

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Embassy Suites Outdoor World – Grapevine, Texas
April 14, 2003**

- Summary of Action Items -

1. Approved minutes of the March 12, 2003 meeting and the March 20, 2003 teleconference meeting.

2. Approved adoption of the proposed strategic plan as amended, and authorized the delegation of responsibilities to SPP organizational groups as well as Board action on subsequent specific recommendations related to this plan by the June 24, 2003 meeting.

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Embassy Suites Outdoor World – Grapevine, Texas
April 14, 2003**

Agenda Item 1 - Administrative Items

SPP Chair Mr. Al Strecker called the meeting to order at 9:59 a.m. The following Board members were in attendance or represented by proxy:

Mr. Gene Argo, Midwest Energy,
Mr. Ricky Bittle, proxy for Mr. Gary Voigt, Arkansas Electric Cooperative Corp.,
Mr. David Christiano, City Utilities of Springfield, MO,
Mr. Harry Dawson, Oklahoma Municipal Power Authority
Mr. Michael Desselle, proxy for Mr. Richard Verret, American Electric Power,
Mr. Michael Deihl, Southwestern Power Admin.,
Mr. Dick Dixon, Westar Energy,
Mr. Jim Eckelberger, independent director,
Ms. Trudy Harper, Tenaska Power Services Company,
Mr. Quentin Jackson, independent director,
Mr. Stephen Parr, Kansas Electric Power Coop.,
Mr. John Marschewski, Southwest Power Pool,
Mr. Tom McDaniel, independent director
Mr. Gary Roulet, Proxy for Mr. J. M. Shafer, Western Farmers Electric Cooperative,
Mr. Harry Skilton, independent director,
Mr. Richard Spring, Kansas City Power & Light,
Mr. Al Strecker, OG+E,
Mr. Larry Sur, independent director

Mr. Strecker asked Mr. Nick Brown to take roll, recognized state commissioners and commission staff members present, and asked for a round of introductions. A quorum was declared with 49 persons in attendance representing 25 members. Seven state regulatory agencies were present; no other guests were in attendance (Attendance List - Attachment 1). The Secretary received three proxy statements (Proxies - Attachment 2). Mr. Strecker thanked everyone present for attending and announced the agenda (Agenda – Attachment 3). He then referred to draft minutes of the March 12, 2003 meeting (3/12/03 Meeting Minutes - Attachment 4) and asked for necessary corrections or a motion for approval. Mr. Dawson moved that the minutes be approved as presented. Mr. Deihl seconded this motion, which passed unanimously. Mr. Strecker next referred to draft minutes of the March 20, 2003 teleconference meeting (3/20/03 Teleconference Meeting Minutes – Attachment 5) and asked for corrections or a motion for approval. Mr. Marschewski moved the minutes be approved as presented. Mr. McDaniel seconded this motion, which passed unanimously.

Agenda Item 2 – Strategic Planning Task Force Report

Mr. Nick Brown, Mr. Tom Dunn, and Mr. Carl Monroe were asked to introduce and provide background for the Strategic Planning Task Force Report (SPTF Report – Attachment 6). Mr. Strecker formed the SPTF to review the SPP organization and make recommendations to the Board. SPTF members are: Co-Chairs, Dick Dixon (WESTAR) and Richard Spring (KCPL), Michael Gildea (DUKE), Trudy Harper (TENASKA), Mel Perkins (OKGE), Ricky Bittle (AREC), Michael Desselle (AEP), David Christiano (SPRM), John Marschewski (SPP), and facilitators, Nick Brown and Carl Monroe (SPP). Mr. Brown reported that the planning process addressed: where are we, where do we want to go and how do we get there? It was determined by the task force that SPP's value proposition includes:

- A Relationship Based Organization
- A Member Driven Organization
- Independence Through Diversity of Membership on Committees and the Board

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April 14, 2003

- The premise that Reliability & Economic/Equity Issues are Inseparable
- Evolution, Not Revolution in the Implementation of new tasks/functions

Mr. Dunn presented SPP's current financial status including the 2003 budget, assured revenue source, member overpayment, capital market interest, member withdrawals, and credit concerns. Mr. Monroe reviewed the market situation per FERC Order 2000 and the impact on SPP. He also addressed market functions. Mr. Marschewski reported on the current industry environment.

Members of SPTF reported on the following issues:

Options: Mr. Desselle reviewed the organizational options considered by the task force, including renegotiation with MISO, other possible mergers, other possible organizational structures, geographic separation of organization, and a stand-alone SPP regional organization.

Strategic Plan:

State Involvement: Mr. Spring stated that it was necessary to work closely with states and have state support for moving SPP forward.

Order 2000 Compliance: Mr. Dixon stated that SPP would work to become Order 2000 compliant, visit with FERC commissioners and ultimately seek RTO recognition.

Regional Tariff: Mr. Bittle discussed necessary tariff changes to implement the provisions of the plan.

Administrative Processes: Mr. Perkins stated that SPP should affirm the Board of Directors governance structure, add a state regulatory advisory role, combine the Engineering and Operating Committee and the Commercial Practices Committee, and assess the working group and task force structure to assure it is meeting the needs of SPP.

RRO: Mr. Christiano stated that SPP should retain RRO status and not pursue participation in the Midwest Reliability Organization (MRO).

Mr. Dixon presented the SPTF recommendation from the report: *The SPTF recommends that the SPP BOD adopt the proposed strategic plan included in this report, and authorize the delegation of responsibilities to SPP organizational groups also contained herein under the coordination and oversight of the SPTF. The SPTF also recommends that the BOD schedule a meeting for the mid-June timeframe to act on subsequent specific recommendations related to this plan.* Mr. Spring emphasized that all plans would need to be implemented with a sense of urgency and reviewed a suggested timeline for April through July. Mr. Dixon then moved to accept the SPTF recommendation as written. Mr. Desselle seconded the motion and the floor was opened for discussion. After much discussion, Mr. Spring's summary listed three areas of concern: 1) combining the Engineering and Operating Committee and the Commercial Practices Committee, 2) how seeking RTO recognition now would differ from the attempt in 2000, and 3) retaining RRO status as opposed to participation in the newly formed MRO.

Mr. Dawson moved to amend item 4 under the Regional Transmission Service Tariff section of the SPTF Report to state: *SPP should review its participant funding methodology and explore enhancements in conjunction with its regional transmission planning process. SPP should also explore and develop transmission expansion incentives and a mechanism for allowing investment by all interested stakeholders.* Mr. Christiano seconded the motion which passed unanimously. Mr. Dawson also moved to amend item 2 under Regional Transmission Service Tariff to read: *SPP should develop a recommendation on formula rates. This will require SPP to develop a consistent definition of transmission facilities to be included in regional tariff charges and an equitable revenue distribution methodology.* Mr. Eckelberger seconded the motion which passed unanimously.

