

**Southwest Power Pool**  
**CORPORATE GOVERNANCE COMMITTEE MEETING**  
**Kansas City Marriott Country Club Plaza, Kansas City, Missouri**

**July 26, 2011**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

Nick Brown called the meeting to order at 2:00 p.m. Other members in attendance or represented by proxy were: Cindy Holman (OMPA), Rob Janssen (Dogwood), Jim Eckelberger (Director), and Steve Parr (KEPCo). SPP Staff included Stacy Duckett. Others attending were Phyllis Bernard (Director), Steve Gaw (Wind Coalition), Julian Brix (Director), Bary Warren (Empire District), Tom Hestermann (Sunflower), Kip Fox and Richard Ross (AEP), and David Ried (OPPD).

Mr. Brown referred to draft minutes for February 24, 2011 (2/24/11 Minutes – Attachment 1). Steve Parr moved to approve the minutes as presented. Cindy Holman seconded the motion, which passed unanimously.

**Agenda Item 2 – Vacancies/2012 Ballot Status**

Nick Brown noted the status of vacancies and next steps for finalizing the ballot for October (Committee Vacancies – Attachment 2). Stacy Duckett will send out a final notice to the membership to solicit those interested in serving. Ms. Duckett will also work with members in the State/Federal Power Agencies category to fill that seat on the Corporate Governance Committee following Kevin Easley's departure.

**Agenda Item 3 – Standards of Conduct Update**

Stacy Duckett updated the Committee on the previous PJM ISO filing seeking materiality provisions in the Standards of Conduct. FERC issued an order denying the request. No further action is expected on this issue.

**Agenda Item 4 – Withdrawal Obligations for Transmission Costs**

Stacy Duckett updated the Committee on the withdrawal obligations development including feedback on tax/rate/accounting issues (Withdrawal Obligations – Attachment 3). Following considerable discussion, the group provided guidance. A conference will be scheduled in conjunction with the October Markets and Operations Policy Committee meeting and a presentation at the October Board meeting to review the status of withdrawal obligations. It is planned to present a recommendation for approval at the January meetings.

**Agenda Item 5 – Future Meetings**

The Committee will meet on September 1, 2011 with the location to be determined.

**Adjournment**

Nick Brown thanked everyone for participating and adjourned the meeting at 4:00 p.m.

Respectfully submitted,

Stacy Duckett, Secretary



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE MEETING**  
**July 26, 2011**  
**Kansas City Marriott Country Club Plaza, Kansas City, Missouri**

**• A G E N D A •**

3:00 p.m. - 5:00 p.m. CDT

1. Call to Order and Administrative Items..... Nick Brown
2. Vacancies/2012 Ballot Status..... Nick Brown
3. Standards of Conduct Update ..... Stacy Duckett
4. Withdrawal Obligations Review ..... Stacy Duckett
5. Future Meetings..... Nick Brown  
September 1, 2011                      TBD

*Relationship-Based • Member-Driven • Independence Through Diversity*  
*Evolutionary vs. Revolutionary • Reliability & Economics Inseparable*

**Southwest Power Pool  
CORPORATE GOVERNANCE COMMITTEE MEETING  
OMPA Offices, Edmond, OK**

**February 24, 2011**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

Jim Eckelberger serving as Chair for Nick Brown called the meeting to order at 8:05 a.m. Other members in attendance or represented by proxy were: Cindy Holman (OMPA), Rob Janssen (Dogwood), Kevin Easley (GRDA) via phone, and Steve Parr (KEPCo). SPP Staff included Stacy Duckett also serving as proxy for Nick Brown. Others attending were Bary Warren (Empire) and via phone: Doug Collins (OPPD), and Barry Spector (Wright and Talisman).

Mr. Eckelberger referred to draft minutes for December 8, 2010 and January 14, 2011 (12/8/10 and 1/14/11 Minutes – Attachment 1). Steve Parr moved to approve the minutes as presented. Cindy Holman seconded the motion, which passed unanimously.

**Agenda Item 2 – 2011 Nominations**

Mr. Eckelberger noted terms expiring at the end of this year for Directors, Trustees and the Members Committee (2011 Nominations – Attachment 2). Steve Parr moved to approve nominations to new three-year terms for Josh Martin and Larry Altenbaumer for Directors and Gerry Burrows for Trustee. Rob Janssen seconded the motion, which passed unanimously. The group will discuss the Members Committee nominations at the September meeting. Ms. Duckett will provide the usual notice to the Membership of pending openings.

**Agenda Item 3 – Withdrawal Obligations for Transmission Costs**

Stacy Duckett noted the background material and status for this initiative (Withdrawal Obligations - Attachment 3). Barry Spector then discussed changes in each document since the last meeting. These changes reflect feedback from the Committee and the technical conference held for attorneys of the members. Extensive discussion followed. Next steps will include: 1) next iteration of revisions based on the discussion; and 2) staff will develop an issues paper related to distribution of funds collected and schedule a technical conference to discuss.

**Agenda Item 4 – Future Meetings**

The Committee will meet in July in conjunction with the Board of Directors/Members Committee meeting in Kansas City. Bary Warren suggested considering a technical conference for the membership as well.

**Adjournment**

Jim Eckelberger thanked everyone for participating and adjourned the meeting at 10:58 a.m.

Respectfully submitted,

Stacy Duckett, Secretary

## MEMBERSHIP REPRESENTATION ON SPP COMMITTEES

Member Company	MC	CGC	FC	HRC	SPC
AECC			1		1
AEP/PSO/SWEPCO	1		1		
Board of Public Utilities, KC,KS				1	
Calpine	1				
City Utilities of Springfield	1				
Dogwood	1	1			1
Empire				1	1
Golden Spread	1				1
GRDA	1	1			
KCPL	1				
KEPCo	1	1			1
NPPD	1				1
NTEC					
OG&E	1	1			1
OMPA	1	1			
Sunflower	1			1	
Tenaska	1		1	1	
Westar	1		1		
WFEC	1				
Xcel Energy					1



**Southwest Power Pool, Inc.**  
**Corporate Governance Committee Meeting**  
**July 26, 2011**

**Withdrawal Obligations for Transmission Expansion Costs: Update**

**Background**

The Corporate Governance Committee is considering revisions to SPP's governing documents to address the costs allocated through the regional planning process in the event of withdrawal from the organization.

