Act 2005 Civil Penalty Enforcement Actions

Subject of Investigation Order and Date	Total Payment	Explanation of Payments (Civil Penalty Under the NGA, FPA, or NGPA; Disbursement of Profits; Other Payments) and Compliance Plans
Enserco Energy, Inc., 128 FERC ¶ 61,173 (August 24, 2009)	\$1,400,000	Civil penalty resulting from violations of the Commission's open access transportation program, including, improper release and acquisition of discounted rate capacity through flipping transactions, and violations of the shipper-must-have-title requirement.
In re Amaranth Advisors., et al 128 FERC ¶ 61,154 (July 8, 2009)	\$7,500,000	Civil penalty resulting from violations of 18 C.F.R. § 1C.1 (Natural Gas Anti-Market Manipulation Rule).
In Re Southern Company Services, Inc., 128 FERC ¶ 61,013 (July 8, 2009)	\$350,000	Civil penalty and compliance reporting resulting from violations of buy-sell transactions and shipper-must-have-title requirements.
In re Wasatch Oil & Corp. and Wasatch Energy LLC, 127 FERC ¶ 61,322 (June 30, 2009)	\$320,000	Civil penalty and compliance reporting resulting from violations of §284.8(h) posting and bidding requirements, improper release and acquisition of discounted rate capacity through flipping transactions.
In re ProLiance Energy, LLC, 127 FERC ¶ 61,321 (June 30, 2009)	\$3,000,000 \$195,959.44	Civil penalty and compliance reporting resulting from violations of §284.8(h) posting and bidding requirements, improper release and acquisition of discounted rate capacity through flipping transactions, violations of shipper-must-have-title requirements and violations of buy-sell transaction rules.
In re Sequent Energy Management, L.P. and Sequent Energy Marketing, L.P., 127 FERC ¶ 61,320 (June 30, 2009)	\$5,000,000 \$53,728.18	Civil penalty and compliance reporting resulting from violations of §284.8(h) posting and bidding requirements, improper release and acquisition of discounted rate capacity through flipping transactions, violations of shipper-must-have-title requirements and violations of buy-sell transaction rules.

Source: FERC website
Updated: August 26, 2009
Total Penalties: \$84.80 million

In re Piedmont Natural Gas Co. Inc., 127 FERC ¶ 61,319 (June 30, 2009)	\$1,250,000	Civil penalty and compliance reporting resulting from violations of §284.8(h) posting and bidding requirements, improper release and acquisition of discounted rate capacity through flipping transactions.
In re Puget Sound Energy, 127 FERC ¶ 61,070 (April 22, 2009)	\$800,000	Civil penalty and compliance reporting resulting from violations of 18 C.F.R. §284.8(h) posting and bidding requirements, improper release and acquisition of discounted rate capacity through flipping transactions and self reported violations of shipper-must-have-title requirements.
In re Anadarko Petroleum Corp., 127 FERC ¶ 61,069 (April 22, 2009)	\$1,100,000	Civil penalty, disgorgement and compliance reporting resulting from violations of 18 C.F.R. §284.8(h) posting and bidding requirements, improper release and acquisition of discounted rate capacity through flipping transactions.
In re Louisville Gas & Electric Co., 127 FERC ¶ 61,068 (April 22, 2009)	\$350,000	Civil penalty and compliance reporting resulting from violations of 18 C.F.R. §284.8(h) posting and bidding requirements, improper release and acquisition of discounted rate capacity through flipping transactions.
In re Jefferson Energy Trading, LLC, Wizco, Inc., Golden Stone Resources, LLC, 126 FERC ¶ 61,040 (January 15, 2009)	\$585,000	Civil penalty and compliance reporting resulting from violations of 18 C.F.R. § 1c.1, in connection with an attempt to engage in multiple affiliate bidding to impair the pro rata allocations in an auction.
In re Klabzuba Oil & Gas, F.L.P., 126 FERC ¶ 61,040 (January 15, 2009)	\$300,000	Civil penalty and compliance reporting resulting from violations of 18 C.F.R. § 1c.1, in connection with an attempt to engage in multiple affiliate bidding to impair the pro rata allocations in an auction.
In re Oneok, Inc., 126 FERC ¶ 61,040 (January 15, 2009)	\$4,500,000 \$1,914,945	Civil penalty, disgorgement and compliance monitoring resulting from violations of 18 C.F.R. § 1c.1, in connection with the submission of multiple affiliate bids to impair the pro rate allocation mechanism in an auction. Also violations of shipper-must-have-title requirements and open access transportation requirements.
In re Tenaska Marketing Ventures, 126 FERC ¶ 61,040 (January 15, 2009)	\$3,000,000 \$1,972,842	Civil penalty, disgorgement and compliance monitoring resulting from violations of 18 C.F. R. § 1c.1, in connection with the submission of multiple affiliate bids to impair the pro rata allocation mechanism in an auction.

