

Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING
JOINT STRATEGIC PLANNING COMMITTEE/CORPORATE GOVERNANCE COMMITTEE MEETING
Embassy Suites Downtown/Old Market – Omaha, NE

July 15, 2010

• M I N U T E S •

Joint Strategic Planning Committee and Corporate Governance Committee Meeting

The Corporate Governance Committee Chair Nick Brown called the Corporate Governance Committee meeting to order at 11:08 a.m. Members in attendance or represented by proxy were: Jim Eckelberger (Director), Rob Janssen (Dogwood), Cindy Holman (OMPA), Mel Perkins (OG&E), and Steve Parr (KEPCo). SPP Staff included Stacy Duckett. Those attending the Strategic Planning Committee prior to this meeting remained (Attachment 1 – Attendance).

Agenda Item 11 – Transmission Construction Withdrawal Obligations of TOs

The group discussed the current draft of revisions to the governing documents and policy direction regarding transmission construction withdrawal obligations of Transmission Owners (Attachment 2 – Withdrawal Obligations), asked many questions and discussed multiple scenarios. Staff is to develop a set of principles to ensure all are in agreement on the desired end result. Any additional comments/questions should be directed to Stacy Duckett. Staff will continue to refine the draft language.

Agenda Item 12 – Withdrawal from Membership

Stacy Duckett reviewed the Membership Agreement revisions associated with the term of membership and withdrawal (Attachment 3 – Membership Agreement Revisions). Discussion followed. No action was taken at this meeting. Additional comments/questions should be directed to Stacy Duckett.

Corporate Governance Committee Meeting

Agenda Item 2 – Finance Committee Action Items

Nick Brown noted a vacancy on the Finance Committee. Stacy Duckett advised the TO members were notified and three candidates indicated an interest in serving. Following discussion, Cindy Holman moved to recommend Sandra Bennett from American Electric Power to fill the vacancy; Steve Parr seconded the motion. The motion passed unanimously.

Nick Brown presented a request from the Finance Committee to establish a Credit Working Group (Attachment 4 – Credit Working Group Scope). The group has previously been a task force, but there is a need to establish this as a permanent group. The Committee reviewed the Credit Working Group Scope and proposed roster. Rob Janssen moved approval of the roster; Mel Perkins seconded the motion. The motion passed unanimously.

Agenda Item 3 – Organizational Effectiveness

Stacy Duckett reviewed the Annual Organizational Effectiveness Survey schedule. Nick Brown encouraged everyone to participate in these surveys.

The group discussed the Chair/Secretary Workshop and whether one is needed in 2010. Following discussion, the group determined a live meeting was not necessary, but a teleconference may be held to review the survey results. Following the next survey cycle, a determination will be made as to whether a future workshop is needed.

Corporate Governance Committee
July 15, 2010

Nick Brown referenced the draft rules for public participation in the SPP Board of Directors/Members Committee meetings (Attachment 5 – Rules for Public Participation). Discussion followed. The document will be revised to refer to “general public” rather than “members of the public”, as well as other revisions to establish these as guidelines rather than rules. A revised document will be circulated to the Committee. The purpose remains to enable participation while allowing for proper conduct of meetings.

Nick Brown referenced a survey from NACD. Due to technical issues with printing, it was not available and discussion will be tabled to a future meeting.

Agenda Item 4 – Voting Structure

Nick Brown reviewed questions raised regarding affiliate votes and Members Committee representation in the organization. Discussion followed. The Committee is to consider and plan for discussion and possible action at the September meeting. Staff will provide background, including various scenarios, in advance of the meeting to allow adequate time for review and consideration.

Agenda Item 1 – Administrative Items

Nick Brown referred to draft minutes for the December 8, 2009, January 8 and March 4, 2010 meetings (12/8/09, 1/8/10 and 3/4/10 Minutes – Attachment 6). Steve Parr moved to approve the minutes as presented. Mel Perkins seconded the motion, which passed unanimously.

Agenda Item 5 – Future Meetings

The next Corporate Governance Committee meeting is September 2 in Oklahoma City at the OMPA offices. The Committee will consider meeting between the close of surveys and the Board of Directors December meeting to review the survey results.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 2:08 p.m.

Respectfully submitted,

Stacy Duckett, Secretary



Southwest Power Pool, Inc.

STRATEGIC PLANNING COMMITTEE/CORPORATE GOVERNANCE COMMITTEE

Thursday July 15, 2010

8 AM – 3 PM

Embassy Suites Downtown/Old Market – Omaha, NE

• A G E N D A •

Strategic Planning Committee Meeting

- 1. Call to Order and Administrative Items..... Ricky Bittle
- 2. Review of Past Action Items.....Michael Desselle
- 3. MOPC Update Bill Dowling
- 4. Entergy Update..... Carl Monroe
- 5. Strategic PlanMichael Desselle
- 6. Robust Transmission System UpdateKatherine Prewitt
- 7. Federal Funds Task Force Update..... Les Evans
- 8. FERC NOPR on Transmission Planning and Cost Allocation..... Les Dillahunty
- 9. Summary of Action ItemsMichael Desselle
- 10. Future Meetings.....Michael Desselle
 - October 14, 2010 Kansas City
 - January 13, 2011 Austin, TX

Joint Meeting of SPC and CGC

- 11. Transmission Construction Withdrawal Obligations of TOs Stacy Duckett
- 12. Withdrawal from Membership/Provision of Services Stacy Duckett

Corporate Governance Committee Meeting

- 1. Call to Order and Administrative Items..... Nick Brown
- 2. Finance Committee Action Items..... Stacy Duckett
 - a. Vacancy
 - b. Formation of Credit Working Group
- 3. Organizational Effectiveness
 - a. Annual Survey Schedule Stacy Duckett
 - b. Chairs and Secretaries Workshop..... Stacy Duckett
 - c. Rules for Public Participation in SPP Meetings..... Nick Brown
 - d. NACD Governance Survey Results Nick Brown
- 4. Voting Structure..... Nick Brown
 - a. Affiliate Voting
 - b. Members Committee Voting
- 5. Future Meetings..... Nick Brown
 - September 2, 2010 Location TBD

Southwest Power Pool, Inc.