**Analysis**

The Committee has reviewed several iterations of revisions to these documents to address this issue, including at its last meeting. In June, SPP hosted a technical conference for accounting/rate/tax representatives from the members to provide feedback on the proposed approach (a lump sum payment due at the effective date of the withdrawal) in order to determine how SPP will handle these funds upon receipt. In making this determination, SPP wants to consider any impact(s) to the remaining entities associated with the distribution of these funds.

The following summarizes feedback from the accounting/rate/tax discussion:

- The current approach includes credits against exit payments for future service taken. It was noted that since the payment only covers capital costs and service fees also cover operating costs, the Transmission Owner (TO) is not kept whole. If the entity remained a customer, it would pay capital and operating costs in its service fee. As currently structured, the entity would only pay capital costs upon exit.
- There was interest in more structure around the credits, if they are not eliminated. Could they be taken only against the facilities they paid for? Could some minimum, regular purchase be required to ensure the credits are used?
- The issue of grossing up the payment for tax purposes is relevant to the for-profit member companies. The not-for-profit member companies seem neutral on this issue.

AEP provided this additional feedback post-meeting:

- **Remittance of Payment:** The payment from a withdrawing member should be provided to the Transmission Owner (TO) in full and up front rather than being held in an escrow account by SPP. The primary rationale for this is that as Transmission Owners, we want this funding rather than have it held by SPP. The payment may result in either a reduction of the TOs plant in service balance (CIAC) or a deferral, or a combination of both. In the event the final rule results in the TO needing to record a regulatory asset or regulatory liability, SPP needs to determine how these will be treated in the TOs formula rate computation. SPP needs to provide the TO with detail of the base plan projects used to calculate the payment so TO accountants may understand how the payment relates to assets in service, under construction and those which have been approved for construction but which it has not yet began
- **Tax Treatment:** Any payment should be grossed up for taxes as it will be a taxable event for the TO, and at the full rate, not a discounted rate. Since the remaining utilities would have an equivalent tax burden, this would hold members harmless from the actions of a departing member. If part of the payment is designated as a prepayment for services, it will likely be taxable in the year received. It is important that all the TOs be on the same page and be consistent with tax and accounting treatment of the payment. SPP will need to provide members some direction on the treatment of any payments based on the agreed settlement.



- **Credits:** SPP needs to specify in a set of rules for departing members a defined timeline for the provision of discounted service. Anything that a departing member may pay should have a life expectancy and not be a lifetime credit. A reasonable timeframe would be from 5-7 years of credits before those credits expire. Transmission service credits would be difficult to maintain the accounting on, and this represents an undue burden on members as well as SPP staff. If SPP provides for a credit for future service, this credit should be explicitly stated for each point to point transaction on the TOs monthly bill.

Additional revisions have been made to the documents based upon feedback from these meetings. Following is a section-by-section summary of the latest revisions:

### **BYLAWS**

- Section 6.4: Changed the reference to “controls objectives” [NOTE: not related to withdrawal obligation]
- Section 6.5: Changed the reference to “controls objectives” [NOTE: not related to withdrawal obligation]
- Section 8.4: Deleted language that was added in the first sentence because it is redundant of language added at the end of the paragraph; also revised last sentence to refer to correct NERC terminology
- Section 8.7.1: Added “mortgages” to the list of SPP’s financial obligations

### **MEMBERSHIP AGREEMENT**

- Section 4.2.1(b): Revised to indicate that the withdrawing member provides a **cash** deposit and revised to indicate that the deposit is a pre-payment of **a portion of** SPP’s costs to process the Member’s withdrawal; also changed the table to provide for separate deposits for Load Serving Entities and non-Load Serving Entities
- Section 4.3.2(b)(iii)(a): Added “mortgages” to the list of SPP’s financial obligations
- Section 4.3.2(b)(v): Added words that are inadvertently omitted from the current version on file
- Section 4.3.2(d): Added language to provide an illustrative list of the types of costs included in the costs SPP bills to a member to process its withdrawal
- Section 4.3.2(f): Deleted reference to a Member re-joining **as a Transmission Owner**

### **TARIFF**

- Schedule 11, Section II.B: Changed the placeholder language
- Attachment H, Section I.2: Changed the placeholder language
- Attachment H, Section I.7: Revised language to clarify inclusion of projects resulting from **applicable** seams agreements in the calculation of the ATRR

### **Action Requested**

Discussion of the feedback and this iteration of the documents.

- Current version/revisions
- Is it a requirement that TOs are “made whole/held harmless”?
  - Must the credits keep the TO whole?
  - Must there be a gross up for taxes?
- How significant of a factor is the tax issue/grossing up?
  - A way to resolve this is to instead pay the revenue requirement
    - contrary to the desire to have a definitive end to the relationship
    - contrary to the ability to determine an amount owed at any given time
    - but, method previously approved by FERC

#### 6.4 Oversight Committee

The Oversight Committee (OC) shall be comprised of three members from the Board of Directors.

The Board of Directors shall appoint the representatives of the OC. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

The OC shall meet as needed, provided that a quorum, as defined in these Bylaws, is present. The OC shall report to the Board of Directors following each OC meeting with respect to its activities and with such recommendations, as the OC deems necessary.

The responsibilities of the Oversight Committee shall include:

- (a) Oversee the process of monitoring compliance to SPP and NERC policies other than that assigned to the Regional Entity Trustees under these Bylaws;
- (b) Independently review activities of the Staff;
- (c) Hear and rule on appeals from Members regarding penalty assessment or fine distribution prior to dispute resolution proceedings;
- (d) Recommend Regional Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Regional Criteria;
- (e) Grant specific additional authority to the Staff responsible for the oversight monitoring function when needed to perform challenging investigations;
- (f) Oversee the Internal Audit function and receive regular reports, except for that work associated with service organization controls SAS70 ~~Audit~~ audit requirements ~~related to controls objectives~~ and other financial matters;
- (g) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

## 6.5 Finance Committee

The Finance Committee (FC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the FC. Each representative of the FC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The FC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The FC shall report to the Board of Directors following each FC meeting with respect to its activities and with such recommendations, as the FC deems necessary.