Source: FERC website
Updated: August 26, 2009
Total Penalties: \$84.80 million

In re DCP Midstream, LLC., 125 FERC ¶ 61,359 (December 23, 2008)	\$360,000	Civil penalty and compliance monitoring reporting resulting from self-reported violations of the shipper-must-have-title requirement.
Sempra Energy Trading LLC., 125 FERC ¶ 61,360 (December 23, 2008)	\$400,000 \$7,959	Civil penalty, disgorgement and compliance monitoring reporting resulting from self-reported violations of the shipper-must-have-title requirement.
In re Cornerstone Energy, Inc., 125 ¶ FERC 61,234	\$325,000 \$121,825	Civil penalty and disgorgement resulting from violations of the Commission's capacity release policies, specifically violations of the shipper-must-have-title requirement.
In re NorthWestern Corporation and NorthWestern Services, LLC., 125 FERC ¶ 61,233 (November 26, 2008)	\$450,000	Civil penalty and compliance monitoring reporting resulting from violations of the Commission's capacity release policies, specifically violations of the shipper-must-have-title requirement.
Columbia Gas Transmission Corporation and Columbia Gulf Transmission Company, 125 FERC ¶ 61,150 (November 6, 2008)	\$1,000,000 \$9,000,000	Civil penalty and disgorgement resulting from alleged violations of the Parking and Lending Rate Schedule of the companies' FERC tariff.
In re Enbridge Marketing (U.S) L.P., 125 FERC ¶ 61,088 (October 24, 2008)	\$500,000	Civil penalty and compliance report resulting from self-reported violations of the shipper-must-have-title requirement.
In re Integrys Energy Services, Inc., 125 FERC ¶ 61,089 (October 24, 2008)	\$800,000 \$194,506	Civil penalty, disgorgement, and a 1 year compliance monitoring plan resulting from a self-report for violations of shipper-must-have-title requirements and circumvention of the posting and bidding requirements for released capacity.
In re Duquesne Light Company, 123 FERC ¶ 61,221 (May 29, 2008)	\$250,000 \$1,000,000	Civil penalty and at least \$1,000,000 designated for a comprehensive compliance plan for violations of FERC cost allocation procedures, the electric quarterly report filing requirement and the standards of conduct.

Source: FERC website
Updated: August 26, 2009
Total Penalties: \$84.80 million

In re Edison Mission 123 FERC ¶ 61,170 (May 19, 2008)	\$7,000,000 \$2,000,000	Civil penalty and at least \$2,000,000 designated for a comprehensive compliance plan for violations of 18 C.F.R. § 35.41 (b) (2007), which imposed a duty to provide accurate, factual, and complete information in communications with the Commission upon electric power sellers authorized to engage in sales for resale of electric energy at market based rates.
In re Entergy New Orleans, Inc., 122 FERC ¶ 61,219 (March 11, 2008)	\$400,000	Civil penalty resulting from self-reported violations of the Commission's shipper-must-have-title requirement.
In Constellation NewEnergy-Gas Division, LLC (CNE-G) 122 FERC ¶ 61,220 (March 11, 2008)	\$5,000,000 \$1,899,416	Civil penalty, disgorgement, and a compliance monitoring plan resulting from self-reported violations of the Commission's capacity release policies, including circumvention of the posting and bidding requirements for released capacity, violations of the shipper-must-have-title requirement, and violations of the prohibition on buy-sell transactions.
In re BP Energy Company, 121 FERC ¶ 61,088 (October 25, 2007)	\$7,000,000	Civil penalty and compliance monitoring plan resulting from self-reported violations of competitive bidding regulations, shipper-must-have-title requirement, and prohibition on buy/sell arrangements.
In re MGTC, Inc., 121 FERC ¶ 61,087 (October 25, 2007)	\$300,000	Civil penalty and compliance report resulting from self-reported violations of the shipper-must-have-title requirement.
In re Gexa Energy, L.L.C., 120 FERC ¶ 61,175 (August 21, 2007)	\$500,000 \$12,481.41	Civil penalty and disgorgement resulting from a self-report of violations of the FPA.
In re Cleco Power, LLC, et al., 119 FERC ¶ 61,274 (June 12, 2007)	\$2,000,000	Civil penalty and a 1-2 year compliance plan resulting from a self-report for a violation of a 2003 Settlement agreement by sharing 9 employees and sharing prohibited market info between different Cleco companies.
In re Columbia Gulf Transmission Company, 119 FERC ¶ 61,174 (May 21, 2007)	\$2,000,000	Civil penalty resulting from a Commission referral for a violation of a Commission order to allow installation of a receipt interconnection.