STRATEGIC PLANNING AND CORPORATE GOVERNANCE COMMITTEE MEETING

Embassy Suites Downtown/Old Market, Omaha, NE

July 15, 2010

ATTENDANCE LIST

Name	System
Michael Desselle	SPP
Ricky Bittle	AECC
LES EVANS	KEPCo
Mike Wise	GSEC
Nick Brown	SAP
HARRY SKILTON	SPP Director
JOSH MARTIN	SPP DIRECTOR
TODD FRIDLEY	KCP&L
Adam McKinnie	MO PSC
PAT POPE	NPPD
Stacy Duckett	SPP
Jim KENTZKI	CES
LARRY CIECIOR	OPPD
Bruce Rew	SPP
BRIAN THUMM	ITC HOLDINGS
BRUCE CUBE	XCEL / SPS
Carl Hustig	ITC Great Plains
Tyler WOLFORD	The Energy Authority
Dong Bantam	LINCOLN Electric
Rich Kosch	" "

ATTENDANCE LIST

Name	System
Dennis Florom	LES
Jason Fortik	LES
Dan Lenihan	OPPD
DAVID RIED	OPPD
Nicole Hanson	OPPD
DOUG COLLINS	OPPD
Katherine Prewitt	SPP
Kip Fox	AEP
Phyllis Bernard	SPP Director
Richard Ross	AEP -
David Hudson	SPS/ Xcel Energy
Mel Perkins	OG&E
Jim Eckelberger	SPP Director
Rob Janssen	Dogwood Energy
Jim Sarcher	KCC
MIKE PALMER	FDE
Steve Parr	KEPCO (by phone)
Carl Monroe phone	
Jay Cuspary phone	



Southwest Power Pool, Inc.

SPP STAFF

Report to the Strategic Planning Committee and Corporate Governance Committee

July 15, 2010

**REVISIONS TO SPP MEMBERSHIP AGREEMENT, SPP BYLAWS and SPP OATT
REGARDING CONTINUING OBLIGATIONS FOR TRANSMISSION EXPANSION COSTS FOLLOWING
WITHDRAWAL OF MEMBERSHIP**

Background

The Strategic Planning Committee (SPC) directed the review of SPP's governing documents to consider revisions related to continuing obligations associated with transmission expansion costs following withdrawal from membership.

Information for Discussion

A review of the Membership Agreement, Bylaws and OATT was conducted to determine whether revisions were necessary to address continuing obligations associated with assigned transmission expansion costs following a withdrawal of membership. With the approval of SPP's new costs allocation methodology for transmission expansion, revisions are in order.

The proposed approach is that any entity planning to own/operate facilities subject to the SPP OATT would have to be a Member. There are changes in the Membership Agreement and Bylaws that expand withdrawal obligations. There are also proposed changes to the Tariff to support this, as well as obligate network customers that might not be SPP members that have been assigned transmission costs.

Revisions to all the documents are attached for discussion.

the interconnection receipt point, required to accommodate a request for generation interconnection in accordance with Attachment V and (iii) whether any additional costs may be incurred in order to provide transmission service or generation interconnection.

1.44 Third-Party Sale: Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service.

1.44a Transition Period: The period from the Effective Date of this Tariff for the provision of Network Integration Transmission Service to the last day of the fifth year thereafter. The transition period for a Member that is a Nebraska public-power entity shall be the period from the effective date of the transfer of functional control to the last day of the fifth year thereafter.

1.45 Transmission Customer: Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions to include customers receiving transmission service under Part II and Part III of this Tariff.

1.45a Transmission Owner: Each member of SPP whose transmission facilities (in whole or in part) make up the Transmission System and has executed a membership agreement as a Transmission Owner, including Members that have been assigned by SPP to build and/or own transmission facilities but do not yet own transmission facilities under SPP's functional control. Those Transmission Owners that are not regulated by the Commission shall not become subject to Commission regulation by virtue of their status as Transmission Owners under this Tariff; provided, however, that service over their facilities classified as transmission and covered by the Tariff shall be subject to Commission regulation.

Current Effective Attachment O With Pending Changes

Includes:

11/2/2009 Order 890 Compliance Filing

11/2/2009 Balanced Portfolio Filing

12/30/2009 Errata

VIII. Construction of Transmission Facilities

- 1) The Transmission Provider shall not build or own transmission facilities. The Transmission Provider, with input from the Transmission Owners and other stakeholders, shall designate in a timely manner within the SPP Transmission Expansion Plan (“STEP”) one or more Transmission Owners to construct, own, and/or finance each project in the plan.
- 2) Any owner of Transmission Facilities, as defined in Attachment AI of this Tariff, which are or *are capable of being* used by the Transmission Provider to provide transmission service pursuant to Part II and Part III of this Tariff, shall have the right to sign the SPP Membership Agreement as a Transmission Owner and thereby acquire all of the rights and obligations of a Transmission Owner described therein, including all of the rights and obligations of a Transmission Owner described in this Tariff and specifically this Section VIII. Each Transmission Owner and every other entity designated to construct a project by the Transmission Provider pursuant to this Section VIII shall use due diligence to construct transmission facilities as directed by the SPP Board of Directors subject to such siting, permitting, and environmental constraints as may be imposed by state, local and federal laws and regulations, and subject to the receipt of any necessary federal or state regulatory approvals. Such construction shall be performed in accordance with Good Utility Practice, applicable SPP Criteria, industry standards, the applicable Transmission Owner’s specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements), and in accordance with all applicable requirements of federal or state regulatory authorities. Each Transmission Owner shall be fully compensated to the greatest extent permitted by the Commission for the costs of construction undertaken by such Transmission Owner in accordance with this Tariff.
- 3) A specific endorsed Sponsored Upgrade in the SPP Transmission Expansion Plan will be deemed approved for construction upon execution of a contract that financially commits a Project Sponsor to such upgrade.

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: June 1, 2009

Effective: June 2, 2009

Italicized language reflects a change ordered by the Commission in Docket No. OA08-61-001, *Southwest Power Pool, Inc.*, 127 FERC ¶ 61,171 (2009), that will be submitted, as directed, in a subsequent compliance filing.