The responsibilities of the Finance Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to its oversight of:

- (a) The quality and integrity of SPP's financial statements;
- (b) SPP's compliance with financially-based legal and regulatory requirements;
- (c) The independent auditor's qualifications, selection, and independence;
- (d) The performance of SPP's internal audit function and independent auditors as relates to service organization controls ~~SAS70 Audit~~ audit requirements pertaining to controls objectives;
- (e) The development and implementation of annual and long-term operating and capital budgets;
- (f) The management of risk;
- (g) Develop policies for management of debt financing and for long-term contracting;
- (h) Monitoring methodology for cost recovery to ensure continuing equity for Members;



- (i) Other duties and responsibilities detailed in the Finance Committee charter; and
- (j) Perform such other functions as the Board of Directors may delegate or direct.

#### 8.4 Monthly Assessments

SPP will assess certain Members (and, as described below, former Members) described herein on a monthly basis all costs not otherwise collected. Costs recovered under the assessment will include but are not limited to all operating costs, financing costs, debt repayment, and capital expenditures associated with the performance of SPP's functions as assigned by the Board of Directors. Significant among these are costs associated with regional reliability coordination and the provision of transmission service. SPP shall determine the assessment rate based on its annual budgeted net expenditures divided by estimated annual Schedule 1 billing units for service sold under SPP's OATT and Member load eligible to take, but not taking, Network Integration Transmission Service under SPP's OATT. The Board of Directors may review the assumptions used in determining the assessment rate at any time and may adjust the assessment rate appropriately should conditions warrant. Each load-serving Member shall then be assessed the monthly assessment rate applied to its load eligible to take Network Integration Transmission Service under the SPP OATT. Further, each load-serving Member shall receive a credit against the monthly assessment for that month's Schedule 1 fees paid for Network Integration Transmission Service and for Point-to-Point Transmission Service that had a delivery point within the SPP region, under the SPP OATT. To the extent that the assessment includes costs associated with penalties assessed against SPP for a violation of a reliability standard approved by FERC, the ERO, or an ERO-approved Regional Entity that SPP does not otherwise recover pursuant to Attachment AP of the SPP OATT, SPP shall recover such penalties under this Section 8.4 from both current Members and former Members that have withdrawn from membership but were Members when the events giving rise to the penalty occurred.

## 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 of the Membership Agreement, section 8.4 of the Bylaws, 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 mortgages, 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;
  - 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.

#### **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 that terminates an existing Network Integration Transmission Service Agreement or withdraws all or part of its load from service under the SPP OATT shall be financially responsible to pay SPP for all applicable Network Service Termination Charges calculated pursuant to the OATT. If, after Termination or withdrawal of all or part of the Member's load, Member subsequently purchases Transmission Service under a new Point-To-Point Transmission Service Agreement to serve the same withdrawn load or to deliver into the SPP region the output from a generator that has been removed from the SPP system due to the Member's Termination or withdrawal, Member shall be entitled to a credit, up to the amount of the Network Service Termination Charges paid by the Member, against the Transmission Service charges arising under Schedule 11 of the SPP OATT for the service under the new Service Agreement.

#### **8.7.4 Reliability Penalty Costs**

A withdrawing or terminated Member shall remain liable for its share of costs associated with penalties assessed against SPP by FERC, the FERC-approved Electric Reliability Organization, or any Electric Reliability Organization-approved Regional Entity that SPP incurs as a result of events that occurred prior to Member's Termination Date but that SPP is unable to recover under Attachment AP of the SPP OATT.

### 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 ~~provider~~ Transmission Owner for a project can elect to arrange for ~~a new~~ 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 ~~provider(s)~~ Transmission Owner(s) does not or cannot agree to implement the project in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement.

## 4.2 Termination Procedures and Effective Dates

### 4.2.1 Notice of Voluntary Withdrawal

**(a) Notice.** 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. 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 ~~rescind~~ 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 other Members' ability to plan future operations. Voluntary withdrawal is a Termination and creates the same obligations as a Termination for any other reason.

**(b) Withdrawal Deposit.** A Member submitting a written notice of its intent to withdraw from this Agreement must simultaneously submit a cash withdrawal deposit to SPP, as set forth in the table below. SPP will not accept a notice of intent to withdraw without a withdrawal deposit. SPP will treat the withdrawal deposit as a pre-payment of a portion of the costs SPP incurs to process Member's withdrawal from SPP, as set forth in Section 4.3.2(d) of this Agreement; provided that, if Member rescinds its notice of intent to withdraw and remains a Member, Member shall forfeit its withdrawal deposit. Withdrawal deposits are based on the Member's membership category, as follows:

<u>Member Category</u>	<u>Withdrawal Deposit</u>
<u>Load Serving Entity</u>	<u>\$</u>
<u>Non-Load Serving Entity</u>	<u>\$</u>

If the cost of processing Member's withdrawal as calculated by SPP pursuant to Section 4.3.2(d) of this Agreement exceeds the withdrawal deposit, the additional amount shall be included in the



invoice SPP provides to Member under 4.3.2(e) of this Agreement. If the withdrawal deposit exceeds the costs of processing Member's withdrawal, SPP shall refund the difference to Member.

#### **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 Termination Date shall be the date the order is no longer subject to review by a court of competent jurisdiction.
  - (ii) If the Member is a Transmission Owner requiring regulatory agency approval prior to effectively withdrawing from SPP, then the Termination Date shall be the later of (i) the effective date, if any, set by the regulatory agency order approving the Termination;

or (ii) the date that such regulatory order is no longer subject to review by a court of competent jurisdiction.