Source: FERC website
Updated: August 26, 2009
Total Penalties: \$84.80 million

In re Calpine Energy Services, L.P., 119 FERC ¶ 61,125 (May 9, 2007)	\$4,500,000	Civil penalty and a 1-2 year compliance plan resulting from a self-report for violations of shipper-must-have-title requirements.
In re Bangor Gas Company, 118 FERC ¶ 61,186 (March 7, 2007)	\$1,000,000	Civil penalty and a 1 year compliance plan resulting from a self-report for violations of shipper-must-have-title requirements.
In re PacifiCorp, 118 FERC ¶ 61,026 (January 18, 2007)	\$10,000,000	Civil penalty and a 1 year compliance plan resulting from a self-report for violations of OATT and Standards of Conduct.
In re SCANA Corporation, 118 FERC ¶ 61,028 (January 18, 2007)	\$9,000,000 \$1,800,000	Civil penalty, disgorgement, and a 1 year compliance plan resulting from a self-report for violations of OATT.
In re Entergy Services, Inc., 118 FERC ¶ 61,027 (January 18, 2007)	\$2,000,000	Civil penalty and a 1-2 year compliance plan resulting from a self-report for violations of OATT and Standards of Conduct OASIS posting requirements.
In re NorthWestern Corporation, 118 FERC ¶ 61,029 (January 18, 2007)	\$1,000,000	Civil penalty and a 2 year compliance plan resulting from a hotline call for violations of Business Practice Standards for OASIS Transactions.
In re NRG Energy, Inc., 118 FERC ¶ 61,025 (January 18, 2007)	\$500,000	Civil penalty and a 1 year compliance plan resulting from a self-report for violations of ISO-NE Market Rule 1 and the Commission's Market Behavior Rules 1 and 3.

Source: FERC website
Updated: August 26, 2009
Total Penalties: \$84.80 million

NERC Penalties

Date	Regulatory Authority	Regulatory Filing ID	Region	Registered Entity	NCR ID*	Total Penalty (\$)	NERC Violation ID	Reliability Standard	Requirement	Violation Risk Factor
07/31/09	FERC	NP09-35-000 View NOP >>	WECC	Pacific Gas and Electric Company	NCR05299	\$100,000 (Settlement)	WECC200800930	FAC-003-1	2	High
07/31/09	FERC	NP09-34-000 View NOP >>	NPCC	Ashburnham Municipal Light Plant [Statement]	NCR07010	\$0	NPCC200800023	CIP-001-1	1	Medium
							NPCC200800024	CIP-001-1	2	Medium
							NPCC200800025	CIP-001-1	3	Medium
							NPCC200800026	CIP-001-1	4	Medium
07/31/09	FERC	NP09-33-000 View NOP >>	MRO	MidAmerican Energy Company [Statement]	NCR00824	\$0	MRO200800051	PRC-005-1	2.1	High
07/10/09	FERC	NP09-32-000 View NOP >> View Order >>	SPP	Eastman Cogeneration Limited Partnership [Statement]	NCR01092	\$0	SPP200700018	CIP-001-1	1	Medium
							SPP200700019	CIP-001-1	4	Medium
07/10/09	FERC	NP09-31-000 View NOP >> View Order >>	MRO	Lincoln Electric System	NCR01001	\$50,000 (Settlement)	MRO200800052	COM-002-2	2	Medium
							MRO200800054	FAC-003-1	2	Medium
							MRO200800055	FAC-003-1	2	Medium
07/10/09	FERC	NP09-30-000 View NOP >> View Order >>	TRE	BTU QSE Services Inc.	NCR04024	\$5,000 (Settlement)	TRE200800030	CIP-001-1	1	Medium
							TRE200800031	CIP-001-1	3	Medium

NERC Penalties

				[Statement]		t)				
07/10/09	FERC	NP09-29-000 View NOP >> View Order >>	MRO	Dairyland Power Cooperative [Statements]	NCR00979	\$10,000	MR0200800047	PRC-005-1	1	High
							MR0200800048	PRC-008-0	1	Medium
07/10/09	FERC	NP09-28-000 View NOP >> View Order >>	SERC	Louisiana Generating LLC	NCR01265	\$10,000 (Settlement)	SERC200800103	VAR-002-1	1	Medium
							SERC200800104	VAR-002-1	3/3.1	Medium
06/24/09	FERC	NP09-27-000 View NOP >> View Order >>	MRO	U.S. Army Corps of Engineers - Omaha District	NCR00978	\$0	MRO200700014	FAC-009-1	1	Medium
							MRO200700015	FAC-009-1	2	Medium
							MRO200700016	PRC-005-1	1	High
							MRO200700017	PRC-005-1	2	High
06/24/09	FERC	NP09-26-000 View NOP >> View Order >>	TRE	U.S. Army Corps of Engineers-Tulsa District [Statements]	NCR04156	\$0	TRE200700027	PRC-005-1	1.1	High
05/14/09	FERC	NP09-25-000 View NOP >> View Order >>	RFC	Mirant Mid-Atlantic LLC [Statement]	NCR00829	\$0	RFC200700005	PRC-005-1	2.1	Lower/High
05/07/09	FERC	NP09-24-000 View NOP >> View Order >>	MRO	Upper Peninsula Power Company [Statement]	NCR01033	\$0	MRO2007000033	FAC-008-1	1.2.2	Medium
							MRO2007000034	FAC-008-1	2	Lower
							MRO2007000033	FAC-008-1	3	Lower

