



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING
September 30, 2010
SPP Offices, Little Rock, AR

• A G E N D A •

10:00 a.m. – 2:00 p.m. CDT

- 1. Call to Order Josh Martin
- 2. Action Items Report..... Stacy Duckett
- 3. Regional Entity Update..... Stacy Dochoda
 - a. Stakeholder Involvement in Standards Process Stacy Dochoda/David Hodges
- 4. Update on Current Activities
 - a. Internal Compliance..... David Hodges
 - b. Market Monitoring Unit..... Richard Dillon
 - c. Internal Audit Lauren Krigbaum
- 5. Market Design Validation Richard Dillon
- 6. 2010 Vendor Engagement Stacy Duckett/Richard Dillon
- 7. Report: Marginal Losses/Gains in PJM Market Richard Dillon
- 8. TO Selection Process..... Stacy Duckett
- 9. New Action Items Stacy Duckett
- 10. Future Meetings Josh Martin
 - December 6 Little Rock (day prior to BOD Meeting)
 - 2011
 - March 31 TBD
 - June 13 Dallas (morning prior to the BOD Meeting)
 - September 29 TBD
 - December 12 Little Rock (day prior to BOD Meeting)

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING

March 25, 2010

Boston Pacific, Washington, D.C.

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 9:00 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, Alan McQueen, Stacy Dochoda, and Lauren Krigbaum (via phone). Others in attendance included Jim Eckelberger (Director), Harry Skilton (Director), and Craig Roach (Boston Pacific).

Mr. Martin referred to draft minutes of the December 7, 2009 meeting and asked for corrections or a motion for approval (12/7/09 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 4 – NERC Standards: Development and Implementation Processes

Stacy Dochoda provided background on the current status of compliance and enforcement in the SPP Regional Entity region (NERC Standards – Attachment 3). It is still relatively early in the process since audits are on three and six-year cycles, so trends are not yet evident. While some standards are not yet clearly written, most violations are on a very limited number of standards (four) and are some of the more difficult on which to be perfectly compliant. David Hodges discussed changes in process associated with a shift from voluntary to mandatory compliance and the various ways SPP is assisting entities to be compliant. Jim Eckelberger emphasized that SPP should be providing assistance and support to facilitate compliance in the region. Mr. Eckelberger suggested a letter to senior management at each entity to ensure an emphasis on compliance and focus on the importance of reliability. Staff will discuss further and determine who will send this letter. The group then discussed in general the processes associated with the RE function, specifically how audits apply current standards where standards may be ambiguous. Phyllis Bernard noted in particular some of the feedback on the Compliance Department's bi-weekly calls that indicate some disconnect in communication with the audit process. Emphasis should continue to be made on the importance of participating in the standards development comment periods. SPP should also continue to clarify that multiple comments are encouraged, whether repetitive or not. The Committee thanked Stacy Dochoda for her participation in the meeting.

Agenda Item 3 – Update on Current Activities

Internal Audit

Lauren Krigbaum provided the activity report for Internal Audit (IA), including revisions to the audit schedule (Internal Audit Report – Attachment 4). There was more limited activity during this reporting period due to emphasis on the SAS 70 audit/preparation. The Committee asked questions regarding some of the audits and discussed improvements in processes made since the reports. Internal Audit is encouraged to seek more immediate responses/corrections from managers/departments in response to findings and escalate issues as appropriate. Jim Eckelberger suggested a follow-up process be implemented to assess whether internal audits have been helpful/useful. The Committee asked for clarification of time spent on audits versus process review and development. Ms. Krigbaum noted that reports on cost improvements are made at the Finance Committee. Ms. Krigbaum then reviewed action items from the previous meeting.

Internal Compliance

David Hodges reviewed the activity report for Internal Compliance (Compliance Report – Attachment 5). A recent self-assessment of compliance with numerous standards was completed and resulted in only a few recommendations for improvements. A comprehensive audit of operations is still pending scheduling, but

Oversight Committee Meeting
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Compliance is continuing preparations. Compliance plans to develop an education module related to the Florida blackout and subsequent penalty outcomes.

Market Monitoring Unit

Alan McQueen provided an update on the Market Monitoring Unit activities (MMU Report – Attachment 6). FERC staff visited SPP in March for informational purposes, and has asked to schedule such visits twice per year. Market design remains focused on new markets and educational sessions with members as requested. The Committee considered revisions to the Market Monitoring Inquiry Process as further amended such that a third party can be requested to conduct an inquiry, subject to Oversight Committee approval. The Committee had a discussion regarding the structure of the market monitoring function; specifically, Jim Eckelberger asked to discuss whether an external market monitor role should be reinstated. The Committee will further discuss this and the revisions to the inquiry process at the June meeting.

Agenda Item 6 – FERC Office of Enforcement

Larry Gasteiger, Deputy Director of the Office of Enforcement at FERC, joined the meeting to provide an overview of this office, its role at FERC, and its focus going forward following some recent senior management changes. The Office is particularly interested in increased transparency in the enforcement process. In addition, as part of the Commission's Strategic Plan, Enforcement is focused on helping the industry achieve compliance. The Committee expressed its appreciation for Mr. Garteiger's participation.

Agenda Item 5 – 2009 State of the Market Report

Craig Roach provided an overview of the draft of the 2009 State of the Market Report. Stuart Rein and Katie Gottshall of the Boston Pacific Staff joined the meeting for this discussion. The Committee posed questions and provided feedback for finalizing the report. The Committee requested a quick analysis by Boston Pacific of the impact of the Nebraska utilities on transmission expansion versus congestion currently in the region.

Mr. Roach then reviewed an assessment of the pending cost benefit study for Priority Projects, as requested by the Committee.

Agenda Item 7 – New Action Items

Stacy Duckett reviewed new action items:

- Staff is to develop a communication piece to senior/executive management of registered entities emphasizing the need for compliance and making resources available.
- Lauren Krigbaum is to relay feedback from the Oversight Committee in regards to the Compliance Hotline process to Corporate Services.
- Lauren Krigbaum/Stacy Duckett will work with Josh Martin to develop a post-audit assessment to gauge effectiveness.
- Stacy Duckett is to circulate FERC's Strategic Plan to attendees.

The meeting adjourned to Execution Session at 3:20 p.m.

Agenda Item 8 – Future Meetings

The Committee will meet on Wednesday, June 9 in Kansas City in conjunction with MARC and Board educations meetings.

Executive Session

Stacy Duckett updated the Committee on a pending investigation matter.

Respectfully Submitted,

Stacy Duckett
Secretary

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING

June 8, 2010

Hyatt Regency Crown Center, Kansas City, MO

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 2:50 p.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. Others in attendance included Harry Skilton (Director).

Agenda Item 2 – Review of Past Action Items

Stacy Duckett reviewed the Action Items Report and addressed questions (Action Items - Attachment 1).

Agenda Item 3 – Update on Current Activities

Market Monitoring Unit

Richard Dillon provided an update on the Market Monitoring Unit activities (MMU Report – Attachment 2). There are plans to reorganize the group to enhance supervision as well as make one addition. Julian Brix requested an organizational chart for Mr. Dillon's group, including this restructure. Mr. Dillon reviewed the presentation of the State of the Market Report at FERC. He noted a pending contract with Potomac Economics for new market assistance and confirmed this is not part of the market monitoring support contract coordinated by the Oversight Committee. Richard Dillon and Alan McQueen will attend the semi-annual FERC meeting for market monitors and meet SPP's new contact in the market oversight office.

Internal Compliance

David Hodges referred to the activity report for Internal Compliance and asked for questions (Compliance Report – Attachment 3). Julian Brix requested some discussion on the schedule for the SERC/NERC audit. Mr. Hodges also discussed scheduling plans for the Compliance conference calls to ensure efficiency while meeting the needs of registered entities. Mr. Hodges reiterated that the Compliance Department is available outside these calls, including one-on-one calls and emails, and continues to advise entities that SPP is available as a resource. Josh Martin emphasized the Board's desire to ensure SPP is doing as much as possible to encourage and assist entities with compliance. Mr. Hodges reviewed the many things SPP is doing in this regard. SPP is always considering additional approaches, including a new template for several standards to use in forums to assist in clarifying what is necessary to meet the standards, and the "Compliance 101" program specifically to assist the smaller entities. Stacy Duckett, Stacy Dochoda and David Hodges will have a plan for elevating reporting on Compliance, including a letter to entities regarding participation in forums and other meeting opportunities for review at the next meeting, or electronically if available sooner. Compliance calls continue to increase in length and participation. Mr. Hodges provided additional information on issues included in his activity report. Compliance is also undertaking a review of SPP Criteria to update appropriately. Josh Martin requested an update on this project at the next meeting.

Internal Audit

Lauren Krigbaum provided the activity report for Internal Audit (IA) (IA Report – Attachment 4). Ms. Krigbaum reviewed a draft post-audit survey to gather feedback regarding audits and the value derived from them. The Committee reviewed and asked questions. The Committee directed Ms. Krigbaum to implement the survey as drafted. She then highlighted several items in the report, but noted that much of the quarter was spent on SAS70 follow-ups. Ms. Krigbaum noted a recent Accounts Payable audit that resulted in recovery of \$10,000 in taxes and improvement in the process to ensure future filings are made to obtain these rebates. She addressed questions on the completed and pending audits. Josh Martin expressed appreciation for implementation of the rating process to assist the Committee in assessing the various audits. Ms. Krigbaum reiterated that departments are cooperating with her group; any resistance is minimal and simply a need for education as to the purpose of the review process. Josh Martin and Harry Skilton

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June 8, 2010

confirmed support of a meeting between Internal Audit and the external financial auditors, as requested by the external auditors as part of their annual review process. Phyllis Bernard is sending Ms. Krigbaum a recent request received from auditors for the 401(k) plan for review and feedback.

Agenda Item 4 – 2011 Vendor Engagement

Stacy Duckett discussed the 2011 vendor engagement plans. The Committee requested a recommendation from Richard Dillon regarding the State of the Market Report support, and will provide further guidance at the September meeting. The recommendation should include details of responsibilities of the internal staff and vendor(s).

Agenda Item 5 – New Action Items

Stacy Duckett reviewed new action items:

- Richard Dillon will send out the MMU organizational chart.
- David Hodges will update the Committee on the SPP Criteria project.
- Richard Dillon will have a recommendation at the September meeting in regard to the preparation of the 2010 State of the Market Report.

Agenda Item 6 – Future Meetings

The Committee will next meet on September 30 in Washington D.C. and on December 6 in Little Rock.