- (iii) In conjunction with the requirements and limitations imposed in Section 4.2.2(b)(ii) above; Transmission Owning Members of SPP wishing to withdraw from SPP and requiring regulatory agency approval prior to such withdrawal being effective are required to initiate the required regulatory filings seeking approval to withdraw prior to the end of the 12 month notice period. Additionally, these members must provide SPP copies of the regulatory filings in a timely manner after filing with the appropriate regulatory agency. Failure to comply with the terms of this paragraph will effectively rescind the notice of the withdrawing member.
- (iv) Member may terminate this Agreement with less than the required twelve (12) months notice, in the event that the state law governing Member changes, or any provisions of this Agreement or the provisions of SPP's OATT are changed or modified in a manner that causes a conflict with the Member's state law, regulations, or rate schedules, and the internal dispute resolution process described in Section 12 of the OATT is unable to resolve such conflict. In such event, Member and SPP shall meet and confer to facilitate the withdrawal as soon as practicable as necessary to ensure compliance with state law.

### **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 than 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,
  - ii. Member's unpaid dues, assessments, and other amounts charged under Section 3.8 of this Agreement, Section 8.4 of the Bylaws, 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 mortgages, 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 Oblations 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.

- (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 Termination or Partial Termination by Member, Member shall pay to SPP all costs SPP incurs to remove Member's transmission facilities and/or customers from SPP markets and operations. Such costs will be determined by SPP and shall include but not be limited to costs associated with modifying systems and databases, staff time, legal costs, and all costs of completing other tasks necessary to process the Member's Termination. SPP will apply Member's withdrawal deposit, as specified in Section 4.2.1(a), to such costs, and any costs exceeding the withdrawal deposit shall be included in the invoice to Member as discussed in Section 4.3.2(e) of this Agreement.
- ~~(de)~~ 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.
- ~~(ef)~~ 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 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.

#### **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~~or promptly thereafter~~. If such obligations cannot be resolved through negotiations, they shall be resolved in accordance with the dispute resolution procedures in the Bylaws.

#### **4.3.3A Continuing Payment for Base Plan Upgrades**

Upon withdrawal of a Transmission Owner's Base Plan Upgrades, customers allocated construction costs associated with such Base Plan Upgrades under Attachment J of the OATT shall continue to be permitted to use such Base Plan Upgrades and SPP shall be permitted to continue to provide service using such Base Plan Upgrades to such customers. Such customers shall continue to pay costs associated with construction of such withdrawn Base Plan Upgrades, which shall be collected by SPP and remitted to the withdrawing Transmission Owner. Charges associated with withdrawn Base Plan Upgrades shall be calculated using the methodology for calculating Base Plan Zonal charges and Base Plan Region-wide charges applicable to the customer's service as specified in Schedule 11 of the OATT. Continuing service on such Base Plan Upgrades

and continuing payments to a withdrawing Transmission Owner shall be governed by a seams agreement to be negotiated by SPP and the withdrawing Transmission Owner.

#### **4.3.3B Transmission Plan Obligations**

A withdrawing or terminated Member that terminates an existing Network Integration Transmission Service Agreement or withdraws all or part of its load from service under the SPP OATT shall be financially responsible to pay SPP for all applicable Network Service Termination Charges calculated pursuant to the OATT. If, after Termination or withdrawal of all or part of the Member's load, Member subsequently purchases Transmission Service under a new Point-To-Point Transmission Service Agreement to serve the same withdrawn load or to deliver into the SPP Region the output from a generator that has been removed from the SPP system due to the Member's Termination or withdrawal, Member shall be entitled to a credit, up to the amount of the Network Service Termination Charges paid by the Member, against the Transmission Service charges arising under Schedule 11 of the SPP OATT for the service under the new Service Agreement.

#### **4.3.4 Regulatory and Other Approvals or Procedures**

Any Termination with respect to a Transmission Owner shall be subject to applicable federal and state law and regulatory approvals or procedures.

Southwest Power Pool, Inc.  
Open Access Transmission Tariff  
Sixth Revised Volume No. 1  
Superseding  
Fifth Revised Volume No. 1



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**34A Network Service Termination Charges**

Upon the Network Customer's termination of service or withdrawal of any portion of its load from service under the Tariff, where the network load is not thereafter served by another Network Integration Transmission Service Agreement under the Tariff, the Network Customer shall pay to SPP the Network Customer's share of the costs of constructing any transmission facilities that were approved for inclusion in an SPP transmission plan prior to the date that the Network Customer's service is terminated. The Network Customer's share of such costs shall be calculated as the sum of: (1) for each Zone in which the Network Customer has Network Load, the Network Customer's Base Plan Zonal Load Ratio Share (as calculated pursuant to Schedule 11 of this Tariff) for the Network Customer's withdrawn Network Load in such Zone, multiplied by the cost associated with the construction of Base Plan Upgrades allocated to the Base Plan Zonal Annual Transmission Revenue Requirement for such Zone pursuant to Attachment J of the Tariff that has not been recovered from customers as of the termination of the Network Customer's Service Agreement or withdrawal of a portion of the Network Customer's load; (2) the Network Customer's Region-wide Load Ratio Share (as calculated pursuant to Schedule 11 of this Tariff) for the Network Customer's withdrawn Network Load, multiplied by the cost associated with construction of Base Plan Upgrades allocated on a Region-wide basis pursuant to Attachment J of the Tariff that has not been recovered from customers as of the termination of the Network Customer's Service Agreement or withdrawal of a portion of the Network Customer's load; and (3) for Network Customers that terminate service to their entire load under the Tariff, any other costs of transmission facilities that were directly allocated to the Network Customer under the Tariff and that have not yet been recovered.

For the purposes of this section, costs associated with construction of Base Plan Upgrades shall include (a) all capital expenditures currently included in revenue requirements and (b) estimated capital expenditures not yet included in revenue requirements for Base Plan Upgrades for which the Transmission Provider has authorized construction pursuant to Attachment O of the Tariff (notification to construct) as of the termination of the Network Customer's Service Agreement or withdrawal of a portion of the Network Customer's Load.

All Network Service Termination Charges shall be due and payable within 30 days following the termination of the Network Customer's Service Agreement or withdrawal of a

portion of the Network Customer's load. Upon the Network Customer's request, the Transmission Provider, in its sole discretion, may allow the Network Customer to pay Network Service Termination Charges in equal payments spread out over a five-year period with interest calculated at the applicable interest rate specified by FERC at 18 C.F.R. § 35.19a.