NERC Penalties

							5			
							MRO20070003 6	FAC-009-1	1	Medium
							MRO20070003 7	FAC-009-1	2	Medium
							MRO20070004 3	PRC-005-1	1	High
							MRO20070004 1	PRC-005-1	2	Lower/High
05/04/09	FERC	NP09-23-000 View NOP >> View Order >>	MRO	NorthWestern Energy	NCR01021	\$0	MRO20070002 7	CIP-001-1	1	Medium
							MRO20070002 2	CIP-001-1	2	Medium
							MRO20070002 9	CIP-001-1	3	Medium
							MRO20070003 0	CIP-001-1	4	Medium
05/04/09	FERC	NP09-22-000 View NOP >> View Order >>	MRO	Escanaba Municipal Electric Authority [Statement]	NCR00982	\$0	MRO20070002 3	CIP-001-1	1	Medium
							MRO20070002 4	CIP-001-1	2	Medium
							MRO20070002 5	CIP-001-1	3	Medium
							MRO20070002 6	CIP-001-1	4	Medium
05/01/09	FERC	NP09-21-000 View NOP >> View Order >> NERC Filing 2 >>	MRO	Wisconsin Public Service Corporation [Statement]	NCR00952	\$0	MRO20070004 2	PRC-005-1	2.1	High
							MRO20070004	PRC-005-1	1	High

NERC Penalties

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05/01/09	FERC	NP09-18-000 View NOP >> View Order >>	MRO	Northern States Power	NCR01020	\$0	MRO200700003	EOP-001-0	5	Medium
05/01/09	FERC	NP09-19-000 View NOP >> View Order >>	MRO	Northern States Power [Statement]	NCR01020	\$0	MRO200700045	VAR-001-1	3	Lower
							MRO200700046	VAR-001-1	4	Medium
05/01/09	FERC	NP09-20-000 View NOP >> View Order >>	FRCC	Kissimmee Utility Authority [Statement]	NCR00042	\$0	FRCC200700004	PRC-005-1	2	High
							FRCC200700003	EOP-001-1	6	Medium
03/31/09	FERC	NP09-17-000 View NOP >> Errata View Order >>	SERC	FPL Energy, LLC	NCR01243	\$250,000 (Settlement)	SERC200810005	PRC-005-1	1	Medium
							SERC200810006	PRC-005-1	2	Medium
							SERC200810007	CIP-001-1	1	Medium
							SERC200810008	CIP-001-1	2	Medium
03/31/09	FERC	NP09-16-000 View NOP >> View Order >>	SERC	Dynegy, Inc. [Statement]	NCR00200	\$0	SERC200700013	VAR-002-1	2	Medium
						\$0	SERC200700039	VAR-002-1	2	Medium
03/31/09	FERC	NP09-15-000 View NOP >> Errata - Attachment A View Order >>	NPCC	Black River Generation, LLC	NCR07019	\$0	NPCC200700001	PRC-005-1	1	High
01/21/09	FERC	NP09-14-000 View NOP >>	SERC	City of West Memphis	NCR01204	\$0	SERC2007000	PER-002-0	3.1	Medium

NERC Penalties

		View Order >>		AR[Statement]			44			
01/21/09	FERC	NP09-13-000 View NOP >> View Order >>	SERC	Union Power Partners, LLC [Statement]	NCR01355	\$0	SERC200700045	PER-002-0	3.1	Medium
01/21/09	FERC	NP09-12-000 View NOP >> View Order >>	SERC	Batesville Balancing Authority [Statement]	NCR01179	\$0	SERC200700040	PER-002-0	3.1	Medium
01/21/09	FERC	NP09-11-000 View NOP >> View Order >>	SERC	City of Ruston, LA [Statement]	NCR01203	\$0	SERC200700043	PER-002-0	3.1	Medium
01/21/09	FERC	NP09-10-000 View NOP >> View Order >>	SERC	City of Conway, AR [Statement]	NCR01198	\$0	SERC200700042	PER-002-0	3.1	Medium
01/07/09	FERC	NP09-9-000 View NOP >> View Order >>	SERC	Hot Spring Power Company	NCR01257	\$10,000 (Settlement)	SERC200800121	FAC-008-1	1	Medium
							SERC200800129	FAC-009-1	1	Medium
01/07/09	FERC	NP09-8-000 View NOP >> View Order >>	SERC	Choctaw Generation Limited Partnership	NCR10206	\$10,000 (Settlement)	SERC200800119	FAC-008-1	1	Medium
							SERC200800127	FAC-009-1	1	Medium
01/07/09	FERC	NP09-7-000 View NOP >> View Order >>	SERC	Choctaw Gas Generation, LLC	NCR10207	\$10,000 (Settlement)	SERC200800117	FAC-008-1	1	Medium
							SERC200800125	FAC-009-1	1	Medium
01/07/09	FERC	NP09-6-000 View NOP >> View Order >>	SERC	Hopewell Cogeneration Limited Partnership	NCR01256	\$10,000 (Settlement)	SERC200800115	FAC-008-1	1	Medium
							SERC200800123	FAC-009-1	1	Medium
01/07/09	FERC	NP09-5-000	TRE	Wise County	NCR04165	\$0	TRF200700016	FAC-008-1	1	Lower/Medium