- 4) After a new transmission project is (i) approved for construction under the SPP Transmission Expansion Plan or (ii) required pursuant to a Service Agreement or (iii) required by a generation interconnection agreement to be constructed by a Transmission Owner(s) other than the Transmission Owner that is a party to the generation interconnection agreement, the Transmission Provider shall direct the appropriate Transmission Owner(s) to begin implementation of the project for which financial commitment is required prior to the approval of the next update of the SPP Transmission Expansion Plan. Such direction shall be provided in writing to the Transmission Owner(s) designated to construct the project (“Designated Transmission Owner(s)”). The written notification to the Designated Transmission Owner(s) (“Notification to Construct”) shall include but not be limited to: (1) the specifications of the project required by the Transmission Provider; (2) a reasonable project schedule, including a project completion date; and (3) a requirement that the Designated Transmission Owner execute the Membership Agreement as a Transmission Owner and undertake all obligations of a Transmission Owner under the SPP Membership Agreement and Tariff, if it has not already done so. If the project forms a connection with facilities of a single Transmission Owner, that Transmission Owner shall be designated to construct the project. If the project forms a connection with facilities owned by multiple Transmission Owners, the applicable Transmission Owners will be designated to provide their respective new facilities. If there is more than one Transmission Owner designated to construct a project, the Designated Transmission Owners will agree among themselves which part of the project will be provided by each entity. If the Designated Transmission Owners cannot come to a mutual agreement regarding the assignment and ownership of the project the Transmission Provider will facilitate their discussion. Each project or segment of a project being built by a single Designated Transmission Owner shall be considered a separate project for purposes of Section VIII.6 and each Designated Transmission Owner will receive a separate Notification to Construct for each project or segment of a project they are responsible to construct.
- 5) Network Upgrade(s) and Distribution Upgrades (as defined in Attachment V to the Tariff) identified in a generation interconnection agreement will be constructed pursuant to the generation interconnection agreement or pursuant to Section VIII.4 of this Attachment O. Network Upgrades and Distribution Upgrades (as defined in Attachment V to the Tariff) identified in a generation interconnection agreement required to be constructed by the Transmission Owner who is a party to the generation interconnection agreement shall be constructed pursuant to the generation interconnection agreement. All other Network Upgrades and Distribution Upgrades (as defined in Attachment V to the Tariff) identified in a generation interconnection agreement to be constructed by Transmission Owners not a party to the generation

Deleted: and

Deleted: (“Notification to Construct”)

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Italicized language reflects a change ordered by the Commission in Docket No. OA08-61-001, *Southwest Power Pool, Inc.*, 127 FERC ¶ 61,171 (2009), that will be submitted, as directed, in a subsequent compliance filing.

Southwest Power Pool
FERC Electric Tariff
Fifth Revised Volume No. 1

First Revised Sheet No. 300K.01
Superseding Substitute Original Sheet No. 300K.01

interconnection agreement shall be constructed pursuant to Section VIII.4 of this
Attachment O.

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Effective: June 2, 2009

Italicized language reflects a change ordered by the Commission in Docket No. OA08-61-001, *Southwest Power Pool, Inc.*, 127 FERC ¶ 61,171 (2009), that will be submitted, as directed, in a subsequent compliance filing.

- 6) In order to maintain its right to construct the project, the Designated Transmission Owner shall respond within ninety (90) days after the receipt of the Notification to Construct with a written commitment to construct the project as specified in the Notification to *Construct* or a proposal for a different project schedule and/or alternative specifications in its written commitment to *construct* (“*Designated Transmission Owner’s proposal*”). *The Transmission Provider shall respond to the Designated Transmission Owner’s proposal within ten (10) days of its receipt of the proposal. If the Transmission Provider accepts the Designated Transmission Owner’s proposal, the NTC will be modified according to the accepted proposal and the Designated Transmission Owner shall construct the project in accordance with the modified NTC. If the Transmission Provider rejects the Designated Transmission Owner’s proposal, the Designated Transmission Owner’s proposal shall not be deemed an acceptable written commitment to construct the project. However, the Transmission Provider’s rejection of such proposal shall not preclude a Designated Transmission Owner from providing a written commitment to construct the project after such rejection, provided the subsequent written commitment to construct the project is made within the ninety day time period after the issuance of the NTC.*

If a Designated Transmission Owner does not provide an acceptable written commitment to construct within *the* ninety (90) day period, the Transmission Provider shall solicit and evaluate proposals for the project from other entities and select a replacement designated provider. The Transmission Provider shall solicit proposals from entities that meet certain specified legal, regulatory, technical, financial and managerial qualifications, specifically including the following:

- i) Entities that have obtained all state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project is located,
- ii) Entities that meet the creditworthiness requirements of the Transmission Provider,
- iii) Entities that have signed or are 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, and
- iv) Entities that meet such other technical, financial and managerial qualifications as are specified in the Transmission Provider’s business practices.

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Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. OA08-61-001, issued May 21, 2009, 127 FERC ¶ 61,171 (2009).

The Transmission Provider shall evaluate each proposal with regard to the cost, reliability and timeliness of the proposed construction of the project and shall make a recommendation to the Board of Directors. The Board of Directors shall thereafter select an entity making a proposal and arrange for that entity to construct the project *and become the Designated Transmission Owner*. The Designated Transmission Owner, if it has not already done so, shall execute the Membership Agreement as a Transmission Owner and undertake all obligations of a Transmission Owner under the SPP Membership Agreement and Tariff.

At any time, a Designated Transmission Owner may elect to arrange for another entity or another existing Transmission Owner to build and own all or part of the project in its place (“Replacement Builder”) subject to the qualifications in Subsections i, ii, iii, and iv above. If the Transmission Provider agrees that the Replacement Builder is qualified to build and own the part(s) of the project that the Designated Transmission Owner elects to have built and owned by the Replacement Builder and, then the Replacement Builder shall, if it has not already done so, execute the Membership Agreement as a Transmission Owner and undertake all obligations of a Transmission Owner under the SPP Membership Agreement and Tariff.

Nothing in this Section VIII.6 shall relieve a Transmission Owner of its obligation to construct an upgrade as specified in Section VIII.2 of this Attachment O and Section 3.3(a) of the SPP Membership Agreement in the event that no other qualified entity can be found to construct the project.

Issued by: L. Patrick Bourne, Director
Transmission and Regulatory Policy

Issued on: August 15, 2008

Effective: October 17, 2008

established Load Shedding and Curtailment procedures or to cease or reduce service in response to a directive by the Transmission Provider, the Network Customer shall pay any applicable charges and the following penalty (in addition to the charges for all of the service used): For the applicable month, 100% of the Network Integration Transmission Service charge under Schedule 9 plus 100% of the charges assessed under Schedule 11. This penalty shall apply only to the portion of the service that the Transmission Customer fails to curtail in response to a Curtailment directive. The Transmission Provider shall compensate the Transmission Owners for 100% of the (i) Network Integration Transmission Service charge, (ii) Base Plan Zonal Charge and (iii) Region-wide Charge for the period for which they have provided service.