Ms. Harper expressed concerns about the Regional Reliability Council Status as stated in the SPTF Report. She moved to amend this section to read: *Because of the inextricable links between SPP's Criteria and its current functions as a regional security coordinator and tariff administrator, and the*

SPP Board of Directors Minutes
April 14, 2003

additional links necessary with any market facilitation responsibilities, the SPTF recommends that SPP work with MAPP and its members to reevaluate the need for the MRO. After discussion, Ms. Harper withdrew this motion. Mr. Yeager moved to change the Regional Reliability Council Status section to read: *Because of the inextricable links between SPP's Criteria and its current functions as a regional security coordinator and tariff administrator, and the additional links necessary with any market facilitation responsibilities, the SPTF recommends that SPP retain its own Regional Reliability Organization status.* Mr. Marschewski seconded this motion which passed unanimously. Mr. Dixon then called for a vote on the original question to approve the SPTF recommendation as amended (SPP Strategic Plan as amended by the Board of Directors – Attachment 7). The motion passed unanimously.

Mr. Marschewski announced the next meeting date as June 24, 2003 from 10:00 a.m. – 3:00 p.m. with meetings to follow on August 26, 2003 and October 28, 2003. Kansas City was chosen by consensus as the site for the June meeting, with other meeting locations to be announced.

Adjournment

Mr. Strecker thanked the task force for their hard work and with no further business, adjourned the meeting at 1:47 p.m.

Nicholas A. Brown, Corporate Secretary

Southwest Power Pool
BOARD OF DIRECTORS MEETING
Embassy Suites Outdoor World – Grapevine, Texas
Monday, April 14, 2003

ATTENDANCE LIST

| Name | System |
|-------------------|--------------------------------|
| CARROLL WAGGONER | Sunflower |
| John MARSCHESKI | SOUTHWEST POWER POOL |
| Dick DIXON | Wester Energy |
| Ricky BITTLE | AELL |
| Tom McDaniel | Ind. Director |
| MIKE DEHL | SWPA |
| Harry Dawson | DMPA |
| Michael Desselle | AEP |
| Carl Hustig | Aquila |
| Clair Moeller | TRANSLUX / XCEL ENERGY |
| David Lemmons | Xcel Energy / SPS |
| Tom Down | SPP |
| CARL A. MONROE | SPP |
| BILL WYLIE | OG&E |
| Mel Perkins | OG&E |
| Joyca Davidson | OCC - PUD |
| Sandy Hochstetter | Ark. Public Service Commission |
| Walt Yeager | Energy Services |
| HARRY I. SKILTON | INDEPENDENT DIRECTOR |

(CONT)

Southwest Power Pool
BOARD OF DIRECTORS MEETING
Embassy Suites Outdoor World - Grapevine, Texas
Monday, April 14, 2003

ATTENDANCE LIST

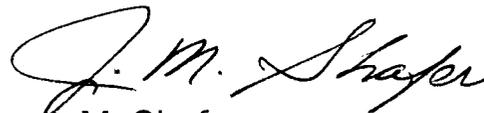
| Name | System |
|-----------------|------------------------------|
| GENE ARGO | MIDWEST ENERGY, INC |
| TRUDY HARPER | TENASKA |
| Jim Eckelberger | Independent Director |
| Richard Spring | Kansas City Power & Light |
| Gary Roulet | WESTERN Farmers |
| BILL DOWLING | MIDWEST ENERGY, INC. |
| Howard Taylor | Calpine |
| DARRELL HASLIF | CALPINE |
| Jim Stanton | Calpine |
| Frank Royce | SPP |
| Bob Oakes | Westar Energy |
| Tony Delaelyse | Westar Energy |
| Tom Stuchlik | Westar Energy |
| GILL LEAF | OKLA. Corp. Comm |
| BOB KOENIG | OKLA GAS & ELTRIC CO |
| BARY WARREN | EMPIRE District Electric Co. |
| NICK BROWN | SPP |
| JOHN BELL | Ks Corp Comm |
| Les Dillahunty | SPP |

March 21, 2003

TO WHOM IT MAY CONCERN:

I, J. M. Shafer, Chief Executive Officer of Western Farmers Electric Cooperative (WFEC), hereby authorize Gary Roulet to represent and vote for WFEC at the Southwest Power Pool Board Meeting on April 14, 2003.

Sincerely,



J. M. Shafer
Chief Executive Officer

JMS:jp

A Powerful Friend to:

Alfalfa Electric Cooperative - Altus Air Force Base - Caddo Electric Cooperative - Canadian Valley Electric Cooperative - Choctaw Electric Cooperative - Cimarron Electric Cooperative
Cotton Electric Cooperative - East Central Oklahoma Electric Cooperative - Harmon Electric Association - Kay Electric Cooperative - Kiamichi Electric Cooperative
Kiwash Electric Cooperative - Northfork Electric Cooperative - Northwestern Electric Cooperative - Oklahoma Electric Cooperative - People's Electric Cooperative
Red River Valley Rural Electric Association - Rural Electric Cooperative - Southeastern Electric Cooperative - Southwest Rural Electric Association

Susan Brown

From: rpverret@aep.com
Sent: Friday, April 11, 2003 7:17 AM
To: Susan Brown
Cc: Desselle, Michael
Subject: Re: SPP Board of Directors 4/14/03 Meeting

Susan, I will not be attending the SPP BOard Meeting in Dallas. As Michael Desselle lives there and is up to speed on issues within the region then it would best serve if he attended for me and carried the AEP Proxy.

Thanks...



**Arkansas Electric
Cooperative Corporation**

Your Touchstone Energy Cooperative



1 Cooperative Way
P.O. Box 194208
Little Rock, Arkansas 72219-4208
(501) 570-2200

March 24, 2003

Mr. John Marschewski, President
Southwest Power Pool
415 McKinley
Suite 700, Plaza West
Little Rock, Arkansas 72205-3020

Dear John:

By this letter, I assign my proxy to Ricky Bittle. Best wishes for a successful meeting.