NERC Penalties

		View NOP >> View Order >>		Power Company, LP [Statement]						m
							TRE200700017	FAC-008-1	2	Lower
							TRE200700018	FAC-008-1	3	Lower
							TRE200700019	FAC-009-1	1	Medium
							TRE200700020	FAC-009-1	3	Medium
							TRE200700021	IRO-004-1	4	High
01/07/09	FERC	NP09-4-000 View NOP >> View Order >>	TRE	SUEZ Energy Generation NA Inc. [Statement]	NCR04128	\$0	TRE200700005	FAC-008-1	1	Lower/Medium
							TRE200700006	FAC-008-1	2	Lower
							TRE200700007	FAC-008-1	3	Lower
							TRE200700008	FAC-009-1	1	Medium
							TRE200700009	FAC-009-1	2	Medium
							TRE200700010	IRO-004-1	4	High
12/19/08	FERC	NP09-3-000 View NOP >> View Order >>	SERC	Duke Energy Carolinas, LLC	NCR01219	\$50,000 (Settlement)	SERC200700008	FAC-003-1	2	High
12/12/08	FERC	NP09-1-000 View NOP >> View Order >>	SERC	Edgcombe Operating Services, LLC	NCR01229	\$3,000 (Settlement)	SERC200800091	TOP-002-2	15	Lower
12/12/08	FERC	NP09-2-000 View NOP >> View Order >>	SERC	E.ON U.S. Services Inc for LG&E & KU Companies	NCR01223	\$235,000 (Settlement)	SERC200810001	EOP-008-0	1	Medium
							SERC200810002	FAC-001-0	1	Medium
							SERC200810003	FAC-001-0	2	Medium
							SERC200810004	FAC-001-0	3	Medium

NERC Penalties

06/06/08	FERC	NP08-36-000 View NOP >> View Order >>	SERC	City of Benton	NCR01193	\$0	SERC2007000 66	PER-002-0	3.1	Medium
06/06/08	FERC	NP08-37-000 View NOP >> View Order >>	SERC	City of North Little Rock, AR (DENL)	NCR01201	\$0	SERC2007000 41	PER-002-0	3.1	Medium
06/05/08	FERC	NP08-19-000 View NOP >> View Order >>	SERC	West Georgia Generating Company, LLC	NCR01368	\$0	SERC2007000 48	PRC-005-1	2	Lower/High
							SERC2007000 64	PRC-005-1	1	High
							SERC2007000 65	CIP-001-1	4	Medium
06/05/08	FERC	NP08-20-000 View NOP >> View Order >>	SERC	Doyle I, LLC	NCR01216	\$0	SERC2007000 12	CIP-001-1	4	Medium
06/05/08	FERC	NP08-22-000 View NOP >> View Order >>	SERC	Sam Rayburn G&T Electric Cooperative, Inc.	NCR01307	\$0	SERC2007000 18	PRC-005-1	1	High
							SERC2007000 24	FAC-008-1	1	Lower/Medium
							SERC2007000 27	CIP-001-1	1	Medium
							SERC2007000 28	CIP-001-1	2	Medium
							SERC2007000 29	CIP-001-1	3	Medium
							SERC2007000 30	CIP-001-1	4	Medium
06/05/08	FERC	NP08-23-000 View NOP >> View Order >>	SERC	Caledonia Generating, LLC	NCR01187	\$0	SERC2007000 52	FAC-008-1	1	Lower/Medium
06/05/08	FERC	NP08-24-000 View NOP >>	SERC	Mt. Carmel Public Utility	NCR01277	\$0	SERC2007000 62	CIP-001-1	4	Medium

NERC Penalties

		View Order >>		Co. [Statement]						
06/05/08	FERC	NP08-25-000 View NOP >> View Order >>	SERC	Tex-LA Electric Coop of Texas, Inc.	NCR01342	\$0	SERC2007000 20	PRC-005-1	1	High
							SERC2007000 26	FAC-008-1	1	Lower/Medium
							SERC2007000 35	CIP-001-1	1	Medium
							SERC2007000 36	CIP-001-1	2	Medium
							SERC2007000 37	CIP-001-1	3	Medium
							SERC2007000 38	CIP-001-1	4	Medium
06/05/08	FERC	NP08-26-000 View NOP >> View Order >>	SERC	Prairie Power, Inc.	NCR09035	\$0	SERC2007000 50	FAC-008-1	1.2.2	Lower/Medium
06/05/08	FERC	NP08-27-000 View NOP >> View Order >>	SERC	Craven County Wood Energy, LP	NCR01212	\$0	SERC2007000 63	PRC-005-1	1	High
06/05/08	FERC	NP08-28-000 View NOP >> View Order >>	SERC	N.C. Power Holdings, Inc. - Elizabethton Power	NCR08084	\$0	SERC2007000 67	IRO-004-1	4	High
							SERC2007000 74	CIP-001-1	1	Medium
							SERC2007000 75	CIP-001-1	2	Medium
							SERC2007000 76	CIP-001-1	3	Medium
							SERC2007000 77	CIP-001-1	4	Medium