The meeting adjourned at 5:20 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE
Pending Action Items Status Report
September 30, 2010

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, 2009	Pending	<p>This is approximately 3/4 complete. Resources were re-assigned to work on Highway-Byway issue and other pending FERC rulemakings. Expect to complete during 2Q10.</p> <p>This initiative has started in Regulatory. Substantive completion is expected 4Q09.</p>
Staff to develop communications piece for senior management to emphasize compliance	March 25, 2010	Completed	S. Dochoda will discuss at September 30 meeting
L. Krigbaum/S. Duckett/J. Martin to work on post-audit assessment process to gauge effectiveness	March 25, 2010	Completed	Form of survey approved at June 8 meeting
R. Dillon to provide MMU org chart	June 8, 2010	Pending	To be presented at September 30 meeting
D. Hodges to provide update on SPP Criteria review project	June 8, 2010	Pending	Status report to be provided at September 30 meeting
R. Dillon to provide recommendation re: preparation of 2010 State of the Market Report	June 8, 2010	Pending	Recommendation will be presented at September 30 meeting

RE Trustees

Mr. John Meyer, Chairman
Mr. Dave Christiano, Trustee
Mr. Gerry Burrows, Trustee

Southwest Power Pool Regional Entity
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July 17, 2010

BY E-MAIL

Mike Madison, President & Chief Executive Officer
Cleco Corporation
P.O. Box 5000
Pineville, Louisiana 71361

SAMPLE

Re: Compliance Analysis Reports

Dear Mr. Madison:

In the effort to assist our registered entities improve compliance, and thereby improve the reliability of the Bulk Electric System, the Southwest Power Pool Regional Entity (SPP RE) staff has reviewed its compliance data for the purpose of identifying the common reasons for non-compliance. Details regarding the SPP RE staff's findings have been summarized in various reports and presentations, which are available on the SPP RE webpage in the [Lessons Learned](#) folder.

As is the case nationally, the Protection and Control (PRC) standard PRC-005, which requires among other things that each applicable entity have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the Bulk Electric System, continues to be the most frequently violated standard in the SPP RE and NERC footprints. Other traditional standards that are in the top ten most frequently violated standards in the SPP RE region include the following standards from the Facilities Design, Connections, and Maintenance (FAC) standards group; FAC-008, Facility Ratings Methodology, and FAC-009, Establish and Communicate Facility Ratings.

Violations of Critical Infrastructure Protection (CIP) standards CIP-002 through CIP-009 account for almost 45% of the violations that have been reported to and/or discovered by the SPP RE from July 1, 2008 (the date the CIP standards became enforceable) through the first quarter of 2010. Moreover, the number of CIP violations reported and/or discovered compared to the total number of violations reported and/or discovered has significantly increased more recently. Violations of CIP-004: Personnel and Training, which requires that personnel, including contractors and service vendors, having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, have an appropriate level of personnel risk assessment, training, and security awareness, is the most often violated CIP standard and is the second most frequently violated standard in the SPP RE and NERC footprints.

We found the reports and presentations regarding these most frequently violated NERC Reliability Standards to be very informative, and therefore, strongly encourage you and your staff to read them.

Regards,







John Meyer, Chairman
Dave Christiano, Trustee
Gerry Burrows, Trustee

RE Trustees' Lessons Learned Letter to Registered Entities Executive Management

July 17, 2010

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Cc: Wade Hoefling
Mark MacDonald



Compliance Enforcement Violation Statistics As of August 31, 2010

- **411- Total Violations**
 - 2007- 49
 - 2008- 17
 - 2009- 128
 - 2010- 217
- **229- Traditional (693) Standards– (56% of Total)**
 - 2007- 49
 - 2008- 13
 - 2009- 79
 - 2010- 88
- **182- CIP Standards– (44% of Total)**
 - 2008- 4
 - 2009- 49
 - 2010- 129
- **44- Different Entities**



Compliance Department
Report to the Oversight Committee
September 30, 2010

Compliance Staffing

Erica Petty resigned as a Senior Compliance Analyst effective June 25, 2010. Alison Hayes transferred from the SPP RE to the Compliance Department on September 1, 2010 as a Senior Compliance Analyst.

The Director of Compliance has requested a Senior Events Analyst position for 2011. Event analysis is a task that SPP must implement for the immediate future. NERC and the regional entities have already added staff for event analysis. Having this position will be more effective and efficient when data request are received regarding system events.

Compliance Audits

On March 10, 2010 NERC filed with FERC for the approval of an "Agreement Between SERC Reliability Corporation and Southwest Power Pool Regional Entity Concerning Compliance Monitoring and Enforcement of SPP, Inc. Registered Functions". FERC has approved the agreement and SERC is now leading the audits regarding the SPP RTO.

SERC has scheduled the Compliance Audit for September 27 – October 1, 2010. The audit will include the SPP RTO, ICT, and ITO functions. The Compliance Department has been working with the necessary SPP staff preparing for the audit. The preparation has included reviewing evidence, subject matter expert (SME) interviews, and mock audit scenarios.

The SPP ITO was able to de-register as a Transmission Service Provider (TSP) and Interchange Authority (IA) effective August 1, 2010. E.ON is now responsible for the functions previously mentioned.

2010 Compliance Forums

The next Compliance Forum is scheduled for September 23, 2010 in Little Rock, AR at the Embassy Suites in West Little Rock. I will provide additional information regarding the forum at the Oversight Committee meeting.

Compliance Outreach

The Compliance Department is hosting 2 conference calls at a minimum each 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. The capacity of the dial-in has been increased to accommodate the number of folks participating on the conference calls.

There have been additional conference calls (4-6) each month for specific compliance items that SPP members or registered entities have requested.

The conference calls average 30 participants per call.

Several members have requested compliance assistance later this year. The request consist of mock audits, developing a compliance program, and documentation reviews. The request are expected to increase with the current number of alleged violations in the SPP region.

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 meetings are going well and operations are providing input for changing standards that will directly impact SPP.

The Compliance Department started having monthly meeting with the Engineering group in July to discuss changing standards and provide guidance since there have been many recent changes among personnel.

The Compliance Department, in conjunction with our stakeholders and Charles Yeung, has identified the need to become more involved with the development of NERC Standards. Our role has been to assist the stakeholders by sending weekly emails with links to current Standards under Development, request comments, provide comments from SPP operations and the IRC/SRC, and to host conference calls in order to discuss comments with other entities. We also act as a liaison between the stakeholders and Charles Yeung. Charles is able to submit comments on behalf of SPP or the footprint for those entities that may have missed the opportunity to register for a ballot or would like to remain confidential. We have received numerous emails and comments regarding the value of these services.

The Compliance Department is currently developing a "Compliance 101" Program designed for smaller entities that need to gain a basic understanding of what a compliance program should contain. Material has been sent to Coops and Munis recently which triggered the need for an additional conference call.

A Muni Forum is being discussed and will probably be scheduled for the Spring of 2011.

Compliance Practices Group (NATF)

David Hodges participates in the Compliance Practices Group representing SPP. This group has approximately 65-70 members from the industry sharing compliance concerns and issues. This group was previously the Transmission Owner Operator Forum (TOOF). As of January 1, 2010, this group is now the North American Transmission Forum, Inc. (NATF) no longer tied to NERC.

FERC Order 729 and 676-E

FERC recently issued Order 729-A which changed the effective date of the MOD standards in Order 729 from April 1, 2011 to January 1, 2011. This date change puts significant pressure on the industry to get testing completed for the changed to OASIS by the end of 2010. Many entities plan to file for clarification and provide comments to FERC regarding the change in dates.

FERC issues an order of clarification and the effective date of Order 729 requirements is April 1, 2011.

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

Training

The Operations Training Advisory Committee (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.

Compliance and Training are developing a template to be used for training on reliability standards. This should promote the focus on specific standards at Compliance Forums in the future.

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	TFE	Technical Feasibility Exceptions

Future Activities

- Provide assistance to members and registered entities regarding compliance.
- Compliance Forums
- Participate in national forums
- NERC Compliance and Certification Committee
- NATF – Compliance Practices Group
- OATI WebCompliance Software being implemented for compliance tracking, monitoring, and standards updates.
- FERC Orders 729 and 676-E

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
In re Portland General Electric Co., 131 FERC ¶ 61,224 (June 4, 2010)	\$375,000	Civil penalty and compliance reporting resulting from violations of Open Access Transmission Tariff, section 205 of FPA, and then-section 358.5©(5) of Commission Regulations.
In re Noble Energy, Inc., 130 FERC ¶ 61,175 (March 12, 2010)	\$4,000,000 \$160,487	Civil penalty and compliance reporting resulting from violations of open access transportation policies, including circumvention of the posting and bidding requirements for released capacity, flipping, the shipper-must-have-title requirement, and violations of the prohibition on buy-sell transactions.
Florida Blackout, 129 FERC ¶ 61,061 (October 8, 2009)	\$25,000,000	Civil penalty resulting from violations of Mandatory Reliability Standards for the Bulk Power System Order No. 693, FERC Stats & Regs 31,342 (2007).
Energy Transfer Partners, L.P., 128 FERC ¶ 61,269 (September 21, 2009)	\$5,000,000 \$25,000,000	Civil penalty resulting from violations of market behavior rule 18 C.F.R. § 284.403 (a) (2005).
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).

Source: FERC website
Updated: July 22, 2010
Total Penalties: \$119.53 million

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.
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.

Source: FERC website
Updated: July 22, 2010
Total Penalties: \$119.53 million

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.
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.

Source: FERC website
Updated: July 22, 2010
Total Penalties: \$119.53 million

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.
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.

Source: FERC website
Updated: July 22, 2010
Total Penalties: \$119.53 million

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.
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.

Source: FERC website
Updated: July 22, 2010
Total Penalties: \$119.53 million

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: July 22, 2010
Total Penalties: \$119.53 million

Regulatory Authority	Regulatory Filing ID	Region	Registered E NCR ID*	Total Penalty (\$)	NERC Violation ID	Reliability Standard	Requirement	Violation Risk Factor	
FERC	000 View NOP>> >>	See Omnibus II (NP10-160)	See Omnibus II (NP10-160)	See Omnibus II (NP10-160)	See Omnibus II (NP10-160)	See Omnibus II (NP10-160)	See Omnibus II (NP10-160)	See Omnibus II (NP10-160)	
FERC	NP10-160-000 NERC Filing >>	NERC as CEA	WECC RC [California Mexico Reliability Coordinator OC]	NCR05049	\$0	WECC200700001 / NCEA200700070	IRO-005-2	2	High
						WECC200700499 / NCEA200700064	CIP-001-1	4	Medium
						WECC200700500 / NCEA200700066	COM-001-1	3	Lower
						WECC200700501 / NCEA200700067	IRO-001-1	4	Medium
						WECC200700502 / NCEA200700068	IRO-001-1	5	Lower
						WECC200700503 / NCEA200700069	IRO-001-1	7	High
						WECC200700397 / NCEA200700056	IRO-004-1	1	High
FERC	NP10-160-000 NERC Filing >>	NERC as CEA	WECC RC [California Mexico Reliability Coordinator OC]	NCR05049	\$0	WECC200800296 / NCEA200800071	EOP-006-1	1	Medium
						WECC200700402 / NCEA200700060	EOP-006-1	6	Medium

FERC		NERC as CEA	WECC RC [Pacific Northwest Security Coordinator]	NCR05302	\$0	WECC20070 0401 / NCEA200700 059	EOP-006-1	3	Medium
						WECC20070 0400 / NCEA200700 058	CIP-001-1	4	Medium
						WECC20070 0328 / NCEA200800 072	EOP-008-0	1	Medium
						WECC20070 0399 / NCEA200700 057	TOP-003-0	4	Medium
FERC	NP10-160- 000 NERC Filing =>	NERC as CEA	WECC RC [Rocky Mountain – Desert Southwest Reliability	NCR05364	\$0	WECC20070 0446 / NCEA200700 061	PER-004-1	1	High
						WECC20070 0447 / NCEA200700 062	PER-004-1	3	High
						WECC20070 0451 / NCEA200700 065	EOP-006-1	1	Medium
						WECC20070 0448 / NCEA200700 063	PER-004-1	4	High
FERC	NP10-160- 000 NERC Filing =>					SPP2007000 44	PRC-004-1	2	High
						SPP2007000 36	CIP-001-1	2	Medium
						SPP2007000 37	EOP-004-1	2	Medium
						SPP2007000 39	FAC-008-1	2	Lower
						SPP2007000 40	FAC-009-1	1	Medium

