



**Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE MEETING**

October 25, 2011

Eldorado Hotel & Spa, Santa Fe, NM

• A G E N D A •

2:00 a.m. – 5:00 p.m. MDT

1. Call to Order and Administrative Items.....Nick Brown
2. Withdrawal Obligation Revision.....Stacy Duckett
3. Membership Agreement Revision/Appendix A.....Heather Starnes
4. Standards of Conduct RequirementsStacy Duckett
5. Board of Directors Fees.....Stacy Duckett
6. Review of Assessment Form and ScopeNick Brown
7. Future Meetings.....Nick Brown

March 1, 2012

August 30, 2012

Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING
OMPA Offices, Edmond, Oklahoma

September 1, 2011

• M I N U T E S •

Agenda Item 1 – Administrative Items

Nick Brown called the meeting to order at 9:05 a.m. Other members in attendance or represented by proxy were: Cindy Holman (OMPA), Rob Janssen (Dogwood), Jim Eckelberger (Director), Steve Parr (KEPCo), Mel Perkins (OG&E) and John McClure (NPPD). SPP Staff included Stacy Duckett and Dan Jones. Others attending were Phyllis Bernard (Director), Bary Warren (Empire District), Tom Hestermann (Sunflower), Bruce Cude (Xcel), Matt Binette (Wright & Talisman), Harold Hadland (NPPD), and Kip Fox (AEP).

Mr. Brown referred to draft minutes for July 26, 2011 (7/26/11 Minutes – Attachment 1). Steve Parr moved to approve the minutes as presented. Mel Perkins seconded the motion, which passed unanimously.

Agenda Item 2 – 2012 Election Ballot

Nick Brown noted that the Committee had previously nominated Josh Martin and Larry Altenbaumer to new terms on the Board of Directors and Gerry Burrows to a new term on the Regional Entity Trustees. The Committee then discussed nominees for the Members Committee. The Committee also discussed the vacancy on the Members Committee due to Kevin Easley's resignation from Grand River Dam Authority. The following candidates will be nominated to the Membership for election:

Steve Parr moved to nominate: Mel Perkins, Cindy Holman, Brett Kruse, Mo Doghman (OPPD) to new terms and Tom Kent (NPPD) to fill the unexpired term. Jim Eckelberger made a friendly amendment to nominate Steve Parr to a new term; Rob Janssen seconded the motion, which passed unanimously.

Agenda Item 3 – Vacancies

Stacy Duckett advised the Committee of pending vacancies expected due to retirements: Gary Voigt on the Finance Committee at the end of this year and Darrell Dorsey on the Human Resources Committee in April 2012. Ms. Duckett asked the Committee to be thinking about possible candidates.

Agenda Item 4 – Membership Agreement Revision

This item was removed from the agenda.

Agenda Item 5 – Withdrawal Obligations

Nick Brown reviewed the process to date in developing draft revisions for withdrawal obligations. It is planned to review proposed revisions at the Market and Operations Policy Committee (MOPC) and Membership meetings in October, and to vote in the January 2012 meetings. Ms. Duckett noted that background materials reflect all revisions developed to date against the current versions of these documents. Matt Binette reviewed revisions with the Committee; discussion occurred throughout. The Committee provided direction to Staff for proceeding with additional revisions. The most significant change from previous versions relates to the calculation of the obligation and its schedule of payment. The Committee directed Staff to draft revisions to reflect a proposal from AEP to have the withdrawing entity continue to pay Annual Transmission Revenue Requirement (ATRR) for its portion of the projects assigned to it rather than calculate a lump sum payment. The Committee will review another set of revisions to reflect direction from this meeting and provide any feedback. Additional revisions will be

Corporate Governance Committee
September 1, 2011

reviewed at a meeting to be scheduled following the October Board of Directors/Members Committee meeting from 2:00 p.m. – 4:00 p.m.