NERC Penalties

							SERC200700078	PRC-005-1	1	High
							SERC200700084	FAC-008-1	1	Lower/Medium
							SERC200700085	FAC-009-1	1	Medium
06/05/08	FERC	NP08-29-000 View NOP >> View Order >>	SERC	City of Columbia, MO [Statement]	NCR01196	\$0	SERC200700002	PER-002-0	3.1	Medium
							SERC200700003	TPL-001-0	1	High/Medium
							SERC200700004	TPL-002-0	1	High/Medium
							SERC200700005	TPL-003-0	1	High/Medium
							SERC200700006	TPL-004-0	1	Medium
06/05/08	FERC	NP08-30-000 View NOP >> View Order >>	SERC	City of Orangeburg Dept. of Public Utilities	NCR01202	\$0	SERC200700054	CIP-001-1	1	Medium
							SERC200700055	CIP-001-1	2	Medium
							SERC200700056	CIP-001-1	3	Medium
							SERC200700057	CIP-001-1	4	Medium
06/05/08	FERC	NP08-31-000 View NOP >> View Order >>	SERC	N.C. Power Holdings, Inc. - Lumberton Power	NCR08085	\$0	SERC200700068	IRO-004-1	4	High
							SERC200700079	CIP-001-1	1	Medium

NERC Penalties

							SERC2007000 80	CIP-001-1	2	Medium
							SERC2007000 81	CIP-001-1	3	Medium
							SERC2007000 82	CIP-001-1	4	Medium
							SERC2007000 83	PRC-005-1	1	High
							SERC2007000 86	FAC-008-1	1	Lower/Medium
							SERC2007000 87	FAC-009-1	1	Medium
06/05/08	FERC	NP08-32-000 View NOP >> View Order >>	SERC	Old Dominion Electric Cooperative	NCR00859	\$0	SERC2007000 10	FAC-008-1	1	Lower/Medium
							SERC2007000 11	PRC-005-1	1	High
06/05/08	FERC	NP08-34-000 View NOP >> View Order >>	SERC	The Dow Chemical Company	NCR09037	\$0	SERC2007000 22	IRO-004-1	4	High
							SERC2007000 23	TOP-003-0	1	Medium
							SERC2007000 53	PRC-005-1	2	Lower/High
							SERC2007000 69	FAC-009-1	1	Medium
							SERC2007000 70	FAC-009-1	2	Medium
							SERC2007000 72	PRC-004-1	2	High

NERC Penalties

							SERC200700073	PRC-004-1	3	Lower
06/05/08	FERC	NP08-35-000 View NOP >> View Order >>	MRO	Rochester Public Utilities	NCR01027	\$0	MRO200700005	PER-002-0	3	High/Medium
							MRO200700006	PRC-004-1	2	High
							MRO200700007	VAR-001-1	9	High
06/04/08	FERC	NP08-1-000 View NOP >> View Order >>	RFC	Baltimore Gas and Electric Co. [Statement]	NCR00689	\$180,000	RFC200700002	FAC-003-1	2	High
06/04/08	FERC	NP08-2-000 View NOP >> View Order >>	MRO	MidAmerican Energy Company	NCR00824	\$75,000 (Settlement)	MRO200700010	FAC-003-1	2	High
06/04/08	FERC	NP08-3-000 View NOP >> View Order >>	TRE	Bandera Electric Cooperative, Inc	NCR04008	\$0	TRE200700003	PRC-005-1	2	Lower/High
06/04/08	FERC	NP08-4-000 View NOP >> View Order >>	TRE	Denton Municipal Electric (TDSP)	NCR04049	\$0	TRE200700001	PRC-008-0	1	Medium
							TRE200700002	PRC-008-0	2	Medium
06/04/08	FERC	NP08-5-000 View NOP >>	TRE	Exelon Generation Company, LLC	NCR04057	\$0	TRE200700004	PRC-005-1	2	Lower/High