						SPP2007000 41	FAC-009-1	2	Medium
						SPP2007000 42	PRC-001-1	2	High
						SPP2007000 43	PRC-001-1	3	
						SPP2007000 47	PRC-005-1	2	Lower
						SPP2007000 48	TOP-002-2	18	Medium
						SPP2007000 49	VAR-002-1	1	Medium
						SPP2007000 50	VAR-002-1	2	Medium
						SPP2007000 38	FAC-008-1	1	Medium
FERC		SPP RE	USACE - Tulsa District	NCR06038	\$0	SPP2007000 46	PRC-005-1	1	High
	NP10-160- 000 NERC Filing »					TRE2007000 22	FAC-008-1	1	Lower / Medium
FERC		TRE	USACE - Tulsa District	NCR04156	\$0	TRE2007000 23	FAC-008-1	2	Lower
						TRE2007000 24	FAC-008-1	3	Lower
FERC	000 »	WECC	Colorado Electric	NCR00089	\$0	WECC20080 1842	PRC-005-1	2	Lower/High
	NP10-160- 000 NERC Filing »					WECC20080 0662	PRC-005-1	1	High
FERC		WECC	California Departmen t of Water Resources	NCR05047	\$0	WECC20080 0663	PRC-005-1	2	Lower / High
	NP10-160- 000 NERC Filing »					WECC20080 1562	PRC-008-0	2	Medium
FERC		WECC	City of Forest Grove Light and Power	NCR10040	\$0	WECC20080 1561	PRC-008-0	1	Medium
FERC	000 »	WECC	City of Ukiah	NCR05494	\$0	WECC20070 1840	PRC-007-0	2	Lower
	NP10-160- 000 NERC Filing »					WECC20081 0403	TPL-004-0	1	Medium
			Imperial			WECC20081 0404	TPL-004-0	2	Lower

FERC		WECC	Irrigation District	NCR05195	\$0	WECC200810402	TPL-003-0	1	High / Medium
FERC	000 WECC Filing	WECC	Nuclear Security	NCR05515	\$0	WECC200700190	PRC-005-1	2	Lower / High
FERC	NP10-160-000 WECC Filing	WECC	Navopache Electric Cooperative, Inc.	NCR05260	\$0	WECC200800776	PRC-005-1	1	High
						WECC200800779	PRC-008-0	2	Medium
						WECC200800778	PRC-008-0	1	Medium
						WECC200800777	PRC-005-1	2	Lower / High
FERC	000 WECC Filing	WECC	Service Company	NCR05333	\$0	WECC200810410	PRC-001-1	4	High
FERC	000 WECC Filing	WECC	o Municipal Utility	NCR05368	\$35,000	WECC200800791	VAR-STD-002a	WR1	N/A
FERC	000 WECC Filing	WECC	Nevada Water	NCR05400	\$0	WECC200801841	TOP-005-1	4	Medium
FERC	000 WECC Filing	WECC	Centralia Generation,	NCR05533	\$0	WECC200801004	PRC-005-1	2	Lower/High
FERC	NP10-160-000 WECC Filing	WECC	TRI-Dam Project of the Oakdale and South Joaquin	NCR05431	\$0	WECC200801576	PRC-005-1	1	High
						WECC200801577	PRC-005-1	2	Lower / High
						WECC200801575	FAC-008-1	1	Medium / Lower
FERC	NP10-160-000 WECC Filing	WECC	Unidentified Registered Entity	NCRXXXXX	\$0	WECC200800XXX	CIP-007-1	1	Medium / Lower
						WECC200800XXX	CIP-003-1	1	Lower
FERC	NP10-160-000 WECC Filing	WECC	USACE-Portland District	NCR05538	\$0	WECC200801717	PRC-005-1	1	High
						WECC200801718	PRC-005-1	2	Lower / High
	NP10-160-000 WECC Filing		USACE-			WECC200801190	CIP-001-1	1	Medium
						WECC200801191	CIP-001-1	3	Medium

FERC	WECC	Seattle District	NCR05539	\$0	WECC20080			
	NP10-159-000				1192	CIP-001-1	4	Medium
	View NOP >>			\$109,000 (Settlement)	WECC20081	FAC-009-1	1	Medium
	view order >>				WECC20080	PER-002-0	3	High
					WECC20080	PRC-005-1	1	High
					WECC20080	PRC-005-1	2	Lower
					WECC20080	PRC-STD-005-1	WR1	N/A
					WECC20081	TPL-001-0	1	High
					WECC20080	TPL-001-0	3	Lower
					WECC20080	TPL-002-0	1	High
					WECC20080	TPL-002-0	2	Medium
					WECC20080	TPL-002-0	3	Lower
					WECC20080	TPL-003-0	1	High
					WECC20080	TPL-003-0	2	Medium
					WECC20080	TPL-003-0	3	Lower
					WECC20080	TPL-004-0	1	Medium
					WECC20080	TPL-004-0	2	Lower
					WECC20080	CIP-002-1	3	High
					WECC20090	CIP-003-1	3	Lower
					WECC20090	CIP-004-1	4	Lower
					WECC20080	CIP-008-1	1	Lower
					WECC20090	CIP-009-1	1	Medium

						WECC20070 0565	EOP-008-0	1	High
						WECC20070 0566	VAR-001-1	3	Lower
FERC		WECC	NERC	NCRXXXXX		WECC20070 0567	VAR-001-1	4	Medium
	NP10-158- 000				\$30,000 (Settlement)	WECC20081 0309	FAC-009-1	1	Medium
	View NOP >> view Order >>		Public Service Company of New Mexico			WECC20081 0375	PRC-005-1	1	High
FERC		WECC		NCR05333		WECC20080 0892	PRC-005-1	2	High
						WECC20081 0312	TOP-004-1	6	Medium
						WECC20080 1159	VAR-002-1	3	Medium
	000		Commonwe alth Edison Company		\$23,000 (t)	RFC2009001 55	PRC-005-1	2.1	High
FERC	View NOP >> >>	RFC		NCR08013		SEEC200800 224	PRC-005-1	1	High
	NP10-156- 000				\$30,000 (Settlement)	SEEC200800 225	PRC-005-1	2	High
	View NOP >> view Order >>		EPCOR USA North Carolina LLC (Southport)			SEEC200800 216	CIP-001-1	1	Medium
FERC		SERC		NCR09020		SEEC200800 217	CIP-001-1	2	Medium
						SEEC200800 218	CIP-001-1	3	Medium
						SEEC200800 219	CIP-001-1	4	Medium
						SEEC200800 214	FAC-008-1	1	Medium
	NP10-155- 000				\$30,000 (Settlement)	SEEC200800 212	PRC-005-1	1	High
	View NOP >> view Order >>					SEEC200800 213	PRC-005-1	2	High
						SEEC200800 220	CIP-001-1	1	Medium
						SEEC200800 221	CIP-001-1	2	Medium

FERC		SERC	EPCOR USA North Carolina LLC (Roxboro)	NCR09021		SERC200800 222	CIP-001-1	3	Medium
						SERC200800 223	CIP-001-1	4	Medium
						SERC200800 215	FAC-008-1	1	Medium
FERC	000 View NOP >> view Order >>	FRCC	Ocala Utility Services	NCR00054	\$13,500 t)	FRCC200800 088	PRC-005-1	11	High
						FRCC200800 089	PRC-005-1	2.1	High
FERC	000 View NOP >> >>	SERC	DTE Energy Trading	NCR00760	\$0 t)	SERC200900 409	INT-004-2	2.2	Lower
FERC	000 View NOP >> >>	SERC	Dynegy, Inc.	NCR00200	\$12,500 t)	SERC200900 263	PRC-005-1	2/2.1	Lower/High
FERC	000 View NOP >> >>	RFC	PECO Energy Company	NCR08026	\$15,000 t)	RFC2009001 27	PRC-005-1	2.1	High
FERC	000 View NOP >> >>	RFC	Baltimore Gas & Electric Company	NCR00689	\$10,000 t)	RFC2009001 23	PRC-005-1	2.1, 2.2	High
FERC	000 View NOP >> View Supplementa l >> View Extension >>	TRE	Kiowa Power Partners, LLC	NCR01113	\$25,000 t)	TRE2008000 63	FAC-003-1	2	High
FERC	000 View NOP >> view Order >>	RFC	City of Vineland New Jersey	NCR00722	\$2,000 t)	RFC2008000 99	FAC-008-1	1	Lower
						RFC2008001 01	FAC-009-1	1	Medium
	NP10-147- 000 View NOP >>		Greenwood		\$10,000 (Settlement)	SERC200900 333	CIP-001-1	1	Medium
						SERC200900 334	CIP-001-1	2	Medium

	View Order >>		Commissioners of Public Works			SERC200900335	CIP-001-1	3	Medium
FERC		SERC		NCR01250		SERC200900336	CIP-001-1	4	Medium
	000 View NOP >>		San Diego Gas & Electric Company		\$30,000 (t)	WECC200901708	PRC-005-1	2.1	High
FERC		WECC		NCR05377					
	000 View NOP >>		Pacific Gas and Electric Company		\$0	WECC200901640	PRC-STD-005-1	WR1	N/A
FERC		WECC		NCR05299					
	000 View NOP >>		Dynegy, Inc.		\$20,000 (t)	WECC200901528	VAR-002-1	2	Medium
FERC		WECC		NCR00200					
	000 View NOP >> View Supplemental >> View Order >>		City of Tallahassee		\$5,000 (t)	FRCC200800121	MOD-006-0	2	Lower
FERC		FRCC		NCR00073		FRCC200800155	BAL-003-0	2.1	Lower
	000 View NOP >>		NAES Corporation - Lincoln Generating		\$9,000 (t)	FRCC200800156	BAL-001-0	1	Medium
FERC		RFC		NCR00845		RFC200900120	VAR-002-1	1	Medium
	NP10-141-000 View NOP >> View Extension >> View 2nd Extension >> View Response >>				\$225,000 (Settlement)	WECC200800656	INT-006-1	1	Lower
						WECC200701287	PRC-STD-005-1	WR1	N/A
						WECC200901289	PRC-STD-005-1	WR1	N/A
						WECC200810219	PRC-005-1	2	High
						WECC200800711	PER-002-0	1	High
						WECC200801041	TRC-STD-006-0	WR1	N/A
						WECC200800669	INT-001-2	1	Lower