Agenda Item 6 – Future Meetings

The group decided to move the September 2012 meeting to August 30, 2012.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 11:40 a.m.

Respectfully submitted,

Stacy Duckett, Secretary

Southwest Power Pool Bylaws

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1.0 Definitions

Affiliate Relationships

Affiliate Relationships are relationships between SPP Members that have one or more of the following attributes in common:

- (a) are subsidiaries of the same company;
- (b) one Member is a subsidiary of another Member;
- (c) have, through an agency agreement, turned over control of a majority of their generation facilities to another Member;
- (d) have, through an agency agreement, turned over control of a majority of their transmission system to another Member, except to the extent that the facilities are turned over to an independent transmission company recognized by FERC;
- (e) have an exclusive marketing alliance between Members; or
- (f) ownership by one Member of ten percent or greater of another Member.

Articles of Incorporation

SPP's articles of incorporation as filed with the state of Arkansas.

Board of Directors

The Board of Directors of SPP, which shall manage the general business of SPP pursuant to these Bylaws.

Bylaws

These bylaws.

Criteria

Planning and operating standards and procedures as approved by the Board of Directors.

Existing Obligations

Certain financial obligations as defined in Section 8.7.1 of these Bylaws.

ERO

The Electric Reliability Organization under FERC jurisdiction that regulates reliability of the electric power grid.

Member

An entity that has met the requirements of Section 2.2 of these Bylaws.

Membership

The collective Members of SPP.

Membership Agreement

The contract, that specifies the rights and obligations of the parties, executed between SPP and an entity seeking to become an SPP member.

NERC

The North American Electric Reliability Corporation or successor organizations.

Net Energy for Load

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

Officers

The officers of SPP as elected by the Board of Directors. The Officers consist of the President and the Corporate Secretary, at a minimum. Any Officer must be independent of any Member organization.

Organizational Group

A group, other than the Board of Directors, comprising a committee or working group that is charged with specific responsibilities toward accomplishing SPP's mission.

Regional Criteria

SPP planning and operating standards and procedures as approved by the Board of Directors.

Regional Entity Trustees

A governing body of SPP, independent of the Board of Directors, which specifically oversees SPP's function as an ERO Regional Entity pursuant to the Delegation Agreement between SPP and the ERO.

Regional Reliability Standards

Electric reliability requirements submitted to the ERO by the Regional Entity Trustees; and once approved, implemented and enforced by SPP under authority as the Regional Entity.

Registered Entity(ies)

A bulk electric system owner, operator or user that is required to comply with ERO reliability standards pursuant to the Energy Policy Act of 2005.

SPP

Southwest Power Pool, Inc.

SPP Regional Entity

That part of SPP responsible for the delegated functions pursuant to the Delegation Agreement between SPP and the ERO.

SPP Compliance Monitoring and Enforcement Program

The program used by the North American Electric Reliability Corporation (“NERC”) and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States.

Staff

The technical and administrative staff of SPP as hired by the Officers to accomplish SPP’s mission.

Standards Development Team

An SPP Organizational Group assigned or choosing to develop an SPP Regional Reliability Standard for submission to the ERO for approval for enforcement.

Terminated Member

An entity that was a Signatory to the Membership Agreement but whose membership in SPP has been terminated under Section 4 of the Membership Agreement.

Transmission Owning Member

A Member that has placed more than 500 miles of non-radial facilities operated at or above 60 kV under the independent administration of SPP for the provision of regional transmission service as set forth in the Membership Agreement.

Transmission Using Member

A Member that does not meet the definition of a Transmission Owning Member.

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 ~~SAS70—Audit—service organization controls audit~~ requirements 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 ~~SAS70 Audit~~ service organization controls audit requirements;
- (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, Terminated 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 Terminated Members that 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 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.

8.7.4 Reliability Penalty Costs

A 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.

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Appendix A

This Agreement is made between the Member and SPP, as defined herein.

1.0 Definitions

Agreement

This Membership Agreement.