A Network Customer that has paid Network Service Termination Charges under this Section 34A will be entitled to a credit, up to the amount of the Network Service Termination Charges paid by the customer, against future Transmission Service charges arising under Schedule 11 of the Tariff for future Point-To-Point Transmission Service purchased by the customer to either: (1) serve load it has withdrawn from the SPP Region; or (2) deliver into the SPP Region the output from a generation resource that has been removed from the SPP Transmission System due to the customer's termination of service or withdrawal from SPP.

**SCHEDULE 11**  
**Base Plan Zonal Charge and Region-wide Charge**

**I. Introduction**

Pursuant to Part V of this Tariff, Base Plan Zonal Charges and Region-wide Charges shall be assessed to Network Customers and, where applicable, Transmission Owners based on Resident Load. Likewise, Base Plan Zonal Charges and the Region-wide Charge shall be assessed to each Transmission Customer taking Point-To-Point Transmission Service under the Tariff based on Reserved Capacity. The charges stated in Schedule 11 shall not be changed absent a filing with the Commission.

**II. Base Plan Zonal Charges and Region-wide Charge to Resident Load**

**A. Base Plan Zonal Charge to Resident Load**

The Network Customer and the Transmission Owner shall pay a monthly Base Plan Zonal Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share times one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for each Zone in which the Network Customer's or Transmission Owner's Resident Load is physically located. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, Network Customer shall pay a monthly Zonal Base Plan Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share times one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for the Zone that is the basis for charges under Schedule 11.

**1. Determination of Network Customer's and Transmission Owner's Monthly Zonal Resident Load**

The Network Customer's or Transmission Owner's monthly zonal Resident Load is its integrated hourly load coincident with the monthly peak of the Zone where the Resident Load is physically located. Where a Network Customer or

Transmission Owner has Resident Load in more than one Zone, the monthly Resident 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 Resident Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 11.

**2. Determination of Transmission Provider's Monthly Zone Transmission Load**

The Transmission Provider's monthly Transmission System load shall be determined in accordance with Section 34.5 of this Tariff.

**B. Region-wide Charge to Resident Load**

Network Customers and Transmission Owners shall pay a monthly Region-wide Charge, which shall be determined by multiplying its Region-wide Load Ratio Share times one twelfth (1/12) of the Region-wide Annual Transmission Revenue Requirement specified in Attachment H. **[Placeholder for treatment of new Transmission Zone arising from new Transmission Owner joining SPP.]**

**1. Determination of Network Customer's and Transmission Owner's Monthly Regional Resident Load**

The Network Customer's or Transmission Owner's monthly regional Resident Load is the sum of its monthly zonal Resident Load for each Zone, where the monthly zonal Resident Load is determined separately for each Zone coincident with the monthly peak of the Zone in accordance with Section II.A.1.

**2. Determination of Transmission Provider's Monthly Regional Transmission Load**

The Transmission Provider's monthly regional Transmission System load is the sum of the monthly Zone transmission load for each Zone, where the

**ATTACHMENT F**  
**Service Agreement For Network Integration Transmission Service**

This Network Integration Transmission Service Agreement ("Service Agreement") is entered into this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_, by and between \_\_\_\_\_ ("Network Customer"), and Southwest Power Pool, Inc. ("Transmission Provider"). The Network Customer and Transmission Provider shall be referred to individually as "Party" and collectively as "Parties."

WHEREAS, the Transmission Provider has determined that the Network Customer has made a valid request for Network Integration Transmission Service in accordance with the Transmission Provider's Open Access Transmission Tariff ("Tariff") filed with the Federal Energy Regulatory Commission ("Commission") as it may from time to time be amended;

WHEREAS, the Transmission Provider administers Network Integration Transmission Service for Transmission Owners within the SPP Region and acts as agent for the Transmission Owners in providing service under the Tariff;

WHEREAS, the Network Customer has represented that it is an Eligible Customer under the Tariff; and

WHEREAS, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

- 1.0 The Transmission Provider agrees during the term of this Service Agreement, as it may be amended from time to time, to provide Network Integration Transmission Service in accordance with the Tariff to enable delivery of power and energy from the Network Customer's Network Resources that the Network Customer has committed to meet its load.
- 2.0 The Network Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of Parts I, III and V of the Tariff and this Service Agreement with attached specifications.
- 3.0 The terms and conditions of such Network Integration Transmission Service shall be governed by the Tariff, as in effect at the time this Service Agreement is executed by the Network Customer, or as the Tariff is thereafter amended or by its successor tariff, if any. The Tariff, as it currently exists, or as it is hereafter amended, is incorporated in this Service Agreement by reference. In the case of any conflict between this Service Agreement and the Tariff, the Tariff shall control. The Network Customer has been determined by the Transmission Provider to have a Completed Application for Network Integration Transmission Service under the Tariff. The completed specifications are based on the information provided in the Completed Application and are incorporated herein and made a part hereof as Attachment 1.
- 4.0 Service under this Service Agreement shall commence on such date as it is permitted to become effective by the Commission. This Service Agreement shall be effective through \_\_\_\_\_. Thereafter, it will continue from year to year unless terminated by the Network Customer or the Transmission Provider by giving the other one-year advance written notice or by the mutual written consent of the Transmission Provider and Network Customer. Upon termination, the Network Customer remains responsible for any outstanding charges including all costs incurred and apportioned or assigned to the Network Customer under this Service Agreement. Upon termination, the Network Customer also shall pay Network Service Termination Charges calculated pursuant to Section 34A of the Tariff.
- 5.0 The Transmission Provider and Network Customer have executed a Network Operating Agreement as required by the Tariff.

6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below. Such representative and address for notices or requests may be changed from time to time by notice by one Party or the other.