						WECC20080 0710	FAC-001-0	2	Medium
						WECC20081 0218	EOP-001-0	6	Medium
						WECC20070 0629	EOP-001-0	1	High
			Los Angeles Department of Water and Power	NCR05223		WECC20080 0708	CIP-001-1	1	Medium
						WECC20080 0712	PRC-005-1	1	High
FERC		WECC				WECC20080 0686	INT-004-1	2	Lower
	000 View NOP >> Supplemental >> View Extension >> View 2nd Extension >> View Response >>				\$5,600 (t)				
FERC		RFC	NERC	NCRXXXXX		RFC2009001 16	CIP-004-1	4	Lower
						RFC2009001 39	CIP-004-1	3.2	Lower
	000 View NOP >> >>	WECC	NERC	NCRXXXXX	\$3,000 (t)	WECC20090 1275	CIP-003-1	2	Medium
FERC		RFC	NERC	NCRXXXXX	\$5,000 (t)	RFC2009001 34	CIP-004-1	4	Medium
	NP10-137-000 View NOP >> view Order >>				\$39,000 (Settlement)	WECC20080 0963	CIP-004-1	3	Medium
						WECC20080 1086	BAL-005-0	17	Medium
						WECC20080 1087	CIP-001-1	1	Medium
						WECC20080 1088	EOP-001-0	1	High
						WECC20080 1089	PRC-005-1	1	High

						WECC20080 1090	PRC-005-1	2	High
						WECC20080 1091	TPL-001-0	1	High
						WECC20080 1092	TPL-002-0	1	High
						WECC20080 1093	TPL-003-0	1	High
						WECC20080 1225	PRC-017-0	1	High
FERC		WECC	NERC	NCRXXXXX		WECC20080 1510	TPL-004-0	1	Medium
	000 View NOP >> view Order >>					WECC20090 1681	CIP-004-1	3	Medium
FERC		WECC	NERC	NCRXXXXX	\$7,000	WECC20090 1682	CIP-004-1	2	Lower
	000 View NOP >> >>					WECC20090 1701	CIP-005-1	2	Medium
FERC		WECC	NERC	NCRXXXXX	\$8,000				
	000 View NOP >> >>					SPP2008000 54	CIP-004-1	3	Lower
FERC		SPP	NERC	NCRXXXXX	\$0				
	NP10-133- 000 View NOP >> Errata >> view Order >>					WECC20090 1631	VAR-002-1	3	Medium
					\$59,500 (Settlement)	WECC20090 1740	CIP-001-1	1	Medium
						WECC20090 1518	PRC-005-1	2.1	High
						WECC20090 1517	PRC-005-1	1	High
FERC		WECC	Hermiston Generating Co., L.P.	NCR05181		WECC20090 1630	VAR-002-1	1	Medium
	000 View NOP >> >>				\$2,500 (Settlement)	RFC2008001 04	TOP-002-2	3	Medium
FERC		RFC	Camp Grove Wind Farm, LLC	NCR00214					
	000 View NOP >> >>				\$5,000 (Settlement)	SERC200800 211	CIP-004-1	4	Lower
FERC		SERC	NERC	NCRXXXXX					

FERC	000 View NOP >>	SERC	NERC	NCRXXXXX	\$0 (t)	SERC200900 264	CIP-004-1	4.2	Lower
FERC	000 View NOP >>	RFC	Benton County Wind Farm, LLC	NCR00170	\$2,500 (t)	RFC2008001 03	TOP-002-2	3	Medium
FERC	000 View NOP >> view Order	NPCC	National Grid Generation LLC	NCR07128	\$40,000	NPCC200900 080	PRC-005-1	1	High
FERC	NP10-127- 000 View NOP >> view Order	SERC	SRW Limited Partnership	NCR01331	\$20,000 (Settlement)	NPCC200900 081	PRC-005-1	2	High
FERC	000 View NOP >>	RFC	Lincoln Generating Facility, LLC	NCR10208	\$4,500 (t)	SERC200900 279	PRC-005-1	2	High
FERC	NP10-125- 000 View NOP >> view Order	RFC	Covanta York Renewable Energy, LLC	NCR08064	\$7,500 (Settlement)	SERC200900 280	FAC-008-1	1	Lower
FERC	000 View NOP >> view Order	WECC	Elk Hills Power, LLC	NCR05143	\$30,000 (t)	SERC200900 278	PRC-005-1	1	High
FERC	000 View NOP >>	RFC	Lincoln Generating Facility, LLC	NCR10208	\$4,500 (t)	RFC2009001 24	PRC-005-1	2.1	High
FERC	000 View NOP >> view Order	RFC	Covanta York Renewable Energy, LLC	NCR08064	\$7,500 (Settlement)	RFC2009001 31	CIP-001-1	2	Medium
FERC	000 View NOP >> view Order	WECC	Elk Hills Power, LLC	NCR05143	\$30,000 (t)	RFC2009001 32	CIP-001-1	3	Medium
FERC	000 View NOP >>	SPP	Board of Pubic Utilities, City of	NCR10319	\$0	RFC2009001 33	CIP-001-1	4	Medium
FERC	000 View NOP >> view Order	WECC	Elk Hills Power, LLC	NCR05143	\$30,000 (t)	WECC20080 1025	PRC-005-1	1	High
FERC	000 View NOP >>	SPP	Board of Pubic Utilities, City of	NCR10319	\$0	WECC20080 1026	PRC-005-1	2	Lower
FERC	000 View NOP >>	SPP	the Empire District Electric Company	NCR01155	\$4,000 (t)	SPP2009000 85	VAR-002-1	3	Medium
FERC	000 View NOP >>	SPP	the Empire District Electric Company	NCR01155	\$4,000 (t)	SPP2008000 60	FAC-008-1	1	Medium
	000 View NOP >>		Reedy Creek Improveme		\$0 (t)	FRCC200800			

FERC	>>	FRCC	nt District	NCR00065		132	BAL-005-0	12.1	Lower
	NP10-120-000				\$115,000 (Settlement)	SERC200800135	PRC-005-1	2	Lower
	View NOP >> view Order >>		E.ON U.S. Services Inc. for LG&E & KU Companies			SERC200800132	FAC-008-1	1	Lower
						SERC200800209	VAR-002-1	2	Medium
FERC		SERC		NCR01223		SERC200800134	PRC-005-1	1	High
	000				\$10,000 (Settlement)	SERC200700015	PRC-005-1	1	High
FERC	View NOP >> view Order >>	SERC	Citizens Electric Corporation	NCR01192		SERC200700051	FAC-008-1	1	Lower
	NP10-118-000				\$20,000 (Settlement)	WECC200710124	CIP-001-1	1	Medium
	View NOP >> view Order >>					WECC200710125	CIP-001-1	2	Medium
			Public Utility District No. 1 of Whatcom County			WECC200710126	CIP-001-1	3	Medium
						WECC200710127	CIP-001-1	4	Medium
						WECC200901282	FAC-001-0	1	Medium
FERC		WECC		NCR05522		WECC200901283	FAC-001-0	2	Medium
	000				\$0	WECC200901442	PRC-005-1	1	High
FERC	View NOP >> view Order >>	WECC	Grays Harbor County PUD	NCR05172		WECC200901443	PRC-005-1	2	High
	NP10-116-000				\$35,000 (Settlement)	WECC200700471	EOP-005-1	2	Medium
	View NOP >> view Order >>					WECC200700472	EOP-005-1	6	High
			Public Utility District No. 1 of Chelan County			WECC200700473	EOP-005-1	7	High
						WECC200700474	FAC-001-0	2	Medium
FERC		WECC		NCR05338		WECC200700475	FAC-001-0	3	Medium

FERC	NP10-115-000 View NOP >> View Supplemental >> view Order >>	RFC	Northern Indiana Public Service Company	NCR02611	\$5,000 (Settlement)	RFC200800105	BAL-003-0a	1	Lower
						RFC200800106	BAL-003-0a	2	Medium
						RFC200800107	FAC-008-1	1	Lower
						RFC200800108	FAC-009-1	1	Medium
FERC	000 View NOP >>	RFC	Exelon Generation Company, LCC -	NCR00778	\$10,000 (Settlement)	RFC200900109	VAR-002-1	1	Medium
FERC	000 View NOP >>	MRO	Ill-State Generation and Transmissi	NCR10103	\$0	MRO200900103	INT-004-2	2/2.2	Lower
FERC	NP10-112-000 View NOP >> view Order >>	MRO	Southern Minnesota Municipal Power Agency	NCR01030	\$0 (Settlement)	MRO200900088	FAC-003-1	1.5	High
						MRO200900086	PER-002-0	4	High
						MRO200900085	PRC-005-1	1	High
FERC	NP10-111-000 View NOP >> view Order >>	MRO	Great River Energy	NCR00992	\$125,000 (Settlement)	MRO200900077	FAC-003-1	1.5	High
						MRO200900078	PRC-005-1	1	High
						MRO200900079	PRC-005-1	2	High
						MRO200900080	PRC-008-0	1	Medium
						MRO200900102	PRC-008-0	2	Medium
						MRO200900081	PRC-017-1	1	High
FERC	000 View NOP >>	WECC	Platte River Power Authority	NCR05321	\$0 (Settlement)	WECC200901272	TOP-006-1	6	High
FERC	000 View NOP >>	WECC	Montana-Dakota Utilities Co., a	NCR05247	\$5,000	WECC200901658	PRC-005-1	2.1	High

FERC	NP10-108-000 View NOP >> view Order >>	WECC	Tri-State Generation and Transmission Association	NCR10030	\$26,000	WECC200901668	EOP-005-1	1	Medium
						WECC200901669	EOP-005-1	4	Medium
						WECC200901670	PRC-005-1	1	High
FERC	NP10-107-000 View NOP >> view Order >>	WECC	City of Burbank Water and Power	NCR05072	\$44,500 (Settlement)	WECC200800722	CIP-001-1	1	Medium
						WECC200800723	CIP-001-1	2	Medium
						WECC200800724	CIP-001-1	3	Medium
						WECC200800725	CIP-001-1	4	Medium
						WECC200801023	FAC-008-1	1/1.1	Medium
						WECC200801300	PRC-005-1	1	High
						WECC200801301	PRC-005-1	2	Lower
						WECC200800846	TOP-003-0	2	Medium
						WECC200800847	VAR-002-1	3	Medium



Southwest Power Pool, Inc.

MARKET MONITOR

Report to the Oversight Committee

30 September 2010

Staffing

- **Market Design**
 - The department is fully staffed.
- **Market Monitoring**
 - The MMU group has been restructured, see attached organization chart. Two open positions have been posted internally and externally; Senior Market Monitor (vacant as a result of promotion); Senior Market Engineer (TCR monitoring).

Activity Update

- **Federal Energy Regulatory Commission (FERC)**
 - FERC staff requested weekly conference calls to receive briefings on market conditions. Meetings last about 30 minutes except for when the Monthly State of the Market is reviewed.
 - FERC staff will be visiting SPP the first week of November.
- **Market Design**
 - The MWG is forwarding the Future Market Protocols to the MOPC for endorsement in the October 2010 meeting. The recommendation is: "MWG recommends the MOPC endorse the Future Market Protocols document as the working document to continue the development of business requirements, begin development of implementation budget estimates and begin contract discussions with vendors. Due to the outstanding discussions concerning items listed above, MWG does not support signing contracts with vendors until these items are substantially resolved. MWG intends to resolve these and any other, outstanding issues prior to the January MOPC meeting. Changes to the October 12, 2010 Future Market Protocols document will be presented to the MOPC with an explanation of the changes and, if appropriate, a system impact assessment. Changes during this period will not follow the Protocol Revision Request Process.

This recommendation should not be interpreted as an approval by individual MWG members of every single design element."