Sincerely,


Gary Voigt
Chief Executive Officer

GV:dh

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Monday, April 14, 2003
Embassy Suites Outdoor World – Grapevine, Texas**

- A G E N D A -

10:00 a.m. – 3:00 p.m. – Pheasant Ridge 4

1. Administrative ItemsMr. Al Strecker
2. Strategic Planning Task Force ReportRichard Spring/Dick Dixon
 - a) Background
 - b) Strategic Planning Task Force
 - c) Strategic Planning Process
 - d) SPP's Value Proposition
 - e) Organizational Options
 - f) Strategic Plan
 - i. Active State Involvement
 - ii. Order 2000 Compliance
 - iii. Regional Transmission Service Tariff
 - iv. Administrative Processes
 - v. Regional Reliability Council Status
 - g) Recommendation
3. Adjournment

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Embassy Suites Airport – Kansas City, Missouri
March 12, 2003**

- Summary of Action Items -

1. Approved minutes of the November 12, 2002 meeting.
2. Approved the Finance Working Group recommendation that Southwest Power Pool not assess the membership for funding of the principal payment during 2003. Funding for the \$5 million due in March 2004 will be collected in January and February 2004.
3. Approved the Engineering & Operating Committee recommendation to modify language in Southwest Power Pool Criteria 14 to comply with standards, procedures, and terminology per NERC policy.
4. Approved the Nominating Task Force recommendation to fill vacant positions on the Transmission Users sector of the Board with Mr. Walt Yeager of Cinergy Corp. and Mr. Michael Gildea of Duke Energy Trading & Marketing.
5. Approved a resolution authorizing and directing SPP President John Marschewski to pursue mutual termination of the Purchase and Assumption Agreement dated March 4, 2002 related to the merger of SPP and the Midwest ISO.

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Embassy Suites Airport – Kansas City, Missouri
March 12, 2003**

Agenda Item 1 - Administrative Items

SPP Chair Mr. Al Strecker called the meeting to order at 9:59 p.m. The following Board members were in attendance or represented by proxy:

Mr. Gene Argo, Midwest Energy,
Mr. Ricky Bittle, proxy for Mr. Gary Voigt, Arkansas Electric Cooperative Corp.,
Mr. David Christiano, City Utilities of Springfield, MO,
Mr. Harry Dawson, Oklahoma Municipal Power Authority
Mr. Scott Moore, proxy for Mr. Richard Verret, American Electric Power,
Mr. Michael Deihl, Southwestern Power Admin.,
Mr. Dick Dixon, Westar Energy,
Mr. Jim Eckelberger, independent director,
Ms. Trudy Harper, Tenaska Power Services Company,
Mr. Quentin Jackson, independent director,
Mr. Stephen Parr, Kansas Electric Power Coop.,
Mr. John Marschewski, Southwest Power Pool,
Mr. Tom McDaniel, independent director
Mr. J. M. Shafer, Western Farmers Electric Cooperative,
Mr. Harry Skilton, independent director,
Mr. Richard Spring, Kansas City Power & Light,
Mr. Al Strecker, OG+E,
Mr. Larry Sur, independent director

A quorum was declared with 29 persons in attendance representing 14 members, 1 guest and no regulatory agencies were present (Attendance List - Attachment 1). The Secretary received two proxy statements (Proxies - Attachment 2). Mr. Strecker thanked everyone present for attending and announced a change in the agenda moving Item 2, Nominating Tack Force, to follow the executive session (Agenda – Attachment 3). Mr. Strecker referred to draft minutes of the November 12, 2002 meeting (11/12/02 Meeting Minutes - Attachment 4) and asked for necessary corrections or a motion for approval. Mr. Deihl moved that the minutes be approved as presented. Mr. Shafer seconded this motion, which passed unanimously.

Agenda Item 3 – LaCygne – Stilwell 345kV Upgrade Project

Mr. Strecker asked Mr. Spring and Mr. Rew to present a report on the LaCygne – Stilwell 345 kV Upgrade Project (LaCygne – Stilwell – Attachment 5). An agreement was executed between SPP and 11 transmission owners that addresses the relief of the capacity constraint on the SPP transmission system posed by the LaCygne to Stilwell 345 kV transmission line in order to ensure that the circuit would be upgraded for increased transmission capacity. Kansas City Power & Light Company (KCP&L) will be responsible for constructing the upgrade with a target completion date of July 1, 2003. The 30 mile transmission line, located south-southwest of Kansas City, will be re-conducted using new technology that allows the use of existing structures and for the work to be done while the line is “hot” (i. e. energized) resulting in minimal disruption (4 months versus 3 to 5 years at 70% of the cost) to the transmission market. The funding for this project under these unique circumstances results from the agreement among the SPP Transmission Owners who agreed to pool future revenues to pay for the upgrade.

Agenda Item 4 – Midwest Reliability Organization Effort

Mr. Strecker asked Mr. Marschewski to report the status of the Midwest Reliability Organization Effort (MRO Effort Attachment 6). Mr. Marschewski solicited members as a step in the transition to common standards, which is expected to take a full year from MRO inception. He reported that 2 SPP and 8 MAPP members have joined and thanked Mr. Christiano and Mr. Bittle for their work on this effort. The MRO Effort was also presented at the Engineering and Operating Meeting on March 10 – 11, 2003.

Agenda Item 5 – Finance Working Group Recommendation

Mr. Skilton was asked to present the Finance Working Group recommendation (FWG Recommendation – Attachment 7). The FWG recommends that SPP not assess the membership for funding of the principal payment during 2003. Instead, funding for the \$5 million due in March 2004 should be assessed and collected in January and February 2004. This postponement results in a reduction of \$3.75 million changing the 2003 Budget from \$28,212,681 to \$24,462,681. After Mr. Dunn answered questions, Mr. Skilton moved to approve this recommendation. Mr. Dixon seconded and the motion passed unanimously.

Agenda Item 6 – Engineering & Operating Committee Report

Mr. Rew then presented the Engineering & Operating Committee report (EOC Report – Attachment 8). It was determined that Criteria 14, Line Loading Relief, language should be modified to ensure that ratings recognizing weather conditions for operational purposes are appropriately and consistently applied and to comply with current standards, procedures, and terminology per NERC policy. The EOC approved unanimously the rewrite of SPP Criteria 14 with one additional change. To be consistent with NERC policy, the name of Security Coordinator is changed to Reliability Authority throughout. Following questions from Mr. Bittle and Mr. Eckleberger, Mr. Moore moved to approve this recommendation. Mr. Bittle seconded and the motion passed unanimously.

Agenda Item 7 – SPP/MISO Merger

Mr. Brown reported on the current status of the SPP/MISO Merger. After a question and answer session, Membership was solicited for comments for Board consideration.

Agenda Item 2 – Nominating Task Force

Mr. Bittle expressed concern that the Nominating Task Force report should be presented prior to the executive session and moved to accept the Nominating Task Force recommendation, which was seconded by Ms. Harper. After discussion, this motion was withdrawn. Mr. Bittle then moved to hear the report prior to executive session. Ms. Harper seconded the motion, which passed with one vote in opposition. Mr. Christiano presented the Nominating Task Force report referring to the current roster as voted on at the Meeting of Members on November 13, 2002 and the recommendation to add Mr. Walt Yeager of Cinergy Corp. and Mr. Michael Gildea of Duke Energy Trading & Marketing to fill vacant positions on the Transmission Users sector of the Board (NTF Report – Attachment 9). Mr. Christiano moved to accept the Nominating Task Force recommendation as presented. The motion passed unopposed with one abstention.