Southwest Power Pool, Inc. (Transmission Provider):

\_\_\_\_\_  
415 N. McKinley, 140 Plaza West  
\_\_\_\_\_  
Little Rock, AR 72205  
\_\_\_\_\_  
Email Address: \_\_\_\_\_  
\_\_\_\_\_  
Phone Number: \_\_\_\_\_

Network Customer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Email Address: \_\_\_\_\_  
\_\_\_\_\_  
Phone Number: \_\_\_\_\_

7.0 This Service Agreement shall not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. However, either Party may, without the need for consent from the other, transfer or assign this Service Agreement to any person succeeding to all or substantially all of the assets of such Party. However, the assignee shall be bound by the terms and conditions of this Service Agreement.

8.0 Nothing contained herein shall be construed as affecting in any way the Transmission Provider's or a Transmission Owner's right to unilaterally make application to the Federal Energy Regulatory Commission, or other regulatory agency having jurisdiction, for any change in the Tariff or this Service Agreement under Section 205 of the Federal Power Act, or other applicable statute, and any rules and regulations promulgated

thereunder; or the Network Customer's rights under the Federal Power Act and rules and regulations promulgated thereunder.

9.0 By signing below, the Network Customer verifies that all information submitted to the Transmission Provider to provide service under the Tariff is complete, valid and accurate, and the Transmission Provider may rely upon such information to fulfill its responsibilities under the Tariff.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

TRANSMISSION PROVIDER

NETWORK CUSTOMER

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

Printed Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_



**ATTACHMENT H**  
**Annual Transmission Revenue Requirement For Network Integration Transmission Service**

**SECTION I: General Requirements**

1. The Zonal Annual Transmission Revenue Requirement within each Zone for purposes of determining the charges under Schedule 9, Network Integration Transmission Service, is specified in Column (3) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued a Notification to Construct (NTC) prior to June 19, 2010 is specified in Column (4) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued an NTC on or after June 19, 2010 is specified in Column (5) of Table 1. The amount of Zonal Annual Transmission Revenue Requirement and Base Plan Zonal Annual Transmission Revenue Requirement that is included in Columns (3), (4), and (5) and reallocated to the Region-wide Annual Transmission Revenue Requirement, in accordance with Attachment J, is specified in Column (6) of Table 1.

Table 1

(1) Zone	(2)	(3) Zonal ATRR	(4) Base Plan Zonal ATRR	(5) Base Plan Zonal ATRR after June 19, 2010	(6) ATRR Reallocated to Balanced Portfolio Region-wide ATRR
1	American Electric Power -West (Total)	\$133,978,649	\$18,160,780		\$0
	American Electric Power (Public Service Company of Oklahoma and Southwestern Electric Power Company) See Section II.3	\$129,472,718	\$17,939,610		
	East Texas Electric Cooperative, Inc.	\$2,733,879			
	Tex-La Electric Cooperative of Texas, Inc.	\$588,874			
	Deep East Texas Electric Cooperative, Inc.	\$428,131			
	Oklahoma Municipal Power Authority	\$748,647			

	AEP West Transmission Companies (AEP Oklahoma Transmission Company, Inc and AEP Southwestern Transmission Company, Inc)	\$6,400	\$221,170		
2	Reserved for Future Use				
3	City Utilities of Springfield, Missouri	\$8,651,509	\$17,236		\$0
4	Empire District Electric Company	\$14,075,000	\$33,509		\$0
5	Grand River Dam Authority (Est.)	\$35,949,660	\$161,392		\$0
6	Kansas City Power & Light Company	\$32,883,232	\$2,606,975		\$0
7	Oklahoma Gas & Electric (Total)	\$81,413,722	\$2,224,511		\$0
	Oklahoma Gas & Electric	\$81,045,221			
	Oklahoma Municipal Power Authority	\$368,501			
8	Midwest Energy, Inc.	\$7,830,571	\$131,517		\$0
9	KCP&L Greater Missouri Operations Company	\$30,055,990	\$433,047		\$0
10	Southwestern Power Administration	\$13,107,700	\$0		\$0
11	Southwestern Public Service	\$96,557,592	\$1,281,750		\$0
12	Sunflower Electric Corporation	\$14,484,045	\$320,628		\$0
13	Western Farmers Electric Cooperative	\$20,719,639	\$2,329,177		\$0
14	Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy)	\$115,503,530	\$11,440,974		\$0
15	Mid-Kansas Electric Cooperative (Total)	\$16,212,145	\$310,722		\$0
15a	Mid-Kansas Electric Cooperative	\$15,142,441			
15b	ITC Great Plains	\$1,069,704			
16	Lincoln Electric System	\$18,666,891	\$101,419		\$0
17	Nebraska Public Power District	\$46,111,083	\$13,314,707		\$0
18	Omaha Public Power District	\$40,663,008	\$2,085,200		\$0
19	Total				\$0

2. For the purposes of determining the Region-wide Charges under Schedule 11, the Region-wide Annual Transmission Revenue Requirement, as shown in Line 5 of Table 2, shall be the sum of (i) the Base Plan Region-wide Annual Transmission Revenue Requirement, and (ii) the total Balanced Portfolio Region-wide Annual Transmission

Revenue Requirements. [Placeholder for treatment of new Transmission Zone arising from new Transmission Owner joining SPP.][NOTE: When a new TO joins, a new row will need to be added to Table 2 below. May also require changes to Schedule 11.]

Table 2

1	Base Plan Region-wide ATRR (NTC prior to June 19, 2010)	\$26,948,661
2	Base Plan Region-wide ATRR (NTC on or after June 19, 2010)	
3	Total Balanced Portfolio Region-wide ATRR Total, Column (6), Table 1	\$0
4	Balanced Portfolio Region Wide ATRR	\$1,175,607
5	Region-wide ATRR (Line 1 + Line 2 + Line 3 + Line 4)	\$28,124,268

3. The revenue requirements stated in this Attachment H shall not be changed absent a filing with the Commission, accompanied by all necessary cost support.
4. New or amended revenue requirements in this Attachment H shall not be filed with the Commission by the Transmission Provider unless such revenue requirements have been provided by or for a Transmission Owner. Such revenue requirements shall have been accepted or approved by the applicable regulatory or governing authority except in the event of a simultaneous filing with the Commission by the Transmission Owner and Transmission Provider.
5. If a Transmission Owner has a Commission approved formula rate, the successful completion of its approved annual formula rate update procedures shall constitute regulatory acceptance sufficient to authorize the Transmission Provider to file with the Commission to update that Transmission Owner's revenue requirements. The Transmission Provider shall follow any special procedures related to updating a Transmission Owner's revenue requirements as outlined in Section II of this Attachment.
6. The Transmission Provider shall allocate the accepted or approved revenue requirement associated with a Base Plan Upgrade, in accordance with Attachment J to this Tariff, to the Base Plan Region-wide Annual Transmission Revenue Requirement in Table 2 above and to the appropriate Base Plan Zonal Annual Transmission Revenue Requirements in Column (4) or (5) as appropriate of Table 1 above.