- The areas still under discussion are ARR/TCRs (Allocation, Settlements, Market Clearing), Regulation Cost Allocation to Load plus Resources, Allocation of Over-Collection of Losses.
- Business process and requirements are in process. Business processes are anticipated to be complete by November. The business requirements for vendors to assess the design and submit a contractual estimate will be complete mid-November.
- The MMU continued its involvement with the design of the DA, RTBM, and TCR markets. Potomac Economics is assisting the MMU in conducting a comprehensive review of future market rules and in defining key positions regarding the design. Several recommendations have been communicated to the MWG during the final review of the Future Market

Protocols. Recommendations not addressed by MWG will be presented to MOPC at the appropriate time. The MMU is preparing a report for the SPP board of directors consisting of the design strengths and weaknesses and the MMU's recommendation regarding the Future Market Protocols.

- **Regulatory**
 - FERC approved SPP compliance for the Monitoring section of Order 719 with one minor compliance requirement that the MMU supports.
 - MMU staff is continuing to coordinate and supply input to the Inter-RTO Council responses to a FERC request on common metrics and coordinating the development of a set of metrics on Entergy.
- **MMU Activity Summary for August and September**
 - Market Power Metrics
 - § Routine metrics: 4 (Monthly)
 - § Under development: 3 (Monthly)
 - § Assess congestion causes (weekly)
 - § Comprehensive assessment of existing metrics by year end with support from Potomac Economics
 - Market Efficiency Metrics
 - § MP: 5 (Monthly)
 - § System Prices: 5 (Monthly)
 - § Congestion: 3 (Monthly)
 - § Generation: 3 (Monthly), (2 additional under development)
 - § System Performance: 5 (Monthly)
 - Reports – Routine
 - § Monthly: 5
 - § Quarterly: 1
 - § Annual: 2 (2 additional under development)
 - Studies
 - § Completed: 3
 - § In progress: 10
 - § Note: Seams assessment under development with support from Potomac Economics
 - Request of Ops and IT
 - § Completed: 2
 - § In progress: 3
 - § Coordination meeting with Ops – monthly
 - Other Activities
 - § Future market protocol review
 - § PRR reviews
 - § FERC meetings and information requests

Respectfully submitted,

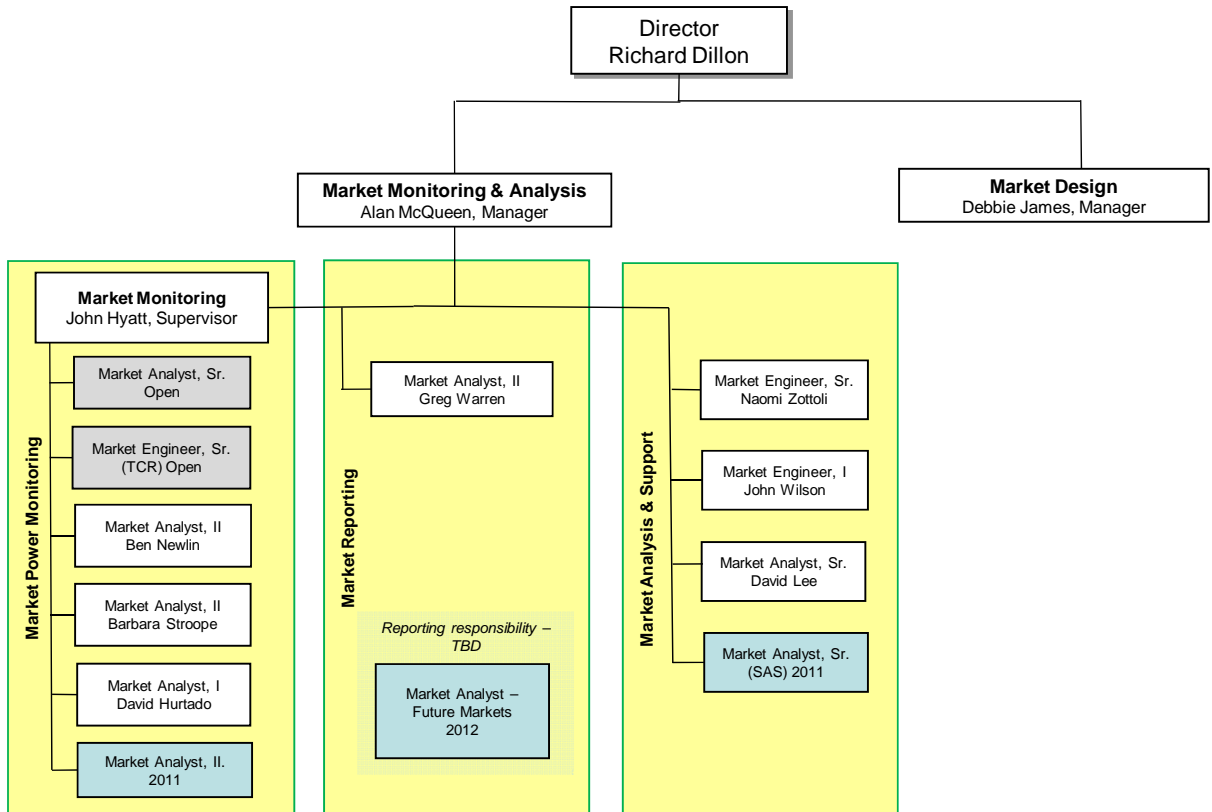
Richard Dillon
Director, Market Development and Analysis



Southwest Power Pool, Inc.
MARKET MONITOR
Supplemental Documents
30 September 2010

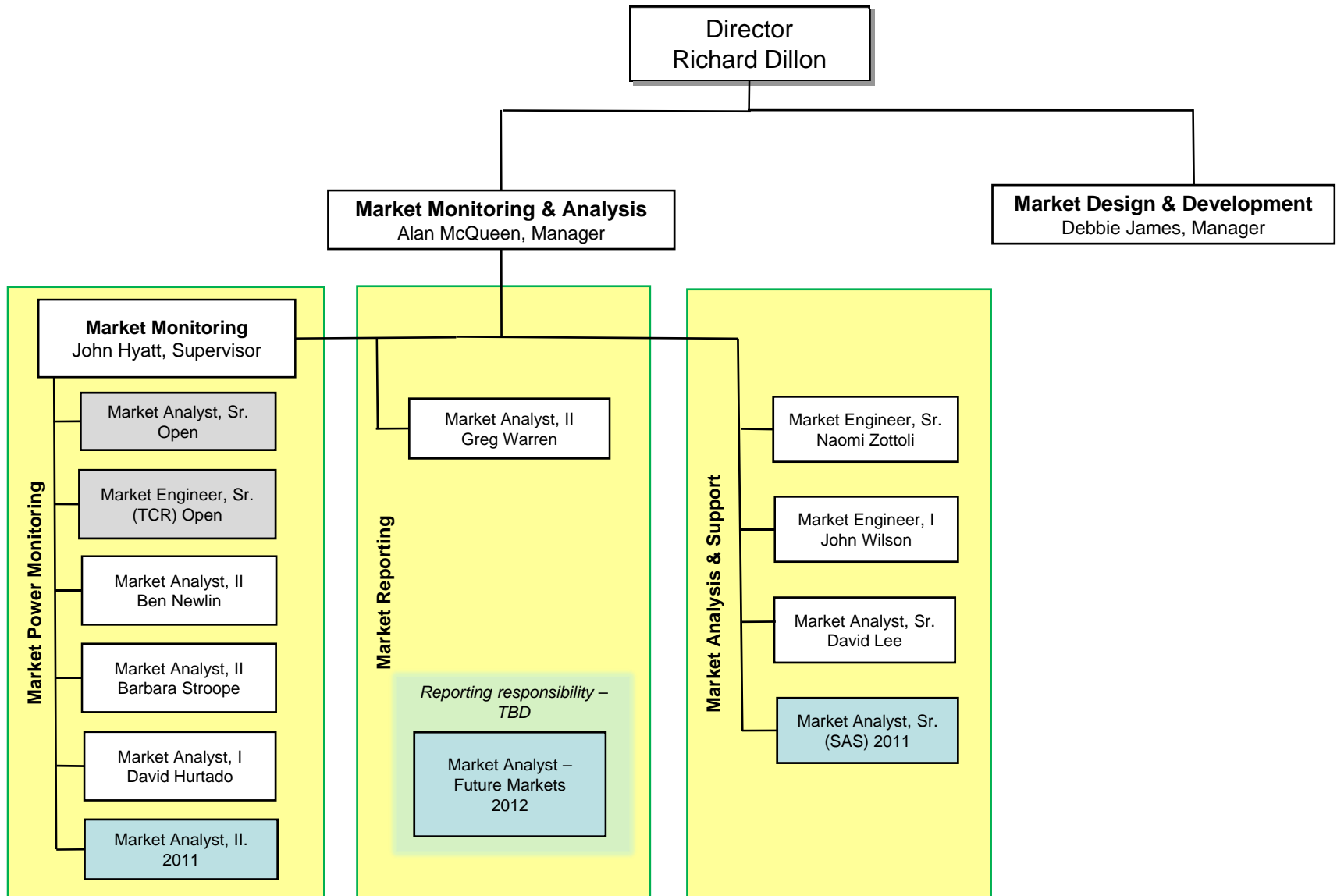
Organization

Market Development and Analysis Organization



13 September 2010

Market Development and Analysis Organization





Southwest Power Pool, Inc.
INTERNAL AUDIT
Report to the Oversight Committee
September 30, 2010

Staffing

- The Internal Audit department is fully staffed.

Activity Update

- Updated 2010 Audit Schedule (see attached)
- Updated Internal Audit Charter (see attached)
- Proposed 2011 Audit Schedule (see attached)
- Audits Completed Since Last Meeting:

- **ICT Quarterly Assessment (Q1 2010)**

The ICT (with the assistance of SPP Internal Audit) conducted a quarterly assessment of the Energy Available Flowgate Capability (AFC) data retention processes. The purpose of the quarterly assessment is to examine the regular AFC and Weekly Procurement Process (WPP) data retention processes and investigate the FERC Lost, Inaccurate or Mishandled submissions submitted since the last assessment. The ICT also reviewed the pending recommendations and issues from the February 2010 assessment.

See attached for summary.

- **Electronic User Access Requests**

The purpose of this review was to evaluate the process and controls around SPP's electronic user access forms to ensure the process is efficient and adequately designed, identifying any gaps in requirements or documentation, as well as operating effectively to ensure adequate protection of the interests of SPP, its members, and customers.

See attached for summary.

- **Generation Interconnection Studies**

The purpose of this review was to ensure the Generation Interconnection (GI) study process is documented, includes adequate controls to mitigate risks, to identify any gaps, and to verify Federal Energy Regulatory Commission (FERC) and Tariff requirements are being met.

See attached for summary.



- **Credit Risk**

The purpose of this review was to ensure SPP has proper credit risk processes in place to verify assets are safeguarded and procedures are being followed. Also, to provide management and all employees guidelines of good business practices and controls to assist them in fulfilling their fiduciary duty to the organization.

See attached for summary.

- **Vendor Contract Administration**

The purpose of this review was to evaluate the process and controls around vendor contracts, to ensure the process is efficient and the controls are sufficient to ensure adequate safeguarding of SPP's resources.