Board of Directors

The Board of Directors elected pursuant to the Bylaws.

Bylaws

SPP's Bylaws or any successor document.

Distribution Facilities

Facilities that are the subject of a separate distribution charge pursuant to the Open Access Transmission Tariff.

Effective Date

This Agreement is effective on January 1, 2000 or upon the date of execution by Member if after January 1, 2000.

Electric Transmission System

The transmission facilities subject to SPP's tariff administration, except for any Distribution Facilities.

Existing Obligations

Shall have the meaning given in Section 4.3.2(b).

FERC

The Federal Energy Regulatory Commission or successor organization.

Financial Obligations

Shall have the meaning given in Section 4.3.2(b).

Future Interest

Shall have the meaning given in Section 4.3.2(b).

Good Utility Practice

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice

is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region. SPP Criteria and NERC Policies and Standards are considered Good Utility Practice.

Member

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

NERC

North American Electric Reliability Corporation or successor organizations.

Non-Transmission Owner

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

Open Access Transmission Tariff (OATT)

The SPP nondiscriminatory, Open-Access Transmission Tariff (OATT) on file with FERC pursuant to Section 205 of the Federal Power Act under which SPP will offer transmission service, or any such successor tariff.

Partial Termination

Shall have the meaning given in Section 4.1.

Regional Entity

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

Reliability Coordinator

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

SPP

Southwest Power Pool, Inc., or successor organization.

SPP Criteria

SPP's approved operating and planning criteria.

SPP Region

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

Standards of Conduct

SPP's Standards of Conduct that apply to the conduct of its directors, officers, employees, Regional Entity trustees, contractors, and agents.

Tariff Facilities

The Electric Transmission System and the Distribution Facilities subject to SPP's tariff administration.

Termination

Shall have the meaning given in Section 4.1.

Termination Date

Shall mean the date of Termination is effective in accordance with Section 4.2.2(b).

Terminated Member

An entity that was a Signatory to this Agreement but whose membership in SPP has been terminated under Section 4 of this Agreement.

Transmission Customer

A customer under the Open Access Transmission Tariff

Transmission Owner

A signatory to this Agreement which: (1) transfers functional control of Tariff Facilities related to the rates, terms and conditions of the OATT to SPP by executing this Agreement; or (2) appoints SPP under another agreement to provide service under the Transmission Tariff over Tariff Facilities which it owns or controls; or (3) is assigned by SPP to construct and accepts the obligation to construct new Tariff Facilities; or (4) undertakes another Transmission Owner's obligation to construct Tariff Facilities in accordance with Section 3.3(c) of this Agreement and Attachment O 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-twenty-four~~ (1224) months prior to such date. The President will advise the Members and the Board of Directors of any withdrawal notices received. In order to assure that there is no more than one proposed termination date with respect to a Member, a withdrawal notice shall be deemed to ~~supersede rescind~~ any prior withdrawal notice given by the Member, except that a Member may not submit a withdrawal notice less than twenty-four (24) months prior to the termination date proposed in the Member's previous notice of intent to withdraw. 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 the Member's withdrawal from SPP, as set forth in Section 4.3.2(d) of this Agreement, or the costs associated with reintegrating the Member into SPP if the Member subsequently rescinds its notice of intent to withdraw and SPP incurs costs to reintegrate the Member. Withdrawal deposits are as follows:

<u>Member Category</u>	<u>Withdrawal Deposit</u>
<u>Load Serving Entity</u>	<u>\$ 150,000</u>
<u>Non-Load Serving Entity</u>	<u>\$ 50,000</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 the Member under 4.3.2(e) of this Agreement. If the Member rescinds its notice of intent to withdraw and the cost of processing the Member's withdrawal and

subsequent reintegration into SPP exceeds the withdrawal deposit, SPP shall invoice the Member for the amount of the cost that exceeds the deposit, and the Member shall provide payment to SPP within thirty (30) days of receipt of the invoice. If the withdrawal deposit exceeds the costs of processing the Member's withdrawal and/or reintegration, SPP shall refund the difference to the 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 ~~12-24~~-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-twenty-four~~ (~~1224~~) 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 loans, mortgages, 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 a Member, the Member shall pay to SPP all costs SPP incurs to remove the 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 the 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 the 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 ("Withdrawn Base Plan Upgrades"), customers allocated construction costs associated with such Withdrawn Base Plan Upgrades under Attachment J of the OATT shall continue to be permitted to use such Withdrawn Base Plan Upgrades and SPP shall be permitted to continue to provide service using such Withdrawn 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 Terminated Member. 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 Withdrawn Base Plan Upgrades and continuing payments to a Terminated Member shall be governed by a seams agreement to be negotiated by SPP and the Terminated Member.

4.3.3B Transmission Plan Obligations

A 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.

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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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 continue to pay to SPP the Network Customer's share of the revenue requirements related to transmission facilities that were approved for inclusion in an SPP transmission plan prior to the date that the Network Customer's service is terminated.

SPP shall establish a list of the transmission facilities for which the Network Customer is responsible to continue to pay following the termination of its service or withdrawal of all or a portion of its load, which SPP shall file with the Commission as a Schedule to this Tariff. The list shall include existing transmission facilities that have been placed into service or planned facilities for which SPP has authorized construction pursuant to Attachment O of the Tariff (issued a 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 that are:

- (1) Base Plan Upgrades allocated pursuant to Attachment J of the Tariff to the Base Plan Zonal Annual Transmission Revenue Requirement for each Zone in which the Network Customer's withdrawn load was located prior to the termination of the Network Customer's Service Agreement or withdrawal of a portion of the Network Customer's load;
- (2) Base Plan Upgrades allocated on a Region-wide basis pursuant to Attachment J of the Tariff prior to the termination of the Network Customer's Service Agreement or withdrawal of a portion of the Network Customer's load; or
- (3) Transmission facilities that were directly allocated to the Network Customer under the Tariff.

The Network Customer shall continue to pay its proportionate share of the Annual Transmission Revenue Requirement ("ATRR") associated with each transmission facility in the list established by SPP until the costs of the transmission facilities have been fully amortized. Each Transmission Owner responsible for the construction and/or ownership of the transmission facilities in the list shall establish a Base Plan Zonal and/or Region-wide ATRR, as applicable, for each transmission facility in the list using the Transmission Owner's ATRR calculation methodology set forth in Attachment H.

The Network Customer's proportionate share of the ATRR for each transmission facility shall be calculated as follows:

- (1) The Network Customer's Base Plan Zonal Load Ratio Share (as calculated pursuant to Schedule 11 of this Tariff) multiplied by the Base Plan Zonal ATRR for each transmission facility in the list; and
- (2) The Network Customer's Region-wide Load Ratio Share (as calculated pursuant to Schedule 11 of this Tariff) multiplied by the Region-wide ATRR for each transmission facility in the list ; and
- (3) The ATRR for each transmission facility that was directly allocated to the Network Customer.