NERC Penalties

		View Order >>								
06/04/08	FERC	NP08-6-000 View NOP >> View Order >>	MRO	Tri-State G&T - Merchant	NCR10103	\$0	MRO200700008	INT-004-1	2	Lower
06/04/08	FERC	NP08-7-000 View NOP >> View Order >>	MRO	American Transmission Co., LLC	NCR00685	\$0	MRO200700009	PRC-005-1	2	Lower/High
06/04/08	FERC	NP08-8-000 View NOP >> View Order >>	NPCC	Peabody Municipal Light Plant	NCR07191	\$0	NPCC200700015	CIP-001-1	1	Medium
							NPCC200700016	CIP-001-1	2	Medium
							NPCC200700017	CIP-001-1	3	Medium
							NPCC200700018	CIP-001-1	4	Medium
06/04/08	FERC	NP08-9-000 View NOP >> View Order >>	SPP	Southwestern Public Service Co. (SPS-XCEL)	NCR01145	\$0	SPP200700002	EOP-001-0	3.4	Medium
							SPP200700003	EOP-001-0	4.4	Medium
							SPP200700004	EOP-001-0	5	Medium
							SPP200700005	EOP-005-0	1	Medium
							SPP200700006	CIP-001-1	2	Medium
06/04/08	FERC	NP08-10-000 View NOP >> View Order >>	SERC	Reliant Energy Wholesale Generation, LLC	NCR00396	\$0	SERC200700049	PRC-005-1	1	High

NERC Penalties

				[Statement]						
06/04/08	FERC	NP08-11-000 View NOP >> View Order >>	NPCC	The City of Holyoke Gas and Electric Dept.	NCR07217	\$0	NPCC200700011	CIP-001-1	1	Medium
							NPCC200700012	CIP-001-1	2	Medium
							NPCC200700013	CIP-001-1	3	Medium
							NPCC200700014	CIP-001-1	4	Medium
06/04/08	FERC	NP08-12-000 View NOP >> View Order >>	TRE	Suez Energy Marketing NA Inc	NCR04129	\$0	TRE200700011	CIP-001-1	1	Medium
							TRE200700012	CIP-001-1	2	Medium
							TRE200700013	CIP-001-1	3	Medium
							TRE200700014	CIP-001-1	4	Medium
							TRE200700015	IRO-004-1	4	High
06/04/08	FERC	NP08-13-000 View NOP >> View Order >>	NPCC	Norwich Public Utilities	NCR07038	\$0	NPCC200700019	CIP-001-1	1	Medium
							NPCC200700020	CIP-001-1	2	Medium
							NPCC200700021	CIP-001-1	3	Medium
							NPCC200700022	CIP-001-1	4	Medium
06/04/08	FERC	NP08-14-000 View NOP >> View Order >>	SERC	Cottonwood Energy, LP [Statement]	NCR01210	\$0	SERC200700047	PRC-005-1	1	High
06/04/08	FERC	NP08-15-000 View NOP >> View Order >>	SERC	Illinois Municipal Electric Agency	NCR00795	\$0	SERC200700058	CIP-001-1	1	Medium
							SERC2007000	CIP-001-1	2	Medium

NERC Penalties

				[Statement]			59			
							SERC2007000 60	CIP-001-1	3	Medium
							SERC2007000 61	CIP-001-1	4	Medium
06/04/08	FERC	NP08-16-000 View NOP >> View Order >>	MRO	Northern States Power	NCR01020	\$0	MRO20070000 4	CIP-001-1	2	Medium
06/04/08	FERC	NP08-17-000 View NOP >> View Order >>	SERC	East Texas Electric Cooperative, Inc.	NCR01227	\$0	SERC2007000 17	PRC-005-1	1	High
							SERC2007000 25	FAC-008-1	1	Lower/Medium
							SERC2007000 31	CIP-001-1	1	Medium
							SERC2007000 32	CIP-001-1	2	Medium
							SERC2007000 33	CIP-001-1	3	Medium
							SERC2007000 34	CIP-001-1	4	Medium
06/04/08	FERC	NP08-18-000 View NOP >> View Order >>	TRE	Topaz Power Management LP (QSE)	NCR04147	\$0	TRE200800028	CIP-001-1	1	Medium
06/04/08	FERC	NP08-21-000 View NOP >> View Order >>	SERC	City of Orangeburg Dept. of Public Utilities	NCR01202	\$0	SERC2007000 16	PRC-005-1	1	High
06/04/08	FERC	NP08-33-000 View NOP >> View Order >>	SERC	Associated Electric Cooperative, Inc.	NCR01177	\$0	SERC2007000 01	FAC-003-1	2	High

Cheryl Robertson

Subject: August Market Monitoring Snapshot for Board of Directors

Welcome

This is the first in a series of monthly updates from the Southwest Power Pool Market Monitoring Unit (SPP MMU). This snapshot report is intended to inform the SPP Board of Directors about important topics in the market.

Hot Topic

New Market Participants in Nebraska have experienced significant price volatility beginning in early summer. The price spikes are the result of congestion on the Nebraska/Kansas border which led to negative price spikes for Market Participants in Nebraska and upward spikes for Market Participants in Kansas. The MMU is currently studying this price volatility and is analyzing possible causes such as increased imports from Nebraska to Kansas, participation in the market, and loop flows. Both Nebraska participants and FERC have expressed an interest in determining the cause of this volatility. The MMU, in close coordination with SPP Operations, is evaluating these issues.