See attached for summary.

- **Ethics/Code-of-Conduct Reaffirmation Training**

The purpose of this review was to determine that procedures performed for the implementation, monitoring and administration of the ethics and standards of conduct training, particularly for the year 2010, are adequately being executed.

See attached for summary.

- **Security Awareness Training**

The purpose of the review was to determine that the control procedures, as currently designed and performed, are sufficient to mitigate risk and provide reasonable assurance that the objectives of this control activity will be met. Specifically, to determine that the control procedures function such that access to IT resources will not be granted before a user has completed the Security Awareness Training and certified awareness of and compliance with security policies. (Note: The annual recertification process was not included in the scope of this review.)

See attached for summary.

- **Reviews Currently in Process:**

- **Digital Certificates**

The purpose of this review is to determine at a high level how digital certificates are created, utilized, and managed by SPP. The objective is to better gauge our current certificate activities so that a more uniform, simplified, and fully compliant method can be created for both certificate generation and management. Review is in the reporting phase.

- **Employee Benefits (Time-off)**



The purpose of this review is to evaluate the efficiency and effectiveness of processes and controls for SPP's employee benefits as they relate to personal time off (PTO) tracking and monitoring, recording and reporting, yearly rollover process, and system accuracy. Due to system issues, this review was placed on hold for two months. The review is once again in the testing phase.

- **Corporate Credit Cards**

The purpose of this review is to evaluate the process and controls around SPP's corporate American Express (AMEX) cards and the US Bank Visa cards to ensure the process is efficient and the controls are sufficient to ensure adequate safeguarding of SPP's resources. The review is in the testing phase.

- **Incident and Problem Management – Remedy**

The focus of this review is to assess the process of managing incidents from creation to closure. Specifically that the process, as performed: is supported by up-to-date and complete process documentation such that sufficient information is captured to support resolution and serve the process purpose and deliverables; is timely; includes adequate controls to mitigate risks; and to identify and report any gaps. The review is in the planning phase.

- **Transmission Services Study Process**

The purpose of this review is to: evaluate the efficiency and effectiveness of process controls around the Transmission Service study process; ensure compliance with SPP policies/tariff and legal/federal requirements; verify contracts/agreements are complete and executed properly; verify supporting documentation is retained and complete; and ensure study accounting is reported and accurate. The review is in the testing phase.

- **ICT Quarterly Assessment (Q2 2010)**

The purpose of the quarterly assessment is to examine the regular AFC and Weekly Procurement Process (WPP) data retention processes and investigate the FERC Lost, Inaccurate or Mishandled submissions submitted since the last assessment. Review is in the reporting phase.

- **SPP Compliance Program**

The focus of this review is to assess the efficiency and effectiveness of SPP's compliance department. Specifically to ensure the Compliance Program is distributed corporate-wide; compliance training for relevant staff is occurring; open communications with SPP member regarding, FERC Orders, NERC Standards, SPP Tariff and SPP Criteria; regular self-audits of SPP, Inc. is conducted; self-assessment and self-enforcement actions to prevent reoccurrence of potential or actual violations are completed; and self-certification is properly reported. Review is in the planning phase.

- **Upcoming Reviews/Audits:**



- Accounts Payable (semi-annual review)
- Procurement Process
- Bank Reconciliations
- Form 5500 Process
- IT Systems (EMS)
- ICT Quarterly Assessment (Q3 2010)
- Business Continuity Plan
- Other Activities
 - Staff engaged in Future Markets discussions; bringing perspective of internal controls, SAS 70 and business
 - Staff enrolled in a 10-week internally developed Regulatory training class
 - Hosted a process discussion regarding the SPP Loss Matrix, utilizing a subject matter expert; participants from throughout the company involved in the discussion
 - New hire employee orientation training presentation on audit basics
 - Documenting cross-functional business processes:
 - § Adding New Transmission Customers
 - § Market Settlement Disputes
 - SAS 70-related work:
 - § Preparation for Phase 2 of 2010 audit
 - Review wording of control activities
 - Drafting and editing of SAS 70 report narrative
 - Two employees will provide approximately 40 hours each of direct assistance to the external auditors (attempt to reduce outside service fee)
 - § Continuous, periodic audits

Respectfully submitted,

Lauren Krigbaum
Director, Process Integrity and Internal Audit

**Southwest Power Pool, Inc.
2010 Audit Plan (Updated)**

Area	Activity	Anticipated Start Date	Status
Finance	Accounts Payable (including Off We Go LLC)	2010 Q1	Complete
HR/Legal	Annual Harassment training	2010 Q1	Complete
HR	Employee Benefits - Payroll	2010 Q1	Complete
Finance/ Various	Employee Time Tracking Best Practices	2010 Q1	Complete
Contract Services	ICT Quarterly Assessment (Q4 2009)	2010 Q1	Complete
IT	Incident and Problem Management - Remedy	2010 Q1	Planning
Settlements	New Transmission Settlements System (SAS 70)	2010 Q1	Complete
Planning Engineering	Tariff Studies [Generation Interconnection studies (cluster studies)]	2010 Q1	Complete
Various	2010 SAS 70 Audit Coordination	2010 Q2	Complete
HR/Legal	Annual Corporate Policy Reaffirmation	2010 Q2	Complete
Legal	Annual Ethics and Code-of-Conduct Reaffirmation Training (All Employees)	2010 Q2	Complete
Legal/IT Security	Annual Security Awareness training	2010 Q2	Complete
Risk Management	Credit (Approvals and Defaults)	2010 Q2	Complete
HR	Employee Benefits - Time Off	2010 Q2	Testing
Contract Services	ICT Quarterly Assessment (Q1 2010)	2010 Q2	Complete
Finance	Off We Go LLC	2010 Q2	Complete
ITSM	User Access Audit (SRM)	2010 Q2	Complete
Compliance	Model Compliance Program	2010 Q2-Q3	In Process
Finance	Corporate Credit Cards (including AMEX)	2010 Q3	In Process
Planning Engineering	Tariff Studies: System Impact Studies/Aggregate Studies	2010 Q3	In Process
Contract Services	ICT Quarterly Assessment (Q2 2010)	2010 Q3	In Process
IAP/	2011 Annual Audit Planning	2010 Q3-Q4	In Process
Various	2010 SAS 70 Audit Coordination	2010 Q4	In Process
Finance	Accounts Payable (including Off We Go LLC)	2010 Q4	
Finance	Bank Reconciliations	2010 Q4	
Corporate	BCP	2010 Q4	
IT Security	CIP Audit	2010 Q4	
Settlements/Operations/IT	EMS	2010 Q4	
Finance	Fixed Assets	2010 Q4	Planning
HR	Form 5500 Process Review	2010 Q4	
Contract Services	ICT Quarterly Assessment (Q3 2010)	2010 Q4	
IT	IT Systems (Selected Systems)	2010 Q4	
Finance	Procurement Audit	2010 Q4	Planning
Project Management	Selected Projects (PRPC)	2010 Q4	
HR/Legal	Annual Harassment training	2011 Q1	
Accounting	Billing	2011 Q1	
HR	ComplianceLine Administration	2011 Q1	
HR	Employee onboarding	2011 Q1	
Planning Engineering	Tariff Studies: Network Upgrades	2011 Q1	
Regulatory	Tariff Revision Requests (TRR)	2011 Q1	
Contract Services	ICT Quarterly Assessment (Q4 2010)	2011 Q1	
Finance	Accounts Payable (including Off We Go LLC)	2011 Q2	
HR/Legal	Annual Corporate Policy Reaffirmation	2011 Q2	
Legal	Annual Ethics and Code-of-Conduct Reaffirmation Training (All Employees)	2011 Q2	
Legal/IT Security	Annual Security Awareness training	2011 Q2	
Corporate	Expense Reporting	2011 Q2	
Contract Services	ICT Quarterly Assessment (Q1 2011)	2011 Q2	
IT Server	Server Audit	2011 Q2	
ITSM	User Access Audit (Cyber)	2011 Q2	
Contract Services	ICT Quarterly Assessment (Q2 2011)	2011 Q3	
Finance	Accounts Payable (including Off We Go LLC)	2011 Q4	
Contract Services	ICT Quarterly Assessment (Q3 2011)	2011 Q4	
Compliance	Model Compliance Program	2011 Q4	
Contract Services	Tariff audit (selected sections)	TBD	
IT	IVS review of facilities	TBD	
Various	Order 890 follow-up audit	TBD	
Various	Continuous SAS 70 Controls Testing	Periodic Testing - report as completed	



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 Internal Audit (IA) department is to provide independent, objective assurance and advisory services 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, IA 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 IA 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.
- 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.
- Operational efficiencies and best practices are recognized and implemented as deemed appropriate.
- Timely responses are provided to "customers".
- Effective actions are taken on agreed upon recommendations.
- Quality and continuous improvement are fostered in SPP's control process.
- Interaction with the various governance groups occur as needed.
- 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, Internal Audit in the discharge of his/her duties, shall be accountable to the Oversight and Finance Committees 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 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 IA department, its personnel report to the Director, Internal Audit, who reports administratively to the Vice President of Process Integrity and Chief Administrative Officer (CAO). In addition, the Director, Internal Audit reports regularly to the Oversight and Finance Committees appointed by the Board. Also, the Director, Internal Audit may meet, as necessary, in executive session with the directors assigned to the Oversight or Finance Committees to safeguard confidentiality of sensitive information.

Responsibility

IA 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 Oversight Committee and the Finance Committee for review and approval as well as periodic updates.

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

IA 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.

IA will periodically provide information on the status and results of the audit plan and will submit periodic reports to the CAO, the Oversight Committee and the Finance 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

IA will work in conjunction with Compliance and Training to support SPP's Compliance Program.

* Management does not have the ability to negotiate or edit the contents of the final audit report.

Authority

IA 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 Oversight Committee and the Finance 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 IA during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them. All IA 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.

IA is *not* authorized to:

- Perform operational duties.
- Initiate or provide approval for any activities or transactions external to IA.
- Direct the activities of any SPP employee not employed by IA, 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. IA 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 IA 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*.



Southwest Power Pool, Inc.
Marginal Losses and Market Manipulation
September 15, 2010

Background

In August 2010, PJM requested FERC to investigate gaming related to the use of transmission reservations and offsetting (or wash trades) deals to obtain a larger proportion of the marginal loss over collections than the companies were otherwise entitled to receive.

Analysis

In PJM, parties may submit "Up-to Congestion" schedules in the Day-Ahead Energy Market. Effective with a July 2009 FERC Order, parties paying for Transmission Service were entitled to receive a portion of the marginal loss over collections. The reservation charge for Non-Firm Transmission service was \$0.67/MWh. The marginal loss surplus allocation averaged \$1.85/MWh. Since the "Up-to Congestion" schedules in Day-Ahead Energy Market used offsetting schedules, schedules with the same injection and withdrawal point, or scheduling between locations with identical prices, the participants did not incur any energy market settlement consequences. But the schedules were eligible to receive marginal loss surplus allocations.

The SPP allocation of marginal loss surplus does not use the gross activity of injections and withdrawals. Instead, the losses are allocated to each settlement location based on the net withdrawals. Then the settlement location losses are allocated to each Market Participant at that settlement location on a weighted average basis. Therefore, the marginal loss surplus is calculated in a manner that removes hubbing (delivered and shipped from the same settlement location) and any offsetting schedules or schedules with the same injection and withdrawal points would net to zero for marginal loss surplus at a settlement location.