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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	\$22,019,168		\$0
	American Electric Power (Public Service Company of Oklahoma and Southwestern Electric Power Company) See Section II.3	\$129,472,718	\$21,870,984		
	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	\$148,184		
2	Reserved for Future Use				
3	City Utilities of Springfield, Missouri	\$8,651,509	\$27,936		\$0
4	Empire District Electric Company	\$14,075,000	\$62,877		\$0
5	Grand River Dam Authority (Est.)	\$35,949,660	\$243,047		\$0
6	Kansas City Power & Light Company	\$29,341,593	\$2,882,669		\$0
7	Oklahoma Gas & Electric (Total)	\$85,769,264	\$5,438,608		\$0
	Oklahoma Gas & Electric	\$85,400,763			
	Oklahoma Municipal Power Authority	\$368,501			
8	Midwest Energy, Inc.	\$7,830,571	\$139,977		\$0
9	KCP&L Greater Missouri Operations Company	\$29,025,803	\$861,719		\$0
10	Southwestern Power Administration	\$13,107,700	\$0		\$0
11	Southwestern Public Service	\$101,879,336	\$5,741,648		\$0
12	Sunflower Electric Corporation	\$14,484,045	\$517,924		\$0
13	Western Farmers Electric Cooperative	\$20,719,639	\$3,113,019		\$0
14	Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy) (Total)	\$122,022,353	\$16,104,197		\$0
14a	Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy)	\$122,022,353			
14b	Prairie Wind Transmission, LLC.	\$0			
15	Mid-Kansas Electric Company (Total)	\$16,484,778	\$587,129		\$0
15a	Mid-Kansas Electric Company	\$15,142,441			
15b	ITC Great Plains	\$1,342,337			
15c	Prairie Wind Transmission, LLC.	\$0			
16	Lincoln Electric System	\$18,666,891	\$84,138		\$0
17	Nebraska Public Power District	\$42,351,258	\$12,618,219		\$0
18	Omaha Public Power District	\$40,663,008	\$1,980,644		\$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.

Table 2

1	Base Plan Region-wide ATRR (NTC prior to June 19, 2010)	\$35,599,213
2	Base Plan Region-wide ATRR (NTC on or after June 19, 2010)	\$3,353,543
3	Total Balanced Portfolio Region-wide ATRR Total, Column (6), Table 1	\$0
4	Balanced Portfolio Region Wide ATRR	\$11,261,429
5	Region-wide ATRR (Line 1 + Line 2 + Line 3 + Line 4)	\$50,214,185

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.

SECTION II: Transmission Owner-Specific Requirements

1. Westar Energy, Inc.

For Westar Energy, Inc., the annual transmission revenue requirement for purposes of the Network Integration Transmission Service, as specified on line 7b and 14, Column 3 of Section 1 of this Attachment H, shall be calculated using the rate formula set forth in Attachment H Addendum 3 of this Tariff (“Westar Formula Rate”). The results of the formula calculation shall be posted on the Transmission Provider’s website and in an accessible location on Westar’s OASIS website by October 15 of each calendar year and shall be effective on January 1 of the following year. The Zonal Revenue Requirement to be used for the Westar zone Column (3) of Table 1 of this Attachment H shall be calculated by taking the SPP Zonal Revenue Requirement as identified as Projected Net Revenue Requirements page, line 10; of the Westar Formula Rate; less the sum of the current year’s revenue requirement associated with all transmission facilities owned by Westar in other pricing zones when such revenue requirements are included in the revenue requirements specified in the Westar Formula Rate on the Projected Net Revenue Requirements page, line 10; plus the previous calendar year’s total firm Point-to-Point transmission revenue allocated to Westar under Attachment L provided such Point-to-Point transmission revenue is deducted from Westar’s Annual Transmission Revenue Requirement under Section 34.1 of this Tariff.

The revenue requirements for Base Plan Funded projects owned by Westar shall be the amount contained on the Projected Net Revenue Requirements page, line 9 of the Westar Formula Rate.

The revenue requirements for Balanced Portfolio funded projects owned by Westar shall be the amount contained on the Projected Net Revenue Requirements page, line 9a of the Westar Formula Rate. Following its posting of the updated revenue requirements by

October 15 of each calendar year as discussed above, the Transmission Provider shall immediately update the various Base Plan and Balanced Portfolio funded costs and allocations contained in the Tariff and file them with the Commission no later than December 15 of each calendar year with a requested effective date of January 1.