34 Rates and Charges

The Network Customer shall pay the Transmission Provider for any Direct Assignment Facilities, Directly Assigned Upgrade Costs, Ancillary Services, Base Plan Zonal Charges (Schedule 11), Region-wide Charges (Schedule 11) and applicable study costs, consistent with Commission policy, along with the following:

34.1 Monthly Demand Charge for all Zones except Zone 1: Except as provided in Section 34.2, for all *Network Load* served by the Transmission Provider, other than *Network Load* physically located within Zone 1, the Network Customer shall pay a monthly Demand Charge, which shall be determined by multiplying its Load Ratio Share times one twelfth (1/12) of the sum of the Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J plus any credit for firm *Point-To-Point* revenue allocated to the Zone under Attachment L included in such revenue requirement, less the previous calendar year's total firm *Point-To-Point* transmission revenues, that are credited directly to wholesale customers through other mechanisms under this Tariff, allocated to the Zone under Attachment L for each Zone in which the Network Customer's *Network Load* is physically

located. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, the Network Customer shall pay a monthly Demand Charge, which shall be determined by multiplying its Load Ratio Share times one twelfth (1/12) of the sum of the Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J plus any credit for firm Point-to-Point revenue allocated to the Zone under Attachment L included in such revenue requirement, less the previous calendar year's total firm Point-to-Point transmission revenues, that are credited directly to wholesale customers through other mechanisms under this Tariff, allocated to the Zone under Attachment L for the Zone that is the basis for charges under Schedule 9. In the event the Zonal Annual Transmission Revenue Requirement specified in Attachment H for a specific Zone is established pursuant to a formula rate that is adjusted annually, the Network Customer's monthly Demand Charge shall be determined by multiplying the Network Customer's Load Ratio Share times one twelfth (1/12) of such revenue requirement less any amount reallocated in accordance with Section IV.A of Attachment J.

34.2 Monthly Demand Charge – Zone 1: For all Network Load physically located within Zone 1, the Network Customer shall pay monthly Demand Charges calculated as shown on Addendum 1 to Attachment H.

34.3 Monthly Demand Charge – Zone 11: *For all Network Load physically located within Zone 11, the Network Customer shall pay monthly Demand Charges according to Addendum 5 of Attachment H.*

34.4 Determination of Network Customer's Monthly Network Load: The Network Customer's monthly Network Load is its hourly load (60 minute, clock-hour); provided, however, the Network Customer's monthly Network Load will be its hourly load coincident with the monthly peak of the Zone where the Network Customer load is physically located. Where a Network Customer has Network Load in more than one Zone, the monthly Network Load will be determined separately for each Zone. Where a Network Customer has designated Network

Load not physically interconnected with the Transmission System under Section 31.3, the Network Customer's monthly Network Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 9.

34.5 Determination of Transmission Provider's Monthly Zone Transmission

Load: The Transmission Provider's monthly Transmission System load shall be determined for each Zone on a non-coincident basis. The Transmission Provider's monthly Zone transmission load is the Zone's Monthly Transmission System Peak.

34.6 Redispatch Charge: The Network Customer shall pay a Load Ratio Share of any redispatch costs allocated between the Network Customer and the Transmission Provider pursuant to Attachment K. To the extent that the Transmission Provider incurs an obligation to the Network Customer for redispatch costs in accordance with Section 33, such amounts shall be credited against the Network Customer's bill for the applicable month.

34.7 Stranded Cost Recovery: This Tariff does not affect in any way the right of any Transmission Owner to seek and receive stranded cost recovery or the right of anyone to oppose such stranded cost recovery. Thus, the Transmission Owner(s) may seek to recover stranded costs from the User(s) in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Owner(s) must separately file any specific proposed stranded cost charge under Section 205 of the Federal Power Act, if FERC jurisdictional. If the Commission approves stranded cost charges to be recovered through schedules to be implemented by the Transmission Provider, the Transmission Provider as agreed shall charge and collect the appropriate charge(s) from the relevant User(s) and distribute the appropriate amounts directly to the relevant Transmission Owner(s).

34.8 SPP Costs: The Network Customer shall pay SPP's administrative costs in accordance with Schedule 1.

34A Network Service Termination Costs

Upon the Network Customer's termination of service under the Tariff, where the network load is not thereafter served by another entity's Network Service under the Tariff, the Network Customer shall pay to SPP the Network Customer's share of the costs of transmission facilities approved for inclusion in an SPP transmission plan prior to the date that the Network Customer's service is terminated. If the Network Customer is a Member of SPP, the Network Customer's responsibility for Network Service Termination Costs will be calculated in accordance with the SPP Membership Agreement. If the Network Customer is not a Member of SPP, the Network Customer's share of such costs shall be the sum of: (1) for each Zone in which the Network Customer has Network Load, the portion of the Net Energy for Load (as defined in the SPP Membership Agreement) that is represented by the Network Customer's Network Load multiplied by the total cost of transmission facilities allocated to the Zone pursuant to Attachment J of the OATT; (2) the portion of the Net Energy for Load (as defined in the SPP Membership Agreement) in the SPP Region that is represented by the Network Customer's Network Load multiplied by the total cost of transmission facilities allocated on a Region-wide basis pursuant to Attachment J of the OATT; and (3) any other costs of transmission facilities directly allocated to the Transmission Customer under the OATT.

35 Operating Arrangements

35.1 Operation under the Network Operating Agreement: The Network Customer shall plan, construct, operate and maintain its facilities in accordance with Good Utility Practice and in conformance with the Network Operating Agreement.

35.2 Network Operating Agreement: The terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Part III of the Tariff shall be specified in the Network Operating Agreement. The Network Operating Agreement shall provide for the Parties, including the affected Transmission Owner(s), to (i) operate and maintain equipment necessary for integrating the Network Customer within the Transmission System (including, but not limited to,

remote terminal units, metering, communications equipment and relaying equipment), (ii) transfer data between the Transmission Provider and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the Transmission System, interchange schedules, unit outputs for redispatch required under Section

Southwest Power Pool, Inc.
Bylaws
Original Volume No. 4

Southwest Power Pool, Inc.

B Y L A W S

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Transmission and Regulatory Policy

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Issued on: August 2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.

8.7 Financial Obligation of Withdrawing Members

8.7.1 Existing Obligations

“Existing Obligations” are the following:

- a. Member’s unpaid annual membership fee.
- b. Member’s unpaid dues, assessments, and other amounts charged under Section 3.8 or otherwise under the Bylaws, plus the Member’s share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues, assessments or other charges.
- c. Member’s share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. “Financial Obligations” are all long-term (in excess of six (6) months) financial obligations of SPP, including but not limited to the following:
 - i. debts under all loans, loan agreements, borrowings, promissory notes, bonds, and credit lines, under which SPP is obligated, including principal and interest;
 - ii. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;

Issued by: L. Patrick Bourne, Director – Regulatory Policy

Issued on: November 3, 2008

Effective: May 18, 2007

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1380-000, Letter Order, Issued October 6, 2008.

- iii. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
 - iv. the general and administrative overhead of SPP for a period of three (3) months.
- d. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
- e. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the event that a Financial Obligation carries a variable interest rate, the interest rate in effect at the Termination Date shall be used to calculate the applicable Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

Issued by: L. Patrick Bourne, Director
Transmission and Regulatory Policy

Effective: August 10, 2005

Issued on: December 12, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1, ER04-48 and ER05-1352, issued October 7, 2005, 113 FERC ¶ 61,014 (2005).