7. The Base Plan Region-wide ATRR shall also include applicable upgrade costs arising from SPP seams agreements. Such costs shall be set forth in a separate row in Table 2 above.

**ATTACHMENT L**  
**Treatment of Revenues**

[NEW SECTION]

**VII. Payments Arising Under Seams Agreements**

To the extent SPP has executed any seams agreements to address continuing Transmission Service over the transmission facilities of a former Transmission Owner that has terminated its Membership in SPP, such former Transmission Owner shall be entitled to distribution of revenues to the extent specified in its seams agreement.

**ATTACHMENT O****VI. 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 VI. Each Transmission Owner and every other entity designated to construct a project by the Transmission Provider pursuant to this Section VI 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.
- 4) After a new transmission project is (i) approved 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. At the discretion of the SPP Board of Directors, the Transmission Provider may direct the appropriate Transmission Owner(s) to

begin implementation of other such approved or required transmission projects for which financial commitment is not required prior to approval of the next SPP Transmission Expansion Plan. The direction from the Transmission Provider 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; ~~and~~ (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 (~~“Notification to Construct”~~). 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 VI.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 VI.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 interconnection agreement shall be constructed pursuant to Section VI.4 of this Attachment O.
- 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.

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. 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, 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 VI.6 shall relieve a Transmission Owner of its obligation to construct an upgrade as specified in Section VI.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.

**ATTACHMENT AP****Allocation of Costs Associated with Reliability Penalty Assessments**

Under the NERC Functional Model and NERC Rules of Procedure, the Transmission Provider may be assessed penalties for confirmed violations of the NERC Reliability Standards. The purpose of this Attachment is to provide notice to all Market Participants ~~and~~ Members, and Withdrawn Members (as defined in this Attachment AP) that they may potentially be responsible for penalty costs assessed against the Transmission Provider for confirmed violations of any NERC Reliability Standard. Market Participants ~~and~~ Members, and Withdrawn Members may be either directly assigned such penalty costs, if it is determined that they are responsible for or have directly contributed to the confirmed violations at issue, or may be assigned a portion of the costs, if the Transmission Provider is assessed a monetary penalty either due to its own confirmed violation or its status, as a Registered Entity under the NERC Functional Model and NERC Rules of Procedure.

This Attachment also provides for the recovery of costs associated with penalties assessed against the Transmission Provider for confirmed violations of NERC Reliability Standards resulting from a confirmed violation of NERC Reliability Standards by a Market Participant(s), Member(s), Withdrawn Member(s), the Transmission Provider, or another entity for whom Transmission Provider is assessed a penalty due to its status as a Registered Entity under the NERC Functional Model and NERC Rules of Procedure. Under this Attachment, the Transmission Provider may seek recovery of the costs associated with any monetary penalty by filing under section 205 of the Federal Power Act for direct recovery of penalty costs from one or more Market Participants ~~or~~ Members, or Withdrawn Members and/or for an allocation of penalty costs among all Market Participants ~~and~~ Members, and Withdrawn Members. Additionally, this Attachment provides for the participation of Market Participants, Members, and Withdrawn Members in the penalty assessment process with the Transmission Provider if the Market Participant, Member, or Withdrawn Member is alleged to have been directly involved in the event causing the potential penalty.

## 1. Definitions

All defined terms in this Attachment shall have the meaning given to them in the Tariff unless otherwise stated below.

**Compliance Monitoring and Enforcement Program** - The program used by NERC and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States. This is accomplished through compliance monitoring and audits, as well as the conduct of investigations and the assessment of monetary and non-monetary penalties for violations.

**Electric Reliability Organization or ERO** - An organization certified by the Commission to develop and enforce mandatory reliability standards and assess penalties against users, owners and operators of the bulk power system that violate such standards.

**North American Electric Reliability Corporation (“NERC”)** - The organization designated as ERO by the Commission on July 20, 2006.

**NERC Compliance Registry** - The registry maintained by NERC that records which Registered Entity is responsible for performing the set of functions required to ensure compliance with each NERC Reliability Standard.

**NERC Functional Model** - The Model defining the set of functions that must be performed to ensure the reliability of the electric bulk power system. The NERC Reliability Standards establish the requirements of the responsible entities that perform the functions defined in the Functional Model.

**NERC Reliability Standards** - Standards developed by NERC and approved by the Commission to ensure reliability of the bulk power system, violation of which may result in the imposition of mitigation programs or monetary penalties.

**NERC Rules of Procedure** - The rules and procedures developed by NERC and approved by the Commission. These rules include the process by which a responsible entity, who is to perform a set of functions to ensure the reliability of the electric bulk power system, must register as a Registered Entity.

**Registered Entity** - The entity registered under the NERC Functional Model and NERC Rules of Procedures for the purpose of compliance with NERC Reliability Standards and responsible for carrying out the tasks within a NERC function without regard to whether a task(s) is performed by another entity pursuant to the terms of its governing documents.

**Regional Entity (RE)**- NERC has designated the Transmission Provider as “Regional Entity” in the SPP region and has delegated ERO functions to Transmission Provider in the region.

**Withdrawn Member** – An entity that was a Member of SPP at the time that the conduct giving rise to a reliability penalty occurred, but that has since terminated its SPP Membership.