Executive Session

At 11:10 a.m., Mr. Strecker thanked everyone for their participation and following a lunch break, reconvened in executive session to discuss SPP/MISO merger and personnel matters. During executive session the Board of Directors approved a resolution authorizing and directing SPP President John Marschewski to pursue mutual termination of the Purchase and Assumption Agreement dated March 4, 2002 related to the merger of SPP and the Midwest ISO (Termination Resolution – Attachment 10).

Adjournment

With no further business, Mr. Strecker adjourned the meeting at 3:28 p.m.

Nicholas A. Brown, Corporate Secretary

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Teleconference at 12:00 noon
March 20, 2003**

- Summary of Action Items -

None.

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Teleconference at 12:00 noon
March 20, 2003**

Agenda Item 1 - Administrative Items

SPP Chair Mr. Al Strecker called the meeting to order at 12:02 p.m. The following Board members were in attendance or represented by proxy:

Mr. Gene Argo, Midwest Energy,
Mr. Gary Voigt, Arkansas Electric Cooperative Corp.,
Mr. David Christiano, City Utilities of Springfield, MO,
Mr. Harry Dawson, Oklahoma Municipal Power Authority
Mr. Michael Desselle, proxy for Mr. Richard Verret, American Electric Power,
Mr. Michael Deihl, Southwestern Power Admin.,
Mr. Dick Dixon, Westar Energy,
Mr. Jim Eckelberger, independent director,
Mr. Michael Gildea, Duke Energy North America,
Mr. Stephen Parr, Kansas Electric Power Coop.,
Mr. John Marschewski, Southwest Power Pool,
Mr. J. M. Shafer, Western Farmers Electric Cooperative,
Mr. Harry Skilton, independent director,
Mr. Richard Spring, Kansas City Power & Light,
Mr. Al Strecker, OG+E,
Mr. Larry Sur, independent director, and
Mr. Walt Yeager, Cinergy.

A quorum was declared with 24 persons in attendance representing 13 members. Also present were Mr. Scott Moore (AEP), Mr. Ricky Bittle (AREC), and Messrs. Nick Brown, Tom Dunn, Walter May and Ms. Stacy Duckett (SPP). (Agenda – Attachment 1).

The Secretary received one proxy statement (Proxies - Attachment 2). Mr. Strecker thanked everyone for participating and asked Mr. Nick Brown for a secretary's report. Mr. Brown asked if there were any objections to including the resolution of Board of Directors from their March 12, 2003 meeting executive session in the minutes of that meeting. Hearing none, Mr. Brown stated that the minutes of that meeting would be distributed soon.

Agenda Item 2 – SPP/MISO Merger Update

Mr. Marschewski reported that the Midwest ISO Board of Directors also took action at their meeting this morning to mutually terminate the purchase and assumption agreement related to the merger between SPP and MISO.

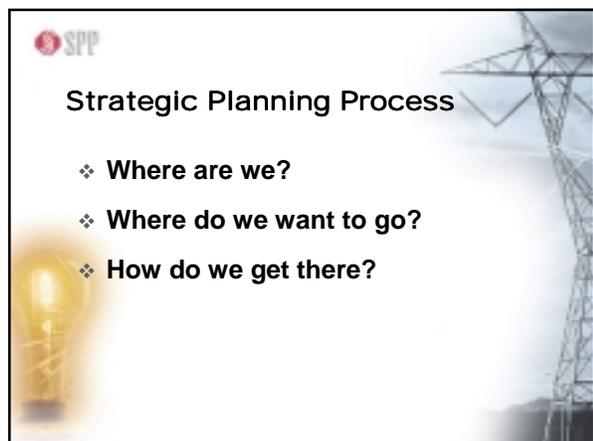
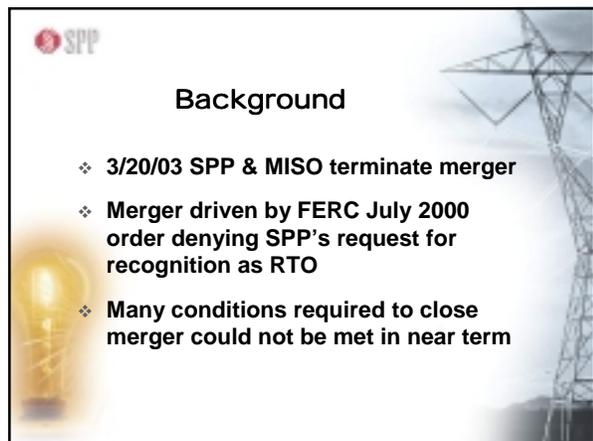
Agenda Item 3 – Strategic Planning Task Force

Mr. Brown reported that SPP Chair, Mr. Al Strecker, had formed a Strategic Planning Task Force to review the SPP organization considering the current industry environment and make appropriate recommendations to the Board of Directors. Mr. Brown referred to a scope statement for this new group distributed with the meeting agenda (SPTF Scope – Attachment 3) and stated that a first meeting had been scheduled for April 2-4, 2003.

Adjournment

With no further business, Mr. Strecker adjourned the meeting at 12:23 p.m.

Nicholas A. Brown, Corporate Secretary





Where do we want to go?

- ❖ State regulatory support necessary
- ❖ Five areas of regional needs:
 - ◆ Active state regulatory commission involvement
 - ◆ Compliance w/ FERC Order 2000
 - ◆ SPP's regional transmission service tariff
 - ◆ SPP's administrative processes
 - ◆ SPP's regional reliability council responsibilities



How do we get there?

- ❖ Other SPP organizational groups assist in investigating and making appropriate recommendations up through SPP organizational structure culminating w/ approval of BOD



SPP's Value Proposition

- ❖ Relationship Based
- ❖ Member Driven
- ❖ Independence Through Diversity
- ❖ Reliability & Economic/Equity Issues Inseparable
- ❖ Evolution, Not Revolution



Relationship Based

- ❖ SPP formed in 1941 to serve critical defense plant in AR
- ❖ Grew to membership of 78 entities w/ no legal recognition until incorporated in 1993
- ❖ Until 1998 membership agreement consisted of single paragraph
- ❖ Relationships, rather than contracts, are glue that keeps this diverse organization together



Member Driven

- ❖ Broad-based committees, working groups & ad-hoc task forces
- ❖ Over 200 persons involved in SPP's efforts
- ❖ Rosters match diversity of membership
- ❖ SPP's staff size small because of membership involvement



Independence Through Diversity

- ❖ Comprised of investor-owned utilities, municipal systems, generation & transmission coops., state authorities, federal agencies, wholesale generators & power marketers.