8.7.2 Computation of a Member's Existing Obligations

For purposes of computing the Existing Obligations of any withdrawing or terminated Member in accordance with the Membership Agreement, such "Member's share" is a percentage calculated as follows:

$$A = 100 [0.25(1/N) + 0.75(B/C)]$$

Where: A = Member's share (expressed as a percentage)

N = Total number of Members

B = The Member's previous year Net Energy for Load within SPP

C = Total of factor B for all Members

The Finance Committee shall have the discretion to reduce the Existing Obligations of any withdrawing or terminated Member, to reflect any SPP costs or expenses that may be mitigated in connection with such Member's withdrawal or termination. In the event of consolidation of affiliate memberships or the transfer of membership from one corporate entity to another, whereby one entity remains a member of SPP, the withdrawal obligation for the departing company(ies) may be waived at SPP's sole discretion.

8.7.3 Transmission Plan Obligations

A withdrawing or terminated Member shall be financially responsible to pay SPP for all Transmission Plan Obligations as specified in the Membership Agreement upon the Member's Termination Date.

Southwest Power Pool, Inc.
Membership Agreement
Original Volume No. 3

SOUTHWEST POWER POOL, INC.

MEMBERSHIP AGREEMENT

Issued by: L. Patrick Bourne, Manager
Transmission and Regulatory Policy

Effective: May 1, 2004

Issued on: August 2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.

1.12 Member

Signatory to this Agreement that has completed the application requirements pursuant to the Bylaws.

1.13 NERC

North American Electric Reliability Corporation or successor organizations.

1.13a Net Energy for Load

The electrical energy requirements of an electric system are defined as system net generation plus energy received from others, less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage at energy storage facilities.

1.14 Non-Transmission Owner

A Member that is not a Transmission Owner. A Non-Transmission Owner that owns or controls Tariff Facilities may have its status changed to a Transmission Owner under this Agreement upon notice to SPP and execution of this Agreement as a Transmission Owner.

1.15 Partial Termination

Shall have the meaning given in Section 4.1.

1.16 Regional Entity

An entity having enforcement authority delegated to it by NERC pursuant to a delegation agreement accepted by FERC.

1.17 Reliability Coordinator

SPP, in performing its reliability coordinator function as recognized by NERC pursuant to its policies, and pursuant to SPP Criteria and this Agreement.

1.18 SPP

Southwest Power Pool, Inc., or successor organization.

1.19 SPP Criteria

SPP's approved operating and planning criteria.

1.20 SPP Region

The geographic area encompassing the transmission systems of Members that are Transmission Owners.

1.21 Standards of Conduct

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: February 25, 2009

Effective: April 27, 2009

1.26 Transmission Owner

A signatory to this Agreement which: (1) transfers functional control related to the rates, terms and conditions of the OATT to SPP by executing this Agreement; (2) appoints SPP under another agreement to provide service under the Transmission Tariff over Tariff Facilities which it owns or controls; (3) is assigned by the SPP Board of Directors to construct and accepts the obligation to construct new Tariff Facilities pursuant to an approved plan of SPP; or (4) undertakes another Transmission Owner's obligation to construct Tariff Facilities pursuant to an approved SPP plan in accordance with Section 3.3(c) of this Agreement and Attachment O of the SPP OATT.

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Effective: April 27, 2009

3.3 Construction

- (a) As part of its planning activities, SPP shall be responsible for planning, and for directing or arranging, necessary transmission expansions, additions, and upgrades that will enable it to provide efficient, reliable and non-discriminatory transmission service and to coordinate such efforts with the appropriate state authorities, including the Member’s governing board where it serves as that authority. Transmission Owner shall use due diligence to construct transmission facilities as directed by SPP in accordance with the OATT and this Agreement, subject to such siting, permitting, and environmental constraints as may be imposed by state, local and federal laws and regulations, and subject to the receipt of any necessary federal or state regulatory approvals, including, as necessary, the Member’s governing board where it serves as that authority. Such construction shall be performed in accordance with Good Utility Practice, applicable SPP Criteria, industry standards, Transmission Owner’s specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements), and in accordance with all applicable requirements of federal or state regulatory authorities. Transmission Owner shall be fully compensated to the greatest extent permitted by FERC, or other regulatory authority for the costs of construction undertaken in accordance with the OATT.
- (b) After a new transmission project has received the required approvals and been approved by SPP, SPP will direct the appropriate Transmission Owner(s) to begin implementation of the project. If the project forms a connection between facilities of a single Transmission Owner, that Transmission Owner will be designated to provide the new facilities. If the project forms a connection between facilities owned by multiple parties, all parties will be designated to provide their respective new facilities. The parties will agree among themselves as to how much of the project will be provided by each entity. If agreement cannot be reached, SPP will facilitate the ownership determination process.
- (c) A designated Transmission Owner for a project can elect to arrange for another entity or another Transmission Owner to build and/or own the project in its place, provided that such other entity executes this Agreement as a Transmission Owner and accepts all of the obligations of a Transmission Owner under this Agreement and the OATT. If a designated Transmission Owner(s) does not or cannot agree

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to implement the project in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement.

4.3.2 Obligation to Pay Current, Existing, and Transmission Plan Obligations

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(a) In the event of a Termination or Partial Termination, Member shall pay all obligations incurred under this Agreement at any time prior to the Termination Date. In addition, in order for SPP to recover a portion of certain debts and cost payable by SPP after the Termination Date as further specified in this Agreement, the Member shall pay all Existing Obligations (as defined herein) calculated as of the Termination Date. SPP shall make reasonable efforts to mitigate the Member's Existing Obligations by commercially reasonable actions (such as prepayment of allocable debt, or investment of part or all of the Member's payment in an interest-bearing instrument) and, in its discretion, may further discount the Member's Existing Obligations to reflect any additional mitigation SPP determines it will achieve. In addition, the Member shall pay all Transmission Plan Obligations (as defined herein) that have been allocated as of the Termination Date.