2. Southwestern Public Service

For Southwestern Public Service Company (“SPS”), the Existing Zonal Annual Transmission Revenue Requirement (“ATRR”) for Zone 11 in column 3, Section 1 of this Attachment H shall be calculated using: (1) the formula rate as specified in Attachment O – SPS of the Xcel Energy Operating Companies Joint Open Access Transmission Tariff (“Xcel Energy OATT”), (2) will be equal to the Current Year Revenue Requirement with True Up as specified on line 6, page 1 of Attachment O – SPS of the Xcel Energy OATT, (3) and subject to the Implementation Procedures in Appendix 1 of Attachment O – SPS of the Xcel Energy OATT. The results of the formula calculation shall be posted on the SPP website and in an accessible location on SPS’s OASIS website by October 1 of each calendar year and shall be effective on January 1 of the following year. The Existing Zonal ATRR for Zone 11, column 3, Table 1 of this Attachment H shall not be subject to adjustment pursuant to section 34.1 for the previous calendar year’s total firm Point-to-Point transmission revenue allocated to SPS under Attachment L when determining the monthly zonal Demand Charge for Zone 11.

3. American Electric Power

The American Electric Power Annual Transmission Revenue Requirement for purposes of the Network Integrated Transmission Service shall be (i) calculated using the formula rate set forth in Addendum 1 to this Attachment H, (ii) posted on the SPP website by May 25 of each calendar year, and (iii) effective on July 1 of such year.

4. Nebraska Public Power District: Formula Rate Implementation Protocols and Formula Rate Template

Section 1. Annual Updates

The Formula Rate Template set forth in Addendum 7 and these Formula Rate Implementation Protocols (“Protocols”) together comprise the filed rate by Southwest Power Pool (“SPP”) for calculating Nebraska Public Power District’s (“NPPD”) Zonal Annual Transmission Revenue Requirement (“Zonal ATRR”) for Transmission Service under the SPP OATT. NPPD must follow the instructions specified in the Formula Rate Template to calculate the rates for NITS, the rates for Schedule 1 Service, the rates for Point-to-Point services over facilities in SPP Zone 17 and the ATRR for Base Plan Upgrades and other network upgrades.

The initial Zonal ATRR and the initial rates will be in effect for a partial year from the effective date of NPPD’s transfer of operational control of its transmission facilities to SPP until December 31, 2009. The Formula Rate shall be recalculated each year with the resulting rates to become effective on and after January 1 of each year through December 31 of such year. The resulting rates implemented each January 1 will be subject to review and true-up as further provided in the Protocols.

No later than September 1, 2009 and September 1 of each year thereafter, NPPD, upon initial approval of NPPD’s Board of Directors, shall determine its projected Zonal ATRR, and resulting rates for the following calendar year, in accordance with the Protocols and the Formula Rate Template of Addendum 7 of this Attachment H. NPPD will post such determination on its website and will send such determination to SPP for posting on the publicly accessible portion of the SPP website. Contemporaneously, NPPD shall provide notice to its wholesale customers and interested parties of its projected Zonal ATRR and resultant rates, including all inputs in sufficient detail to identify the components of NPPD’s Zonal ATRR. Commencing September 1 of each year, such parties may submit written questions and answers will be provided by NPPD within ten (10) business days. NPPD will post on the NPPD website responses to any such inquiries and information regarding frequently asked questions. No later than September 30 of

each year, NPPD will hold a meeting with wholesale customers and interested parties to explain the formula rate input projections and provide an opportunity for oral and written comments. Written comments must be submitted no later than October 30. No later than December 15 of each year, NPPD will provide to SPP for posting on the publicly accessible portion of the SPP website and submit to the Commission in an informational filing, NPPD's final Zonal ATRR and resulting rates to become effective January 1 of the following calendar year.