Reliability & Economic/Equity Issues Inseparable

- ❖ SPP members have long maintained that electric reliability issues should not and cannot be debated in absence of economic/equity issues



Evolution, Not Revolution

- ❖ SPP evolved from initial purpose
- ❖ SPP's more recent evolution:
 - ◆ Implementation of telecommunications network (1980)
 - ◆ Operating reserve sharing (1991)
 - ◆ Regional security coordination (1997)
 - ◆ Regional tariff transmission services



Current Industry Environment

- ❖ Complicated industry environment
- ❖ FERC desires restored financial certainty of electric utilities
- ❖ State commissions taking active role in regulating operation of their jurisdictional utilities
- ❖ States focused on maintaining low retail rates & protecting interests of bundled retail customers



Organizational Options

- ❖ Renegotiate terms & conditions w/MISO
- ❖ Possible mergers/combinations/strategic alliances with other developing RTOs
- ❖ Other possible org. structures (Transco, ITC)
- ❖ Geographic separation of org.
- ❖ Stand-alone SPP regional org. dev.



The Strategic Plan

- ❖ Active state involvement
- ❖ Order 2000 compliance
- ❖ Regional transmission service tariff
- ❖ Administrative processes
- ❖ Regional reliability council status



Active State Involvement

- ❖ State regulatory participation & support necessary requirement
- ❖ SPP work very closely w/ states



Order 2000 Compliance

- ❖ SPP evaluate w/states options for phased implementation of:
 - ◆ Real-time balancing market
 - ◆ Market monitoring
 - ◆ Market-based congestion management
- ❖ SPP cont. work on regional membership opportunities & develop seams agreements and/or joint markets



Order 2000 Compliance (cont.)

- ❖ SPP cont. participation in Joint & Common Market dev. w/MISO & PJM
- ❖ SPP file attachment to tariff – facilitate independent transmission company participation by interested TO's
- ❖ SPP visit w/FERC commissioners & staff
- ❖ SPP seek RTO recognition by FERC



Regional Transmission Service Tariff

- ❖ All load subject to Schedule 1 fees
- ❖ SPP develop formula rates
- ❖ SPP streamline generation interconnection & transmission service requests
- ❖ SPP review participant funding method. in conjunction w/regional transmission planning process



Administrative Processes

- ❖ SPP affirm BOD governance structure
- ❖ SPP add state regulatory advisory committee
- ❖ SPP combine EOC w/CPC
- ❖ SPP assess WG's & TF's



Administrative Processes (cont.)

- ❖ SPP reassess 2003 admin. Budget
- ❖ SPP evaluate cost allocation of expenses to tariff v. membership assessment
- ❖ SPP immediately fill independent directory vacancy on BOD



Regional Reliability Council Status

- ❖ SPP retain RRO status and not pursue participation in MRO



Recommendation

❖ The SPTF recommends that the SPP BOD adopt the proposed strategic plan included in this report, and authorize the delegation of responsibilities to SPP org. groups also contained herein under the coordination oversight of the SPTF. The SPTF also recommends that the BOD schedule mtg. for the mid-June timeframe to act on subsequent specific recommendations related to this plan.



| APRIL | MAY | JUNE | JULY |
|---|---|---|--|
| <p>SPTF develop approach and plan for State involvement</p> <p>SPP Board of Directors meeting:</p> <ul style="list-style-type: none"> ➢ Affirm governance structure ➢ Cease pursuit of Midwest Reliability Organization | <p>State involvement commences in planning</p> <p>Bylaw changes for committee restructuring</p> <p>Staff reassess 2003 budget</p> <p>Staff recommendation to RTWG to streamline queuing for interconnection and transmission service requests</p> <p>Develop approach and plan for:</p> <ul style="list-style-type: none"> ➢ Seams agreements with neighbors or a joint market ➢ Continue participation in the Joint and Common Market with MISO and PJM ➢ File Attachment I to facilitate ITC discussions ➢ Seek RTO recognition | <p>SPTF and FWG reassess 2003 budget</p> <p>Fill independent Director vacancies</p> <p>Evaluate cost allocation of SPP expenses</p> <p>Develop approaches and plans for:</p> <ul style="list-style-type: none"> ➢ Market implementation ➢ Placing all load under the SPP OATT ➢ Formula rates ➢ Participant funding methodology | <p>RTWG review and assess Staff recommendation to streamline queuing for interconnection and transmission service requests</p> |



SPTF Recommendation Timeline

❖ **MAY**

- ◆ State involvement commences in planning
- ◆ Bylaw changes for committee restructuring
- ◆ Staff reassess 2003 budget
- ◆ Staff recommendation to RTWG to streamline queuing for interconnection and transmission service requests
- ◆ Develop approach and plan for:
 - seams agreements with neighbors or a joint market
 - continue participation in the Joint and Common Market with MISO and PJM
 - File Attachment I to facilitate ITC discussions
 - Seek RTO recognition



SPTF Recommendation Timeline

❖ **JUNE**

- ◆ SPTF and FWG reassess 2003 budget
- ◆ Fill independent Director vacancies
- ◆ Evaluate cost allocation of SPP expenses
- ◆ Develop approaches and plans for:
 - * Market implementation
 - * Placing all load under the SPP OATT
 - * Formula rates
 - * Participant funding methodology



SPTF Recommendation Timeline

❖ **JULY**

- ◆ RTWG review and assess Staff recommendation to streamline queuing for interconnection and transmission service requests



SPP

*Southwest
Power Pool*

Strategic Plan

Initial Report – April 10, 2003

Southwest Power Pool, Inc. (SPP) is a group of 50 electric utilities serving more than 4 million customers across all or parts of eight southwestern states. This membership is comprised of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, federal agencies, wholesale generators, and power marketers. SPP serves as a regional reliability council of the North American Electric Reliability Council and, since 1997 has provided independent security coordination and tariff administration, pursuant to a FERC approved tariff, across its service area with over 33,000 miles of transmission lines with a gross plant investment approaching \$4 billion.

**Developed by the
Southwest Power Pool
Strategic Planning Task Force**

Background

On Thursday, March 20, 2003, SPP and Midwest Independent Transmission System Operator, Inc. mutually agreed to terminate a proposed consolidation of their organizations that originated in August 2001. The process had been long and involved and it increasingly became apparent that the many conditions required to close the merger could not be met in the near term. The merger had as its impetus a July 2000 order from the Federal Energy Regulatory Commission (FERC) denying SPP's request in docket number EL00-34-000 for recognition as a Regional Transmission Organization pursuant to FERC Order 2000.

At merger termination the Chair of SPP's Board of Directors, Mr. Al Strecker of Oklahoma Gas and Electric, immediately recognized a need for the organization to refocus its strategy, set a course to create and find opportunities, and to create a visible and positive strategic plan. As such, on March 20, 2002, the Chair formed the Strategic Planning Task Force (SPTF) reporting to the Board of Directors to completely review the SPP organization considering the current industry environment and to make appropriate recommendations to the Board.