- (b) "Existing Obligations" are all of the following and other obligations as may be set forth in the Bylaws from time to time;
- i. Member's unpaid annual membership fee,
 - ii. Member's unpaid dues, assessments, and other amounts charged under Section 3.8 or otherwise under the Bylaws, plus the Member's share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues assessments or other charges.
 - iii. Member's share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. "Financial Obligations" are all long-term (in excess of

six (6) months) financial obligations of SPP, including but not limited to the following:

- a. debts under all loans, loan agreements, borrowings, promissory notes, bonds, and credit lines under which SPP is obligated, including principal and interest;
 - b. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;
 - c. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
 - d. the general and administrative overhead of SPP for a period of three (3) months.
- iv. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
- v. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the effect at the Termination Date shall be used to calculate the applicable

Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

(c) "Transmission Plan Obligations" include a Member's share of the costs of transmission facilities approved for inclusion in an SPP transmission plan prior to the Member's Termination Date. The Member's share of Transmission Plan Obligations shall be calculated as the sum of: (1) the percentage of the Member's Net Energy for Load within SPP to the total Net Energy for Load for the Member's zone(s) multiplied by the total cost of transmission facilities allocated to the Member's zone(s) pursuant to Attachment J of the OATT; (2) the percentage of the Member's Net Energy for Load within SPP to the total Net Energy for Load for the SPP region multiplied by the total cost of transmission facilities allocated on a Region-wide basis pursuant to Attachment J of the OATT; and (3) any other costs of transmission facilities directly allocated to the Member under the OATT.

(d) In the event of a Partial Termination, Existing Obligations shall first be calculated as though a Termination occurred, and the Member shall pay a percentage thereof as Existing Obligations due to the Partial Termination. Such percentage shall be the percentage reduction of the Net Energy for Load Ratio applicable to the Member resulting from the Partial Termination.

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(e) SPP shall invoice Member for Existing Obligations within one month after the Termination Date, except that delay by SPP in issuing the invoice shall not diminish Member's obligation to make timely payment. The invoice shall be due and payable no later than five (5) business days after issuance. Any amounts owed by SPP to the Member shall, solely at SPP's election and in its discretion, be offset against the Member's Existing Obligations or paid to the Member concurrently with issuance of the invoice.

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(e) The Member acknowledges and agrees that Existing Obligations include amounts that SPP expects to accrue and that will become payable by SPP between the date of Member's Notice of Termination and the Member's Termination Date, and that no part of a payment of Existing Obligations shall be refundable to the Member under any circumstances, including (except as provided in this Section with respect to mitigation) any reduction of the Financial Obligations. Any disagreement as to the calculation of Existing Obligations shall be resolved in accordance with the dispute resolution procedures in the Bylaws.

4.3.3 Construction of Transmission Facilities

Any obligations relating to the construction of new facilities pursuant to an approved plan of SPP shall be renegotiated between SPP and the Transmission Owner prior to the Termination Date so as to continue the Transmission Owner's construction obligation. If such obligations cannot be resolved through negotiations, they shall be resolved in accordance with the dispute resolution procedures in the Bylaws.

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Southwest Power Pool, Inc.

SPP STAFF

Report to the Strategic Planning Committee and Corporate Governance Committee

July 15, 2010

**REVISIONS TO SPP MEMBERSHIP AGREEMENT REGARDING
WITHDRAWAL OF MEMBERSHIP**

Background

The Strategic Planning Committee (SPC) directed the review of SPP's Membership Agreement to consider revisions related to minimum tenure and further development of withdrawal requirements.

Information for Discussion

SPP's Membership Agreement does not currently contemplate minimum tenure for membership and the costs associated with changes in membership, nor the treatment of an entity re-joining the organization and application of any credits that might be appropriate. Given the impact to the organization in time and resources to integrate and remove an entity, the SPC requested a review of this issue and how the Membership Agreement might be revised to address it.

Points to consider:

- SPP would like to attract and retain member entities.
- SPP does incur costs associated with adding/removing facilities (staff, systems, vendors).
- The Withdrawal Obligation due to fund SPP's financial obligations is based upon load in the footprint (not load or facilities under the Tariff).
- A Member is bound by any changes made to SPP's governing documents until the date a withdrawal is effective (as opposed to the date of notice of withdrawal).

Proposed revisions to the Membership Agreement are attached for discussion. Regarding the revisions, note:

- At least one other RTO has a minimum term provision (MISO, five-year term for TOs).
- As drafted, the minimum term provision does not allow early withdrawal before five years have elapsed; early withdrawal would not be permitted, and no penalty provision is included. Alternatively, SPP could not specify a minimum term for membership, but instead provide penalty provisions for withdrawal within the first five years of membership. The drafted Section 4.3.2(d) provides an alternative penalty approach that would require reimbursement of all costs of the initial integration. (If this is option is selected, the revision to Section 4.2.1 likely should be omitted.)
- The modification to Section 4.2.1 is to clarify that a Member may not unilaterally revoke its notice of withdrawal within the 12 months preceding the Termination.
- The Membership Agreement does not authorize SPP to provide a credit to a Member for terminating its Membership Agreement and subsequently re-joining SPP. The revision to Section 4.3.2(f) [previously subsection (e)] is included to provide discretion to SPP to provide such a credit if an entity re-joins as a Transmission Owner.

4.2 Termination Procedures and Effective Dates

4.2.1 Notice of Voluntary Withdrawal

Subject to Section 4.3, a Member may withdraw voluntarily from this Agreement, provided that it has given written notice to the President of its intent to withdraw. Such withdrawal shall not become effective any earlier than five (5) years following the date that the Member signed this Agreement, except as provided in Sections 3.12, 4.2.2(b)(iv), and 5.2 of this Agreement. Notice of intent to withdraw must state a proposed date for the withdrawal and be delivered to the President no less than twelve (12) months prior to such date. The President will advise the Members and the Board of Directors of any withdrawal notices received. In order to assure that there is no more than one proposed termination date with respect to a Member, a withdrawal notice shall be deemed to ~~supersede~~ any prior withdrawal notice given by the Member, except that a Member may not submit a withdrawal notice less than twelve (12) months prior to the termination date proposed in the Member's previous notice of intent to withdraw. A Member may not rescind its notice of intent to withdraw within the twelve (12) months prior to the termination date proposed in the Member's notice of intent to withdraw, except with the written agreement of SPP, which agreement shall be within SPP's sole discretion, taking into account the impact of rescinding the termination upon SPP and the other Members' ability to plan future operations. Voluntary withdrawal is a Termination and creates the same obligations as a Termination for any other reason.

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4.2.2 Effective Date of Termination

(a) **Voluntary Withdrawal.** If the withdrawing Member is not a Transmission Owner subject to FERC jurisdiction, the Termination Date shall be the date proposed in the withdrawal notice under Section 4.2.1 or otherwise agreed by SPP. If the withdrawing Member is a Transmission Owner subject to FERC jurisdiction, the Termination Date shall be the later of (i) the proposed date specified in the withdrawal notice or otherwise agreed by SPP, (ii) the effective date, if any, set by the FERC order approving the withdrawal; or (iii) the date that such FERC order is no longer subject to review by a court of competent jurisdiction.