The scheduling between locations of identical prices results in more risk than gain for the Market Participant, since the identical prices are transitory and price differences would result in energy settlement consequences that may outweigh the marginal loss surplus payments.

Conclusion

The MMU's review of this issue has determined that the SPP future market design has minimal exposure to gaming of "losses" as experienced in PJM. There is some minor exposure from financial schedules between two identically priced settlement locations. The MMU will be implementing market monitoring/mitigation in the Future Market design to detect "wash trade" type activities, resulting from abnormal scheduling, on identical price settlement locations to address all remaining concerns.

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Transmission Owner Selection Process

Overview

Prior to the start of this process, SPP must have identified a specific project to be built and sent a Notification to Construct (NTC) to the Designated Transmission Owner (DTO) pursuant to Attachment O, Section VIII of the SPP Tariff. If the DTO either: 1) informs SPP that it does not want to be a DTO and does not arrange for another entity to assume the NTC in its place, 2) does not respond to the receipt of the NTC within the time (“90 day period”) and in the manner required by Attachment O, or 3) cannot reach an agreement on a modified NTC with SPP within the 90 day period, then SPP shall solicit a new Transmission Owner to build, own, operate and maintain the project¹ (“Triggering Events”). The overall selection process is shown in Appendix 1 – Transmission Owner Selection Process Flowchart.

Transmission Owner Selection Committee

Once one of the Triggering Events has taken place, Staff will notify the Chairman of the Board of Directors (BOD) and the Chairman of the Oversight Committee. The Oversight Committee (OC), with recommendations from SPP Staff, will form a Selection Committee (SC), consisting of a group of SPP Staff to oversee the selection process and to make a recommendation to the Oversight Committee in accordance with the process described herein. The Chair of the SC shall be an SPP employee at the Director level or higher. The SPP Staff members of the SC shall include at least one employee from each of the following functions, not to exceed nine members.

- ☒ Engineering
- ☒ Regulatory
- ☒ Operations
- ☒ Finance

The SC may designate Stakeholder Experts in order to provide input and expert opinions to the SC. The designated Stakeholder Experts shall be selected for their expertise to supplement the knowledge and expertise of the SC.

Ultimately the selection of the Stakeholder Experts shall be at the discretion of the SC to assist in its final recommendations.

For a Stakeholder Expert to qualify to participate with the SC, the Stakeholder must not be an employee or consultant for any of the entities or their affiliates vying to construct the project. If, after a Stakeholder Expert is selected and agrees to participate, the company that the Stakeholder Expert represents in the SPP does initiate efforts to seek to construct the project, the Stakeholder shall immediately notify the SC and shall be removed as a Stakeholder Expert. Each Stakeholder Expert must sign a confidentiality agreement (attached hereto as Appendix 2 – Confidentiality Agreement) prior to participating in the selection process stating that the Stakeholder will not pass any of the information they may receive as a Stakeholder Expert to anyone who is not a member of the SC, the OC, the BOD or another Stakeholder Expert.

Stakeholders Experts shall be the primary source from which the SC shall obtain expertise which it deems to be beyond its capability. The SC may also utilize such consultants as it determines are

¹ SPP Open Access Transmission Tariff, Attachment O, Section VIII(6), page 300L.

necessary to provide specific expertise. The SC may on occasion query a Committee or Working Group regarding a matter it deems necessary to obtain such Committee's or Working Group's input. In the event the SC determines that it must query a Committee or Working Group, the query shall be narrowly designed in order to maintain the integrity of the evaluation process.

Request for Information (RFI)

The SC's first formal action after its formation shall be to issue a Request for Information ("RFI"). The purpose of the RFI is to generate a list of those entities interested in becoming the DTO for the NTC and which meet the list of minimum requirements given in Attachment O. The RFI will be developed by the SC based upon the original NTC issued by SPP. The RFI shall contain the overall parameters of the project, the original NTC, and any additional information as specified in Appendix 3 – RFI/RFP Procedures. The SC shall develop and post the RFI within 15 days of the formation of the SC. The RFI will be distributed to all Transmission Owners in SPP and posted on the SPP website and OASIS. A general notice to all members of the SPP noting the posting of the RFI will be distributed by SPP. SPP may also pass the notice to anyone who has expressed an interest in becoming a Transmission Owner in the SPP.

Those entities wishing to participate in the selection process must respond back to the SC within 30 days of the posting of the RFI with the required information. The SC will review the responses for completeness and reject any response that is incomplete. The SC shall notify a responding entity if its response is rejected for being incomplete. If time allows, the responding entity may resend its response back to the SC for consideration. The responding entity shall demonstrate that it has obtained all state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project is located² and has signed or is capable of and willing to sign the SPP Membership Agreement as a Transmission Owner upon selection³ before it can qualify to receive the RFP.

If no response to the RFI is received, then the SC will inform the OC and the BOD of the lack of interest, and the obligation to construct shall remain with the DTO.

Request for Proposal (RFP)

After the RFI has been posted, the SC will start the development of the RFP. The information required in the RFP is detailed in Appendix 3 (RFI/RFP Procedures). The SC shall complete and send the RFP within 45 days of posting of the RFI. The RFP will only be sent to those entities that have responded to the RFI and have met the qualifications of the RFI. Only such entities shall be considered qualified to continue in the process ("Qualified Entities"). Any entity that has failed to respond to the RFI as specified therein will be deemed to have waived its right to respond to the RFP. Each Qualified Entity ("QE") shall respond to the RFP within 60 days from the date the RFP is sent to the QE ("Response Window"). A QE may request an extension of time to the Response Window; however, the Response Window shall not be longer than 75 days from the date the RFP was sent to the QE. The SC may grant such an extension of time based on good cause provided by the QE. Good cause for an extension to the length of the Response Window may include, but not be limited to: documented proof that the RFP was not received in a timely manner by the QE, holidays, delay of

² SPP Open Access Transmission Tariff, Attachment O, Section VIII(6)(i), page 300L.

³ SPP Open Access Transmission Tariff, Attachment O, Section VIII(6)(iii), page 300L.

information from SPP, and/or a delay in information from third parties required for the QE to complete its response to the RFP.

The SC will immediately review each response to the RFP it receives for completeness. The SC will promptly return any response to the QE that is incomplete; however, the QE may resubmit its response if the resubmittal is made within the Response Window. Any QE that fails to respond to the RFP within the Response Window will be deemed to have waived its right to respond to the RFP.

If no response to the RFP is received, then the SC will inform the OC and the BOD of the lack of interest; and the obligation to construct shall remain with the DTO.

Selection Process

Upon the receipt of the last QE response, or upon the closing of the Response Window, whichever is first to occur, the SC will begin its review of the information supplied by each QE responding to the RFP. The SC shall review all the responses to the RFP and make its recommendation to the OC based upon the selection process outlined in Appendix 4 – Selection Process within 30 days of the initiation of its review. During the review period the SC may ask additional questions of a responding QE and/or have each responding QE give a face-to-face presentation. The selection process is detailed in Appendix 4. The SC may take up to an additional 30 days to complete its review if either the number of responding QEs or the complexity of the analysis requires additional time. The SC must notify the OC of the extension and the reason for the extension prior to the end of the original 30 day review period. The recommendation shall rank each QE as prescribed by Appendix 4 in a non-discriminatory manner based upon the information supplied, or obtained, through the review period. The SC will compile an internal report detailing the process, participants, data and results of its deliberation. A public report will also be published by the SC, however, the public report shall not contain any confidential information obtained by the SC during the selection process. The public report shall be made available to all SPP stakeholders prior to the final selection of the BOD.

The OC shall review the SC recommendation, results and explanations and submit those results, along with its recommendations to the SPP BOD. The SPP BOD shall select a QE for the project (Selected Transmission Owner or “STO”) and a backup QE based upon the input it receives from the OC.

Post Selection Activities

Upon the selection of the STO by the BOD, SPP shall notify the STO that it has been selected to become the new DTO for the project. The STO shall sign any necessary agreement(s) obligating it as the DTO to assume all of the rights and responsibilities related to the project and the NTC pursuant to the SPP Membership Agreement and the SPP OATT. If the STO does not respond within 15 days of notification, is no longer willing to become the DTO, or is unwilling to sign the necessary agreement(s), the STO shall be deemed to have waived its right to become the DTO and SPP shall notify the BOD, OC and the SC of the results. SPP shall then contact the backup QE and offer the project to it on the same terms the project was offered to the STO.

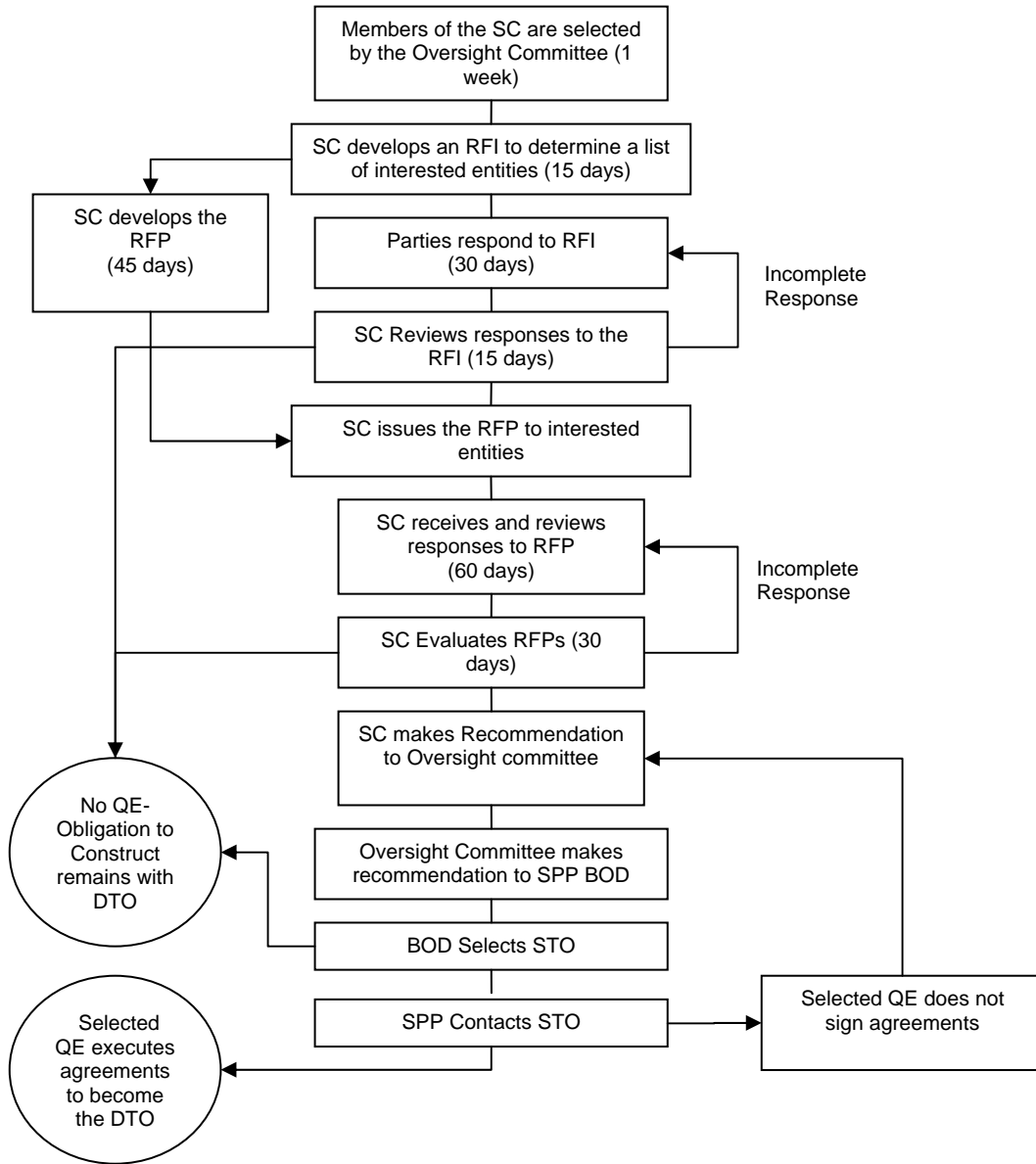
If the backup QE also fails to sign the necessary agreement(s) to become the DTO within 15 days of notification, SPP shall notify the BOD, OC and the SC of the results. The SC and OC shall review the remaining applications and submit another recommendation to the BOD. If no other QE can be found

to construct the project, then the original Transmission Owner shall remain the DTO and shall be required to begin following the requirements of the NTC⁴.