Strategic Planning Task Force

The SPTF is comprised of a diverse group of representatives from SPP members and contains the following persons:

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Strategic Planning Process

The strategic planning process utilized by the SPTF was similar in nature to any planning process that answers three basic questions: Where are we? Where do we want to go? How do we get there? The group recognized from the outset that its task was not a race to one ideal regional structure, but rather a race to uniqueness in order to create and sustain value for SPP members. The planning process was truly all about choices and trade-offs.

Where are we?

This phase of the strategic planning process involved data gathering designed to produce a current understanding of where the organization is in relation to its environment with respect to both industry structure (rules of competition) and SPP's relative position (source of advantage). The SPTF began with an overview of SPP's articles of incorporation, bylaws, membership agreement, reliability criteria, transmission service tariff, organizational structure, governance, and finances. This phase also included a comprehensive review and analysis of the current regulatory environments in the eight-state region to which SPP members are subject. Additionally, this phase included a comprehensive review of the NERC functional model for electric reliability services and its evolution over the last 18 months. Of particular focus in this phase was an exhaustive analysis of SPP's ability to comply with the requirements of FERC Order 2000 and separately, FERC's Notice of Proposed Rulemaking on Standard Market Design. The data-gathering phase concluded with an understanding, reaffirmation, and articulation of the organization's values - the principles that have driven the organization's decision-making process over the past many years.

Where do we want to go?

The SPTF immediately reached consensus that state regulatory support is a necessary requirement for the success of SPP as well as for any hope of obtaining RTO recognition from the FERC. Therefore, the SPTF is recommending actions specific to five areas of regional needs: Active state regulatory commission involvement; Compliance with FERC Order 2000; SPP's regional transmission service tariff; SPP administrative processes; and SPP's regional reliability council responsibilities.

How do we get there?

The SPTF recommends that, in addition to SPTF tasks to be accomplished, other SPP organizational groups should also assist in the further investigation of certain detailed issues in order to make appropriate recommendations up through the SPP organizational structure, culminating with approval of the Board of Directors.

SPP's Value Proposition

To provide guidance throughout the strategic planning process, the SPTF reviewed SPP's history of decision-making to identify and understand the organization's values - the principles that have driven its history. While these principles have not historically been articulated in a grouping as a value proposition, they are in fact very familiar to SPP members new and old and have served as themes to past annual reports and conferences. The identified values, while individual in some regards, are quite intertwined in their fullest understanding. The *SPP difference*, the values and/or principles that set this organization apart from other regional entities performing similar services, was determined by the SPTF to include the following.

Relationship Based

Many people have forgotten that SPP dates back to 1941 when 11 utilities across 7 states pooled their generation resources by constructing a regional transmission network to serve a critical defense plant in central Arkansas. Amazingly, this same organization continued to exist and grow to a peak membership of 78 entities without any legal recognition until it incorporated in December of 1993. Until 1998, the membership agreement consisted of a single paragraph obligating members to abide by the organization's bylaws that are even today a mere 30 pages. Relationships, rather than contracts, are the glue that keeps this diverse organization together "lighting the past...powering the future."

Member Driven

SPP's organizational structure of broad-based committees, working groups and ad-hoc task forces is the true source of SPP's service product. Over two hundred persons are involved in SPP efforts that are driven by these groups. SPP's tradition is that the rosters of these groups match the diversity of its membership, requiring representatives from across the footprint and recognizing the uniqueness of members with respect to several aspects including type and size. It is this principle that keeps SPP's staff size the smallest in the industry and coined the often-used phrase "working together to keep the lights on, today and in the future."

Independence Through Diversity

SPP membership has been one of the most diverse of any regional organization in the industry since its inception. With membership comprised of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, federal agencies, wholesale generators, and power marketers, any and all opinions are heard loudly and clearly in organizational group meetings. As a member-driven organization, meaningful stakeholder involvement by decision-makers with "skin in the game" has driven SPP's somewhat unique

governance structure headed by a hybrid board of directors, one-third of which are independent directors. This diversity truly has been shown to be the “power of the pool.”

Reliability & Economic/Equity Issues Inseparable

In 1968, SPP took on the responsibility of serving as a regional reliability council under the National (now North American) Electric Reliability Council (NERC). NERC was formed in response to the massive northeast blackout to develop planning and operating standards to mitigate risk of a repeat event. NERC’s membership is comprised of 10 regional reliability councils that develop more specific standards that work in concert with NERC’s national standards and provide for regional differences. SPP members have long maintained that electric reliability issues should not and cannot be debated in absence of economic/equity issues and this is why SPP, as a regional reliability council, took on commercial tariff administration responsibilities and is considering facilitation of wholesale markets. History has shown that any attempt to separate reliability and economic/equity issues only results in the same people meeting in different venues with confusion over which organization should be attempting to resolve problems.

Evolution, Not Revolution

SPP was initially created for a much different purpose than that which it currently serves and a deliberate evolutionary process has continued to add and subtract services delivered by the organization. SPP’s broad-based membership with its diverse interests has much to do with the organization’s conscious avoidance of “revolutionary changes” and consequential deliberative approach to a regional organizational structure. Such conscious avoidance of revolutionary changes by the organization has not lead to a minimalist approach, but rather a carefully staged maturation. SPP’s more recent evolution began with implementation of a telecommunications network in 1980, and proceeded in incremental steps to include operating reserve sharing (1991), regional security coordination (1997), and most recently its phased offerings of regional tariff transmission services: non-firm point-to-point and short-term firm point-to-point (1998), long-term firm point-to-point (1999), and regional network service (2001).

Current Industry Environment

Several factors exist which serve to complicate the industry environment in which SPP and its members operate. The weak national economy, continued fall-out from the California energy crisis and the Enron debacle, coupled with changes in accounting treatment and requirements of Sarbanes-Oxley federal legislation impact each SPP member. Several energy companies have either exited the power marketing business or significantly diminished their operations. From a regulatory standpoint, FERC desires to restore financial certainty of electric utilities while also furthering its goals to develop a seamless national wholesale energy market. State commissions are taking an active role in regulating the operation of their jurisdictional utilities including the interaction of those jurisdictional entities with regional organizations offering transmission and market services. States are particularly focused on maintaining low retail rates and protecting the interests of bundled retail customers and believe federal initiatives may potentially be at odds with these goals.