(b) **Termination other than Voluntary Withdrawal.** If the Termination occurs for any reason other than the Member's voluntary withdrawal under Section 4.2.1 or by agreement with SPP, the Termination Date shall be as follows:

(i) If the Member is not a Transmission Owner subject to FERC jurisdiction, the Termination Date shall be the date of the event by which the Termination occurs, for example, the date a party gives notice that it will treat a breach or repudiation as a Termination or the date a Member withdraws in order to comply with the terms of a law or regulation. The foregoing notwithstanding, if the Termination occurs due to the order of a court or administrative agency, the

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Issued on: DATE

Effective: DATE

4.3 Obligations Upon Termination

4.3.1 Obligation to Hold Users Harmless

Transmission Customers taking service which involves facilities being withdrawn by a Transmission Owner from the functional control of SPP and where such service is under transmission contracts executed before the Termination Date shall continue to receive the same service for the remaining term of each such contract at the same rates, terms, and conditions that would have been applicable if the Termination or Partial Termination had not occurred. Transmission Owner agrees to continue providing service to such Transmission Customers in accordance with the preceding sentence, and shall receive revenues calculated in accordance with the OATT but no more in revenues for that service that if there had been no Termination or Partial Termination.

4.3.2 Obligation to Pay Current and Existing Obligations

(a) In the event of a Termination or Partial Termination, Member shall pay all obligations incurred under this Agreement at any time prior to the Termination Date. In addition, in order for SPP to recover a portion of certain debts and cost payable by SPP after the Termination Date as further specified in this Agreement, the Member shall pay all Existing Obligations (as defined herein) calculated as of the Termination Date. SPP shall make reasonable efforts to mitigate the Member's Existing Obligations by commercially reasonable actions (such as prepayment of allocable debt, or investment of part or all of the Member's payment in an interest-bearing instrument) and, in its discretion, may further discount the Member's Existing Obligations to reflect any additional mitigation SPP determines it will achieve.

(b) "Existing Obligations" are all of the following and other obligations as may be set forth in the Bylaws from time to time;

- i. Member's unpaid annual membership fee,

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- ii. Member's unpaid dues, assessments, and other amounts charged under Section 3.8 or otherwise under the Bylaws, plus the Member's share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues assessments or other charges.
- iii. Member's share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. "Financial Obligations" are all long-term (in excess of six (6) months) financial obligations of SPP, including but not limited to the following:
 - a. debts under all loans, loan agreements, borrowings, promissory notes, bonds, and credit lines under which SPP is obligated, including principal and interest;
 - b. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;
 - c. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
 - d. the general and administrative overhead of SPP for a period of three (3) months.
- iv. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
- v. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the effect at the Termination Date shall be used to calculate the applicable

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Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

(c) In the event of a Partial Termination, Existing Obligations shall first be calculated as though a Termination occurred, and the Member shall pay a percentage thereof as Existing Obligations due to the Partial Termination. Such percentage shall be the percentage reduction of the Net Energy for Load Ratio applicable to the Member resulting from the Partial Termination.

(d) In the event of a voluntary Termination by Member within the first five (5) years following Member's execution of this Agreement, Member shall pay to SPP all costs incurred by SPP related to Member's membership in SPP, including, but not limited to, any costs associated with integration of Member's transmission facilities and/or customers into SPP markets and operations. Such costs will be determined by SPP and included in the invoice to Member as discussed in Section 4.3.2(e) of this Agreement.

(e) SPP shall invoice Member for Existing Obligations within one month after the Termination Date, except that delay by SPP in issuing the invoice shall not diminish Member's obligation to make timely payment. The invoice shall be due and payable no later than five (5) business days after issuance. Any amounts owed by SPP to the Member shall, solely at SPP's election and in its discretion, be offset against the Member's Existing Obligations or paid to the Member concurrently with issuance of the invoice.

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(I) The Member acknowledges and agrees that Existing Obligations include amounts that SPP expects to accrue and that will become payable by SPP between the date of Member's Notice of Termination and the Member's Termination Date, and that no part of a payment of Existing Obligations shall be refundable to the Member under any circumstances, including (except as provided in this Section with respect to mitigation or the execution of a new Membership Agreement by the Member after the Member's Termination) any reduction of the Financial Obligations. Any disagreement as to the calculation of Existing Obligations shall be resolved in accordance with the dispute resolution procedures in the Bylaws. If, after Termination, the Member elects to re-join SPP as a Transmission Owner and execute the Membership Agreement then in effect, SPP, in its sole discretion, may elect to credit a portion or all of the Member's Existing Obligations paid to SPP upon the Member's earlier Termination against any future payments owed by the Member to SPP.

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Southwest Power Pool, Inc.
CREDIT WORKING GROUP
Organizational Group Scope Statement
February 9, 2010

Purpose

The Credit Working Group's responsibility is to develop and recommend courses of action to address credit risk issues resulting from administration of the SPP regional tariff and operation of the SPP business.

Scope of Activities

Develop and recommend changes to the SPP Credit Policy to mitigate the risk of socialized default charges to customers and members of SPP, using commercially viable practices.

Develop and recommend commercial practices to mitigate, to a reasonable extent, the risk of credit defaults in the services administered by SPP.

Provide expertise to SPP in its administration and monitoring of credit exposures. However, neither the Credit Working Group nor any of its members will be privy to credit or exposure information on any specifically identified customer(s).

Representation

The Credit Working Group will consist of 6 individuals representing members of SPP. The chair of the Credit Working Group will be nominated by Corporate Governance Committee for consideration and appointment by the SPP Board of Directors. A vice chair will be elected by the members of the Credit Working Group. The term of the chair and vice chair will coincide with the term of the chair of the SPP Board of Directors. A meeting quorum will exist with 1/2 of the sitting members.

Duration

The Credit Working Group is a permanent working group.

Reporting

The Credit Working Group will report to the SPP Finance Committee.

Southwest Power Pool, Inc.

**RULES FOR PUBLIC PARTICIPATION AT
MEETINGS OF THE BOARD OF DIRECTORS/MEMBERS COMMITTEE**

July 2010

In accordance with Southwest Power Pool Inc.'s Bylaws, Section 3.5 *Meetings*, participation in SPP meetings is open to any interested party. The following rules will apply specifically to public participation at SPP Board of Directors/Member Committee (BOD/MC) meetings.