Market Highlights - August:

EIS settlements decreased during August. This decrease can be attributed to the localized volatility increases. Load serving Market Participants in areas with high LIP volatility have reduced their exposures to the LIP by scheduling more of their load obligation. Schedules are a financial hedge unless they are curtailed as a result of a TLR event.

Coal on the margin decreased during August as gas on the margin increased. Low natural gas prices are contributing to this change as natural gas generation continues to become more competitive with coal generation. We are actually seeing some of the more efficient combined cycle gas units with offers below some of the coal units. This is also partially due to a decrease in the coal capacity being offered into the EIS market as a reaction to volatile prices in the Kansas/Nebraska area.

During August, members of the MMU visited four new Market Participants in Nebraska: Lincoln Electric System (LES), Municipal Energy Agency of Nebraska (MEAN), Nebraska Public Power District (NPPD), and Omaha Public Power District (OPPD) in an effort to educate them in the market and open lines of communication. Topics of discussion included the annual *Market Participant Assessment*, an overview of the EIS market and a review of MMU's responsibilities.

SPP has analyzed Violation Relaxation Limits (VRL) and is recommending a change in the Operational Constraint (OC) VRL from \$2,000/MW to \$1,500/MW. Simulations of the OC VRL reduction resulted in a small increase in violated intervals and a minor increase in MW violations while significantly reducing congestion prices and overall price volatility. The [2008 VRL Sensitivity Analysis](#) report will be presented to the MWG and other SPP committees for their review and approval.

For more detailed information, please refer to the [August State of the Market](#) report.

Upcoming Market Monitoring Actions/Issues

- MMU and SPP Operations are currently evaluating the issues with price volatility in Nebraska.
- MMU expects to complete all of the Market Participant Annual Reviews by early October.

FERC Snapshot

In the August [OE Energy Market Snapshot](#), FERC highlighted the price volatility occurring with SPP's Nebraska participants. Another point of interest in the FERC report shows a wholesale price declining with little corresponding decline in retail rates (see pages 16-18). They also show the components of a residential rate (see page 19) with transmission representing only 11% of the total invoice. This helps put SPP's proposed grid expansion plan into perspective. Although FERC's analysis of wholesale and retail prices focused on entities outside of SPP, FERC staff indicated that they plan to expand this analysis to include examples across the country.

The MMU is happy to answer your questions. Please contact Market Monitoring Manager Alan McQueen at 501.614.3306 or amcqueen@spp.org.

SPP Organizational Group Self-Evaluation/Assessment
(August 2008 – July 2009)

GROUP NAME: Oversight Committee

CHARTER/SCOPE UPDATE: Attached Charter/Scope has been reviewed: **Y - N**

MEMBER ROSTER/ATTENDANCE:

Member	Company	# Present	# Absent
Martin, Josh	Director	4	0
Bernard, Phyllis E.	Director	4	0
Brix, Julian	Director	4	0
Duckett, Stacy	Staff	4	0

*Only on Committee for part of the assessment period.

Please list the number of members represented in the following areas:

Trans/Owners	Non-Trans/Owners
NA	NA

Sectors							
IOU	Coop	Muni	State/Fed	IPP/Marketer	Alt Power/Public Interest	Lg Retail	Sm Retail
NA	NA	NA	NA	NA			

AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS): 9

MEETINGS HELD TO DATE: Live: 4 Teleconference: 0

AVERAGE LENGTH OF MEETINGS: 4:15

NUMBER OF VOTES TAKEN: 5

***MEETING COST(S): \$30,909.09**

MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:

1. [Enhanced participation in Internal Compliance efforts](#)
2. [Assumption of Internal Audit oversight](#)
3. [Consulting services engagement for 2010](#)

MAJOR PENDING ISSUES BEFORE THE GROUP:

1. [Future Markets implementation/market monitoring](#)
2. [Increasing regulatory oversight of SPP/audits and investigations](#)
3. ---

* Meeting costs include hotel expenses (room rental, A/V, food and beverage), estimate of teleconference expenses, and Director fees for attendance.



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE
Organizational Group Scope Statement
September 2007

Purpose

The Oversight Committee (OC) is responsible for overseeing the process of monitoring compliance to SPP and NERC policies, including market monitoring and internal compliance with NERC operating Standards.

Scope of Activities

1. Oversee the process of monitoring compliance to SPP and NERC policies;
2. Independently review activities of the Staff;
3. Hear and rule on appeals from Members regarding penalty assessment or fine distribution, other than those resulting from the Compliance Monitoring and Enforcement Program, prior to dispute resolution proceedings;
4. Recommend Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Criteria;
5. Grant specific additional authority to the Staff responsible for the compliance monitoring function when needed to perform challenging investigations;
6. Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
7. Perform such other functions as the Board of Directors may delegate or direct.

Representation

The Oversight Committee (OC) shall be comprised of three members from the Board of Directors. ~~The Board of Directors shall~~ appointed by ~~the representatives of the OC at the regular meeting of~~ the Board of Directors ~~immediately following each annual meeting of Members~~. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

Reporting

The Oversight Committee reports to the Board of Directors.