Organizational Options

Dissolution of the SPP and MISO merger presented SPP with a choice of how best to move forward and serve the needs of its various stakeholders. While SPP's Board of Directors formed the SPTF to investigate the best strategic options for SPP the Board of Directors was certain that SPP could not simply revert back to its existing operations. Accordingly, the SPTF considered a variety of options recognizing that as strategic planners with a responsibility to advise and recommend to the Board possible future organizational direction, "out-of-the-box" thinking was critical to its task. Among the options considered were:

- Renegotiate terms and conditions with the MISO;
- Possible mergers/combinations/strategic alliances with other developing RTOs like SeTrans;
- Other possible organizational structures (Transco, ITC);
- Geographic separation of the organization; and,
- Stand-alone SPP regional organization development.

The options listed above were considered and in each case pros and cons with respect to a variety of criteria including (but not limited to) regulatory expectations, SPP value propositions, geography and practicality were evaluated. One-by-one, the analysis and discussions of these options was narrowed.

For instance, the option considered to renegotiate the terms and conditions with MISO was rejected for many of the reasons that led to termination of the original agreement, and because of significant doubt in the ability to achieve many of the positive attributes of the original merger agreement in any subsequent agreement.

The option to consider merging or combining with the newly forming SeTrans regional organization was rejected at this time because of the significant differences in value proposition of SPP and SeTrans and the comparative level of maturity between the two organizations. Recent indications by SeTrans point to a late August regulatory filing before the FERC seeking RTO status. This represents the third official delay in SeTrans development in the last 2 years alone and further extends SeTrans operational readiness expectations.

SPP as a transmission company was also considered but rejected for a variety of reasons including: lack of benefits, the continuing need for an overarching RTO and the possibility that the MISO would of necessity need to be that RTO, a recognition of significant cost-shifting and the uncertainty of revenue needed for compensation and not the least of which state regulators within the SPP footprint are on the record opposing such transfers of jurisdictional transmission assets to this type of organizational structure. Additionally, the SPP in its previous RTO development efforts endorsed the ITC concept that has been accepted by FERC and is an active element of MISO RTO development. Reendorsement of the ITC concept under the SPP regional organization should satisfy the desire of members who desire this type of RTO participation with the consent of their state regulator.

Geographic separation of SPP members was quickly eliminated as being an impractical option.

The Strategic Plan

Active State Involvement

The only competitive advantage is the ability to learn and change. The SPTF quickly reached agreement that state regulatory participation, consensus and support is a necessary requirement for SPP's future success. Therefore, the SPTF recommends that SPP work very closely with its states on the following actions in continuing SPP's evolutionary approach to the provision of services to its members and customers.

(The SPTF should develop with the states an approach for their active involvement on the following initiatives by May 1, 2003.)

Order 2000 Compliance

The SPTF sees value, merit and benefit in SPP providing the remaining functions necessary to be in compliance with FERC Order 2000. As described above, SPP has been providing independent regional security coordination transmission administration for a number of years. The remaining functions necessary for SPP compliance with Order 2000 include adding an imbalance energy market, and some form of market-based congestion management. Current processes and procedures related to imbalance energy accounting and transmission congestion management are neither effective nor efficient. Implementation of some form of real-time energy balancing market would provide incentive for proper behavior and would enable SPP members to more equitably settle imbalance energy. SPP's current method of managing transmission congestion ignores the differing value of transactions that are curtailed to provide system relief and is therefore very inefficient. Also, while regionalization has greatly standardized the provision of certain services, regional differences do continue to exist and more work remains on managing seams with existing and forming regional neighbors. Therefore, the SPTF recommends the following evolutionary steps related to Order 2000 compliance.

1. SPP should evaluate with the states options for and a phased implementation of a real-time balancing market.
2. SPP should evaluate with the states options for and a phased implementation of market monitoring.
3. SPP should evaluate with the states options for and a phased implementation of market-based congestion management.

(These actions should be assigned to the combination of the Market Settlement Working Group and the Congestion Management Working Group with a target of having a detailed plan by June 1, 2003.)

4. SPP should continue to work with neighboring entities on regional membership expansion opportunities and should develop seams agreements and/or joint markets with neighboring companies who choose not to participate in SPP and with neighboring

regional entities (i.e. Entergy, Associated Electric Cooperative, SeTrans, MISO, TVA, Aquila, CLECO, Sunflower.)

5. SPP should continue to participate in the Joint and Common Market development with MISO and PJM and continually evaluate this participation based on SPP's approach to market structure, timing, and state regulatory input.
6. SPP should file an attachment to its tariff facilitating independent transmission company participation by interested transmission owners.
7. SPP should visit with FERC commissioners and senior staff regarding this strategic plan and seek their participation in related development activities.
8. Provided that the previous actions are successfully implemented, SPP should seek RTO recognition by the FERC.

(These actions should be assigned to senior staff and the SPTF with a target of having a detailed plan by June 1, 2003.)

Regional Transmission Service Tariff

SPP's regional tariff has undergone significant evolution over its 6-year history, but further modifications ceased 18 months ago as focus was placed on the consolidated regional tariff related to the SPP/MISO merger. Much of the work on the consolidated tariff is applicable and beneficial to SPP and therefore, the SPTF recommends that the following modifications to SPP's regional tariff be pursued.

1. All load, including native load and grandfathered load should be subject to Schedule 1 fees of the regional tariff.

(This action should be assigned to the SPTF with a target of having a detailed plan by June 1, 2003.)

2. SPP should develop formula rates to which all transmission owners may transition. This will require SPP to develop a consistent definition of transmission facilities to be included in regional tariff charges.
3. SPP should implement changes to streamline the queue for generation interconnection and transmission service requests.
4. SPP should review its participant funding methodology and explore enhancements in conjunction with its regional transmission planning process. SPP should also explore and develop transmission expansion incentives.

(These actions should be assigned to the Regional Tariff Working Group with support from senior SPP staff and the Transmission Assessment Working Group with a target of having related tariff modifications by June 1, 2003 for membership review.)

Administrative Processes

The above recommendations place additional pressures on SPP's administrative processes, many of which are in need of modification in order to support incremental functionality. Therefore, the SPTF recommends the following administrative modifications be pursued.

1. SPP should affirm its Board governance structure with continued meaningful stakeholder participation on the Board of Directors and state regulatory participation.
(This action can be accomplished by the Board of Directors adopting this strategic plan.)
2. SPP should add a state regulatory advisory committee reporting to the Board of Directors as designed in consultation with the state regulatory authorities within the SPP footprint.
(This action should be assigned to the SPTF with a target to develop with the states a scope statement for this committee by June 1, 2003.)
3. SPP should combine its Engineering & Operating Committee with its Commercial Practices Committee to have only one full representation committee reporting to the Board of Directors.
4. SPP should assess its working groups and task forces to ensure efficient and effective administration of SPP services.
5. SPP should immediately reassess its 2003 administration budget based on these recommendations and make appropriate modifications.
6. SPP should evaluate the cost allocation of SPP expenses to tariff versus membership assessment. SPP may refund to members funds advanced via assessments to support tariff operations. Additional debt may be required.
(These actions should be assigned to the SPTF, senior SPP staff, and the Finance Working Group with a target of developing more specific recommendations and any necessary bylaws modifications by June 1, 2003.)
7. SPP should immediately fill the independent director vacancy on the Board of Directors.
(This action should be assigned to the Nominating Task Force with a target of having a nomination by June 1, 2003.)