1. Members of the public are required to register in advance at www.spp.org to facilitate attendance.
2. Following registration of attendance, any requests to speak at a BOD/MC meeting should be submitted in writing to the Corporate Secretary to coordinate participation. The request must include the name of the person speaking, the organization he or she represents, and a general statement of the purpose of the comments.
3. The BOD/MC, at its sole discretion, may allow public comment opportunities during a meeting if it deems doing so appropriate.
4. Any member of the public addressing the BOD/MC shall state his or her name and the name of any organization or person he or she is representing.
5. Any member of the public may submit written comments or other materials to the BOD/MC in advance or following the meeting by providing them to the Corporate Secretary, who will distribute them to the members of the BOD/MC and/or post them appropriately at www.spp.org. Written comments or other materials may be accepted at a meeting at the discretion of the Corporate Secretary in consultation with the Chairperson.
6. The Chairperson will direct the responses to specific questions or comments addressed by the speaker to the BOD/MC, or to any member of the BOD/MC, or to any other representative of SPP, or alternatively that the matter be taken under advisement.
7. The Chairperson may at any time limit the amount of time a speaker may have to comment or make further comment with respect to any matter or for any meeting. The Chairperson may limit the total amount of time for which the BOD/MC will receive public comments with respect to any matter or for any meeting.
8. SPP may at any time make and enforce any other or additional rules regarding the conduct of persons attending or speaking at meetings of the BOD/MC.

**Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING**

Hyatt Regency DFW Airport, Dallas, TX

December 8, 2009

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 2:52 p.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Rob Janssen (Dogwood), Cindy Holman (OMPA), Mel Perkins (OG&E), and Steve Parr (KEPCo). SPP Staff included Stacy Duckett. Guests included Phyllis Bernard (Director) and Harry Skilton (Director).

Nick Brown referred to draft minutes for the September 8, 2009 meeting (9/8/09 Minutes – Attachment 1). Steve Parr moved to approve the minutes as presented. Mel Perkins seconded the motion, which passed unanimously.

Agenda Item 6 – Organizational Effectiveness Review

Nick Brown reviewed the Evaluation Form and the Organization Survey results for the CGC (Organizational Effectiveness – Attachment 2). Following brief discussion, the group expressed satisfaction with the results. Regarding the survey as a whole, the Committee directed that the effectiveness question be reconsidered.

Agenda Item 2 – Vacancies

Nick Brown noted the current vacancies on the Human Resources Committee (HRC) and the Strategic Planning Committee (SPC) for the committee's consideration, as well as names of those who have expressed interest in serving (Vacancies Recommendation – Attachment 3). Following discussion on each position, Steve Parr moved that Pat Pope fill the vacancy on SPC. Cindy Holman seconded the motion, which passed unanimously. The Committee determined to delay action on the HRC vacancy at this time to ensure appropriate diversity on the committee. The CGC will reconvene via teleconference in early January.

Agenda 3 – Standards of Conduct/Materiality Discussion

Stacy Duckett reviewed the current status of discussion among RTOs regarding financial holdings of employees and directors. The Committee endorsed continuing discussions with the RTOs as currently proposed.

Agenda 4 – Order 719 Compliance Filing/Bylaws Revisions

Stacy Duckett presented recommended revisions to the SPP Bylaws in response to a FERC issuance in Order 719 (Bylaws Revisions – Attachment 4). Following discussion, the Committee tabled the recommendation until additional review can be done regarding reporting to ensure appropriate organizational alignment.

Agenda 5 – Organizational Group Rosters

Nick Brown referred to the SPP committee and working group rosters (Rosters – Attachment 5). While there remain some issues with attendance, these are fewer following the extensive review of rosters earlier this year. Staff will follow-up on a few instances. Following discussion, Steve Parr recommended that SPP group rosters be sent to the Board of Directors for approval at the January meeting. Cindy Holman seconded the motion, which passed unanimously.

Corporate Governance Committee
December 8, 2009

Other

Nick Brown distributed research on Board compensation, as well as a summary of SPP Director Compensation year-to-date for 2009. This will be a discussion item at the March meeting.

Agenda 7 – Future Meetings

The CGC meeting schedule for 2010 is March 4 and September 9.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 4:05 p.m.

Respectfully submitted,

Stacy Duckett, Secretary

**Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING**

Teleconference

January 8, 2010

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 3:05 p.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Kevin Easley (GRDA), Rob Janssen (Dogwood), Cindy Holman (OMPA), Mel Perkins (OG&E), and Steve Parr (KEPCo). SPP Staff included Stacy Duckett.

Agenda Item 2 – Committee Vacancy

The Committee convened to discuss a vacancy on the Human Resources Committee. Steve Parr moved to nominate Noman Williams from Sunflower Electric to fill the vacancy; Cindy Holman seconded the motion. The motion passed unanimously.

Agenda Item 3 – SPP Bylaws Revisions

Stacy Duckett noted pending SPP Bylaws revisions related to Order 719 compliance as discussed at the December meeting. Following discussion, Cindy Holman moved and Steve Parr seconded the approval of revisions as provided. Staff is to include in the filing letter SPP's interpretation of the revisions related to management of the function, specifically that Nick Brown will recuse himself from any Board of Directors votes related to the function. The motion passed unanimously.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 3:50 p.m.

Respectfully submitted,

Stacy Duckett, Secretary

**Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING**

Teleconference

March 4, 2010

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 8:32 a.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Rob Janssen (Dogwood), Cindy Holman (OMPA), Mel Perkins (OG&E), and Steve Parr (KEPCo). SPP Staff included Stacy Duckett.

Agenda Item 2 – Expiring Term Nominations

Nick Brown reviewed those whose terms expire on the Board of Directors, Regional Entity Trustees and Members Committee at the end of 2010 (BOD, RE, Members Committee Terms – Attachment 1). Steve Parr moved to nominate Phyllis Bernard and Julian Brix for new 3-year terms on the Board of Directors. Cindy Holman seconded the motion, which passed unanimously. Steve Parr moved to nominate John Meyer for a new 3-year term on the Regional Entity Trustees. Cindy Holman seconded the motion, which passed unanimously.

The Membership has been notified of expiring terms on the Members Committee. Additional reminders will be issued prior to the Corporate Governance Committee meeting in September, at which time the committee will finalize the ballot for the 2011 election.

Agenda Item 3 – Withdrawal Obligations/Transmission Expansion Costs

The committee discussed preliminary drafts of proposed changes to the Membership Agreement, Bylaws and Tariff related to the continuing obligation of a withdrawing member to fund transmission expansion costs (Draft Document Revisions – Attachment 2). SPP Staff will distribute this to the Strategic Planning Committee for feedback as well. A meeting will be scheduled in conjunction with the July Board of Directors meeting to further discuss and finalize a recommendation. In the interim, the Committee members are encouraged to provide feedback.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 8:55 a.m.

Respectfully submitted,

Stacy Duckett, Secretary