⁴ SPP Open Access Transmission Tariff, Attachment O, Section VIII(6), page 300L.

Appendix 1 – Transmission Owner Selection Process Flowchart

Transmission Owner Selection Process



Appendix 2 – Confidentiality Agreement

Southwest Power Pool, Inc. (“SPP”) has established a Selection Committee (“SC”) for the purpose of reviewing and evaluating responses to a Request for Proposal (“RFP”) for a certain transmission construction project. The Recipient of this Confidentiality Agreement is an individual of particular knowledge and expertise participating as a stakeholder Member of SPP. SPP has requested the Recipient to provide input to the SC in reviewing and evaluating such responses to the RFP. Therefore, SPP may provide Recipient copies of the responses to the RFP and/or other information pertinent to the RFP.

By executing this Confidentiality Agreement, Recipient is affirming that he, his employer, any entity which he represents and any affiliate thereof, if any, are not now and do not intend to respond to the RFP. Recipient agrees that if at any time he discovers the immediately preceding affirmation becomes untrue, he shall immediately notify SPP. He shall also immediately return all information he has received from SPP pertaining to the RFP and each and every response to the RFP that he has received or destroy same at SPP’s request. Recipient’s obligation to maintain the confidence of the Confidential Material shall continue thereafter.

By executing this Confidentiality Agreement, Recipient is affirming that the existence and contents of each and every response to the RFP (“Confidential Material”) are confidential and will be maintained by Recipient in strictest confidence and will not be disclosed to any other person or entity other than Staff members of SPP and other individuals who have signed this Confidentiality Agreement for the specified RFP. Recipient shall take necessary precautions to prevent disclosure of the Confidential Material to the public or any third party. Recipient shall make no copies or distribute the Confidential Material except as authorized in this Confidentiality Agreement. Recipient shall safeguard the Confidential Material with the same degree of care to avoid disclosure as Recipient uses to protect his own confidential and private information.

The obligation to handle and use Confidential Material set forth in this Confidentiality Agreement shall not apply to information which is in the public domain at the time of its disclosure to Recipient or thereafter enters the public domain through no breach of this Agreement by Recipient or is authorized for release by the author of the response to the RFP.

The Confidential Material shall be deemed the property of SPP or the author of the response to the RFP. Recipient shall, within ten (10) days of a written request by SPP or the author of the response to the RFP, return the requested Confidential Material to SPP. In the alternative, the Recipient shall destroy such Confidential Material at SPP’s or the author’s request. Recipient shall also certify in writing that he has satisfied the obligations of such request.

Recipient agrees that an impending or existing violation of any provision of this Agreement would cause SPP and/or the authors of responses to the RFP to be irreparable harmed for which there would be no adequate remedy at law and that SPP and/or such authors will be entitled to seek immediate injunctive relief prohibiting such violation without the posting of bond or other security, in addition to any other rights and remedies available.

No patent, copyright, trademark or other proprietary right is licensed, granted or otherwise transferred by this Agreement or any disclosure hereunder, except for the right to use such information in accordance with this Agreement. No warranties of any kind are given for the Confidential Material disclosed under this Agreement.

This Agreement may not be assigned by Recipient without the prior written consent of SPP. Any assignment in violation of this provision will be void.

If any provision of this Agreement is held invalid or unenforceable, such provision will be deemed deleted from this Agreement and replaced by a valid and enforceable provision which so far as possible achieves the intent of SPP and Recipient in agreeing to this original provision. The remaining provisions of this Agreement will continue in full force and affect.

ACKNOWLEDGED AND AGREED:

By: _____

Date: _____

Name: _____

Employer: _____

Email: _____

RFP: _____

Appendix 3 – RFI/RFP Procedures

Purpose

To identify the minimum Request for Proposal (RFP) requirements for selecting an entity to construct a transmission project in which the Designated Transmission Owner (DTO) has refused.

To facilitate the RFP process, it would be beneficial to first issue a Request for Information (RFI) for the specific project.

RFI Requirements

General

- Introduction/Background
- OATT / Regulatory context
- Purpose of RFI / statement of objective (tied to NTC and refusal of DTO to construct)
- Confidentiality statement (as applicable)
- RFI Timeline
- Notice of Intent to Bid (a standardized form) issued with the RFI

Consistent with Attachment O Section VIII, paragraph 6, the RFI should state that the entity responding to the RFP must demonstrate the following to be considered a viable bidder:

- That the entity has obtained all state and regulatory authority to construct, own and operate transmission facilities within the state(s) where the project is located
- That the entity meets the creditworthiness requirements of the Transmission provider (SPP)
- That the entity has signed or is capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon the selection of its proposal to construct and own the project

RFP Requirements

1. General

- Introduction/Background
- OATT / Regulatory context
- Purpose of RFP / statement of objective (tied to NTC and refusal of DTO to construct)
- Confidentiality statement (as applicable, covering the confidentiality of the bids and what those evaluating the bids have agreed to in terms of a confidentiality statement)
- Dispute resolution process

2. Bid Content Requirements and Submission Procedures

- Demonstration that the entity has signed or is capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon the selection of its proposal to construct and own the project
- Demonstration that the entity has obtained all state and regulatory authority to construct, own and operate transmission facilities within the state(s) where the project is located
- Timetable for RFP bids
 - RFI issued
 - Notice of intent to bid

- RFP issued
- Pre-bid Q and A deadline
- Pre-bid conference (if appropriate)
- Bid due dates
- Information policy
- Clarification of proposals
- Bid selection date
- RFP primary contact
- Identification of major partners, contractors, and associated contracts
- Requirements to comply with Good Utility Practice, SPP criteria, industry standards, applicable Transmission Owner construction /technical criteria, and applicable local, state, federal requirements
- Duration of Offer
- Conditions of Bid
- Managerial qualifications

3. **Financial**

- Demonstration of financing
- Demonstration of meeting SPP creditworthiness requirements
- Demonstration of articles of incorporation
- Cost estimates
- Statement of cost recovery?
- Demonstration of Revenue Requirement calculations

4. **Engineering and Construction**

- Statement of whom will engineer/design the project?
- Minimum technical requirements / specifications
 - Technical requirements for conductors, terminations, structures, etc (as applicable and tied to the NTC)
- Demonstration of applicable qualifications and certifications to construct in the state in which construction is required
- Anticipated timeline of project
 - Schedule estimates
 - Progress milestones
 - Progress reports
- Demonstration of past transmission construction experience
- Equipment acquisition process
 - Construction equipment
 - Transmission line material
- Description of applicable ROW / real estate acquisition process
- Description of routing process
- Description of permitting processes
 - Eminent domain status
 - Process for obtaining easements
 - Surveying responsibility
- Description of construction clearance processes. (Permission from the local operations group to cross other lines, turn off reclosers; have nearby lines reenergized while working on or near them, etc.
- Who will have the responsibility to inspect the construction?

5. Operations and Maintenance

- Demonstration of operations
 - Statement of which entity will be operating and maintaining the line?
- Demonstration of compliance with SPP ERO, NERC requirements
- Description of relevant control center operations
- Storm / outage response plan
- Maintenance Plan
 - Staffing
 - Equipment
 - Crew training
- Record of past maintenance performance

6. Information Exchange

- Identification of data required to be provided to the SPP in accordance with NERC reliability standards (for power flow, short-circuit, stability analysis etc.)
- Data of design of the facilities for the Transmission Provider
- CEI requirements

7. Safety program/Current/past statistics

- Internal safety program
- Contractor safety program
- Safety performance record

8. Evaluation Procedure (should be listed in RFP)

- Statement of bid evaluation methodology
 - For acceptable bids
 - For bid selection
 - Use of an independent evaluator (if applicable)
- Bid Evaluation fees (if applicable)

9. Attachments - under the premise that standardized forms from each bidder will aid in the evaluation of each bid by SPP.

Possible Standardized Forms

- Notice of Intent to Bid (part of the RFI)
- Bid certification
- Bid Cover Sheet
- Pricing
- Regulatory Milestones
- Construction Milestones
- Representation Authorization
- Bid exceptions

Appendix 4 – Selection Criteria

Purpose

To identify the process used in the rating and selection of the Selected Transmission Owner.

General

The Selection Committee will use “Reasonable Professional” standard in evaluation of proposals from the various respondents.

Minimum requirements (regulatory authority, credit worthiness, and TO membership) must be met in order to be included in this process.

The Selection Committee will score respondents on the items described below. Highest score may not always be selected. Low scores in individual categories may eliminate respondents from consideration.

Process

Each Selection Committee member will score respondents’ proposals by category from zero to the allowed number of points for that category. Points are totaled for all respondents and the results are used in guiding the committee to the ultimate selection. There are 100 possible points for each respondent RFP.

Categories

- **Project Expertise-20 points**
 - Engineering
 - Permitting
 - Environmental
 - ROW Acquisition
 - Procurement
 - Project Management (including scope, schedule management)
 - Construction
 - Commissioning
 - Technology content
- **Safety program/Current/Past statistics-15 points**
 - Internal safety program
 - Contractor safety program
 - Safety performance record (program execution)
 - RFP conformance
- **Cost to customer- What will the (long term) final impact be on the customer’s bill?-20 points**
 - Estimated total cost of Project
 - Financing costs
 - FERC Incentives
 - Revenue Requirements
 - Lifetime cost of the project to customers

- **Reliability/Quality/General Design-15 points**
 - Type of Construction (wood, steel, design loading, etc.)
 - Estimated total owning costs
 - Losses (design efficiency)
 - Estimated life of construction
- **Operations-15 points**
 - Control Center operations (staffing etc.)
 - NERC compliance –process/history
 - Storm/Outage response plan
 - Past reliability performance
- **Maintenance-15 points**
 - Staffing
 - Maintenance plans
 - Equipment
 - Crew training
 - Maintenance performance/expertise
 - NERC compliance-process/history