## **2. Direct Assignment of Costs Where Violation Can Be Directly Assigned**

The purpose of this section of this Attachment is to provide notice to all Market Participants ~~and~~ Members, and Withdrawn Members that they may potentially be responsible for reliability penalty costs assessed in the event that the Market Participant's, ~~or~~ Member's, or Withdrawn Member's conduct or omission contributed to the violation(s) for which a monetary penalty was assessed to the Transmission Provider. This section provides for notification for the potential direct assignment of costs related to reliability violations that may be assessed to the Transmission Provider. The Transmission Provider shall notify, in writing, any potentially affected Member(s) ~~or~~ Market Participant(s), or Withdrawn Members of an alleged violation as soon as possible after notifications by the RE or NERC of the commencement of procedures under the Compliance Monitoring and Enforcement Program. In addition, the Transmission Provider will invite the affected Member(s) ~~or~~ Market Participant(s), or Withdrawn Member(s)

to fully participate in all discussions and/or proceedings under the Compliance Monitoring and Enforcement Program.

If there is i) an assessment of a monetary penalty against the Transmission Provider as the Registered Entity for a confirmed violation of a NERC Reliability Standard(s) and ii) as a result of proceedings under the Compliance Monitoring and Enforcement Program, it is determined that one or more Market Participants, Members, Withdrawn Members, or Registered Entities are deemed to have directly contributed to or found to have been a “root cause(s)” of such confirmed violation(s), such Market Participant(s) ~~or~~ Member(s), or Withdrawn Member(s) may be assessed a portion of or all of the monetary penalty; provided that all of the following conditions have been satisfied:

(1) During the course of an investigation by NERC, the RE or the Commission regarding the possibility of a Transmission Provider alleged violation of a NERC Reliability Standard, if the Transmission Provider believes that a Market Participant(s) ~~or~~ Member(s), or Withdrawn Member(s) may have contributed to the violation under investigation, the Transmission Provider will provide a) reasonable prior written notice to the Market Participant(s) ~~or~~ Member(s), or Withdrawn Member(s) that the Transmission Provider believes may have contributed to the violation and that it intends to seek to hold the Market Participant(s) ~~or~~ Member(s), or Withdrawn Member(s) responsible for a portion of or all of the monetary penalties that result; and b) the Market Participant(s) ~~or~~ Member(s), or Withdrawn Member(s) is provided the opportunity to fully participate in all discussions and/or proceedings under the Compliance Monitoring and Enforcement Program.

(2) In addition to the Transmission Provider providing sufficient notice to a Market Participant(s) ~~or~~ Member(s), or Withdrawn Member(s) under Section 2(1) of this Attachment, it will also provide notice to NERC, the RE and the Commission of its allegations that the Market Participant(s) ~~or~~ Member(s), or Withdrawn Member(s) may have contributed to the alleged violation and that the Transmission Provider intends to

hold the Market Participant(s) ~~or~~, Member(s), or Withdrawn Member(s) responsible for a portion of or all of the monetary penalties that result from the investigation which determines to what extent the Market Participant(s) ~~or~~, Member(s), or Withdrawn Member(s) contributed to or was a “root cause(s)” of the confirmed violation; (3) If, as a result of proceedings under the Compliance Monitoring and Enforcement Program, it is determined that the Market Participant(s) ~~or~~, Member(s), or Withdrawn Member(s) cited by the Transmission Provider contributed to or was a “root cause(s)” of the alleged violation, the Transmission Provider will seek to hold the Market Participant(s) ~~or~~, Member(s), or Withdrawn Member(s) responsible for a portion of or all of the monetary penalty assessed as a result of the confirmed violation by making a filing with the Commission under section 205 of the Federal Power Act to assign a portion of or all of the costs of the monetary penalty directly to the Market Participant(s) ~~or~~, Member(s), or Withdrawn Member(s);

(4) If the Commission accepts the filing, the Market Participant(s) ~~or~~, Member(s), or Withdrawn Member(s) shall be responsible for its portion of the monetary penalty as determined by the Commission’s order on the section 205 filing.

### 3. Spreading of Costs Where Violation Cannot Be Directly Assigned

The purpose of this section of this Attachment is to provide notice to all Market Participants, ~~and~~ Members, and Withdrawn Members that they may potentially be responsible for reliability penalty costs assessed to the Transmission Provider that cannot be directly assigned under Section 2 of this Attachment. This section provides for a spreading of a portion of or all of such reliability penalty costs among all Market Participants ~~and~~, Members, and Withdrawn Members where the Transmission Provider itself is responsible for a confirmed violation of a Reliability Standard or where the Transmission Provider is assessed a penalty because of its status as a Registered Entity for a given Reliability Standard and the entity responsible for the violation cannot be assessed a penalty because of its status. The Transmission Provider shall notify, in writing, any potentially affected Market Participant(s) ~~or~~,

Member(s), or Withdrawn Member(s) of an alleged or confirmed violation as soon as possible after notifications by the RE or NERC of the commencement of procedures under the Compliance Monitoring and Enforcement Program. In addition, the Transmission Provider will i) invite the affected Member(s) ~~or~~, Market Participant(s), or Withdrawn Member(s) to fully participate in all discussions and/or proceedings under the Compliance Monitoring and Enforcement Program and ii) timely report status and results of the findings and remedies to the Market Participants, Members, and Withdrawn Members.

If there is an assessment of a monetary penalty against the Transmission Provider as the Registered Entity for a confirmed violation of a NERC Reliability Standard(s), either: (1) as a result of the Transmission Provider's own conduct or omission that resulted in a confirmed violation; or (2) as a result of a violation by another entity for whom the Transmission Provider is the Registered Entity where the entity is not on the NERC Compliance Registry and therefore cannot be directly assessed a penalty because of its status; Market Participants ~~and~~, Members, and Withdrawn Members may be assessed a portion of the monetary penalty providing the following conditions have been satisfied:

(1) The Transmission Provider has made a filing under section 205 of the Federal Power Act proposing a methodology to allocate a portion of or all of the costs of the monetary penalty among the Market Participants, ~~and~~ Members, and Withdrawn Members;

(2) If the Commission accepts the filing and finalizes such penalty allocations to the Market Participants ~~and~~, Members, and Withdrawn Members.