Regional Reliability Council Status

Because of the inextricable links between SPP's Criteria and its current functions as a regional security coordinator and tariff administrator, and the additional links necessary with any market facilitation responsibilities, the SPTF recommends that SPP retain its own Regional Reliability Organization status and that its members not pursue participation in the Midwest Reliability Organization.

(This action can be accomplished by the Board of Directors adopting this strategic plan and SPP members not pursuing membership in the MRO.)

Recommendation

The SPTF recommends that the SPP Board of Directors adopt the proposed strategic plan included in this report, and authorize the delegation of responsibilities to SPP organizational groups also contained herein under the coordination oversight of the SPTF. The SPTF also recommends that the Board of Directors schedule a meeting for the mid-June timeframe to act on subsequent specific recommendations related to this plan.



Strategic Plan

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Geographic separation of SPP members was quickly eliminated as being an impractical option.

The Strategic Plan

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(The SPTF should develop with the states an approach for their active involvement on the following initiatives by May 1, 2003.)

Order 2000 Compliance

The SPTF sees value, merit and benefit in SPP providing the remaining functions necessary to be in compliance with FERC Order 2000. As described above, SPP has been providing independent regional security coordination transmission administration for a number of years. The remaining functions necessary for SPP compliance with Order 2000 include adding an imbalance energy market, and some form of market-based congestion management. Current processes and procedures related to imbalance energy accounting and transmission congestion management are neither effective nor efficient. Implementation of some form of real-time energy balancing market would provide incentive for proper behavior and would enable SPP members to more equitably settle imbalance energy. SPP's current method of managing transmission congestion ignores the differing value of transactions that are curtailed to provide system relief and is therefore very inefficient. Also, while regionalization has greatly standardized the provision of certain services, regional differences do continue to exist and more work remains on managing seams with existing and forming regional neighbors. Therefore, the SPTF recommends the following evolutionary steps related to Order 2000 compliance.

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2. SPP should evaluate with the states options for and a phased implementation of market monitoring.
3. SPP should evaluate with the states options for and a phased implementation of market-based congestion management.

(These actions should be assigned to the combination of the Market Settlement Working Group and the Congestion Management Working Group with a target of having a detailed plan by June 1, 2003.)

4. SPP should continue to work with neighboring entities on regional membership expansion opportunities and should develop seams agreements and/or joint markets with neighboring companies who choose not to participate in SPP and with neighboring

regional entities (i.e. Entergy, Associated Electric Cooperative, SeTrans, MISO, TVA, Aquila, CLECO, Sunflower.)

5. SPP should continue to participate in the Joint and Common Market development with MISO and PJM and continually evaluate this participation based on SPP's approach to market structure, timing, and state regulatory input.
6. SPP should file an attachment to its tariff facilitating independent transmission company participation by interested transmission owners.
7. SPP should visit with FERC commissioners and senior staff regarding this strategic plan and seek their participation in related development activities.
8. Provided that the previous actions are successfully implemented, SPP should seek RTO recognition by the FERC.

(These actions should be assigned to senior staff and the SPTF with a target of having a detailed plan by June 1, 2003.)

Regional Transmission Service Tariff

SPP's regional tariff has undergone significant evolution over its 6-year history, but further modifications ceased 18 months ago as focus was placed on the consolidated regional tariff related to the SPP/MISO merger. Much of the work on the consolidated tariff is applicable and beneficial to SPP and therefore, the SPTF recommends that the following modifications to SPP's regional tariff be pursued.

1. All load, including native load and grandfathered load should be subject to Schedule 1 fees of the regional tariff.

(This action should be assigned to the SPTF with a target of having a detailed plan by June 1, 2003.)

2. SPP should develop a recommendation on formula rates. This will require SPP to develop a consistent definition of transmission facilities to be included in regional tariff charges and an equitable revenue distribution methodology.
3. SPP should implement changes to streamline the queue for generation interconnection and transmission service requests.
4. SPP should review its participant funding methodology and explore enhancements in conjunction with its regional transmission planning process. SPP should also explore and develop transmission expansion incentives and a mechanism for allowing investment by all interested stakeholders.

(These actions should be assigned to the Regional Tariff Working Group with support from senior SPP staff and the Transmission Assessment Working Group with a target of having related tariff modifications by June 1, 2003 for membership review.)

Administrative Processes

The above recommendations place additional pressures on SPP's administrative processes, many of which are in need of modification in order to support incremental functionality. Therefore, the SPTF recommends the following administrative modifications be pursued.

1. SPP should affirm its Board governance structure with continued meaningful stakeholder participation on the Board of Directors and state regulatory participation.
(This action can be accomplished by the Board of Directors adopting this strategic plan.)
2. SPP should add a state regulatory advisory committee reporting to the Board of Directors as designed in consultation with the state regulatory authorities within the SPP footprint.
(This action should be assigned to the SPTF with a target to develop with the states a scope statement for this committee by June 1, 2003.)
3. SPP should combine its Engineering & Operating Committee with its Commercial Practices Committee to have only one full representation committee reporting to the Board of Directors.
4. SPP should assess its working groups and task forces to ensure efficient and effective administration of SPP services.
5. SPP should immediately reassess its 2003 administration budget based on these recommendations and make appropriate modifications.
6. SPP should evaluate the cost allocation of SPP expenses to tariff versus membership assessment. SPP may refund to members funds advanced via assessments to support tariff operations. Additional debt may be required.
(These actions should be assigned to the SPTF, senior SPP staff, and the Finance Working Group with a target of developing more specific recommendations and any necessary bylaws modifications by June 1, 2003.)
7. SPP should immediately fill the independent director vacancy on the Board of Directors.
(This action should be assigned to the Nominating Task Force with a target of having a nomination by June 1, 2003.)

Regional Reliability Council Status

Because of the inextricable links between SPP's Criteria and its current functions as a regional security coordinator and tariff administrator, and the additional links necessary with any market facilitation responsibilities, the SPTF recommends that SPP retain its own Regional Reliability Organization status.

(This action can be accomplished by the Board of Directors adopting this strategic plan.)

Recommendation

The SPTF recommends that the SPP Board of Directors adopt the proposed strategic plan included in this report, and authorize the delegation of responsibilities to SPP organizational groups also contained herein under the coordination oversight of the SPTF. The SPTF also recommends that the Board of Directors schedule a meeting for the mid-June timeframe to act on subsequent specific recommendations related to this plan.