Section 2. True-Up Adjustments

On or before June 1, 2010 and on or before June 1 of each year thereafter, NPPD will calculate the True-Up Adjustment with supporting data inputs in sufficient detail to identify the projected and actual cost of each element of NPPD's Zonal ATRR and actual revenues. NPPD will reflect the True-Up Adjustment as a line item in its Zonal ATRR noticed on September 1, 2010 and in the ATRR noticed on September 1 of each year thereafter. The True-up Adjustment will be determined in the following manner:

- (1) Actual transmission revenues associated with transactions included in the Divisor of the Formula Rate Template for the previous calendar year will be compared to the Actual Zonal ATRR. The Actual Zonal ATRR shall be calculated in accordance with the Formula Rate Template and actual data for the previous year. For each year, NPPD will complete and make available for review, on its website, actual data as recorded in accordance with FERC's Uniform System of Accounts, including an affidavit of the Chief Financial Officer of NPPD attesting to the accuracy of the cost and revenue data set forth therein. In addition, NPPD shall provide an explanation of any change in accounting policies and practices that NPPD employed during the preceding twelve-month period that affect transmission accounts or the allocation of common costs to transmission. Actual costs incurred during the applicable calendar year will be compared to actual revenues recovered during such period to determine whether there was any under-

recovery or over-recovery. The True-up Adjustment and related calculations shall be posted no later than June 1 on NPPD's website and on the publicly accessible portion of the SPP website. Commencing June 1 of each year, any interested party may submit written questions and answers will be provided by NPPD within ten (10) business days. NPPD will post on the NPPD website responses to any such inquiries and information regarding frequently asked questions. Written comments must be submitted no later than July 15 of each year. NPPD will post on the NPPD website the final True-up Adjustment no later than September 1 of each year.

- (2) Interest on any over-recovery or under-recovery of the Zonal ATRR shall be based on the interest rate equal to NPPD's actual short-term debt costs, capped at the applicable interest rate set forth in 18 C.F.R. §35.19a of the Commission's regulations. The interest rate equal to NPPD's actual short-term debt costs shall be calculated in accordance with Worksheet K to the Formula Rate Template.
- (3) The Zonal ATRR for transmission services for the following year shall be the sum of the projected Zonal ATRR for the following year and a True-up Adjustment for the previous year, including interest as explained above.

Section 3. NPPD Formula Rate Blank Template

NPPD's Formula Rate Template to be used for calculating the Zonal ATRR and NITS rates, Schedule 1 rates, Point-to-Point rates, ATRR Base Plan Upgrade and other network upgrades set forth in Attachment H – Addendum 7. The provisions of such Formula Rate Template are not subject to changes except through a filing under Section 205 or 206 of the Federal Power Act.

5. Omaha Public Power District

For the Omaha Public Power District (OPPD), the annual transmission revenue requirement for purposes of the Network Integration Transmission Service, Base Plan

Upgrades, Scheduling, System Control, and Dispatch Service, and for the determination of Point-to-Point rates shall be calculated using the Formula-based Rate Template set forth in Attachment H - Addendum 8 of this Tariff. The annual transmission revenue requirement and rates calculated pursuant to the formula-based rate template shall be revised annually. The results of such annual calculations shall be posted on OPPD's OASIS website and in a publically accessible location on the Transmission Provider's website by May 15 of each calendar year. Written comments will be accepted until June 15 and the annual revenue requirement and rates shall become effective from August 1 of such year through July 31 of the following year. Initially, the rates calculated pursuant to the formula-based rate template and incorporated into this SPP OATT will be in place through July 31, 2009.

6. Lincoln Electric System

For the Lincoln Electric System (LES), the annual transmission revenue requirement for purposes of Network Integration Transmission Service, Base Plan Upgrades, Scheduling, System Control and Dispatch Service, and for the determination of Point-to-Point rates shall be calculated using the Formula Rate Template set forth in Attachment H - Addendum 6 of this Tariff. The annual transmission revenue requirement and rates calculated pursuant to the formula rate template shall be revised annually. The results of such annual calculations shall be posted on LES' OASIS website and in a publicly accessible location on the Transmission Provider's website by May 15 of each calendar year. Written comments will be accepted until June 15 and the annual revenue requirement and rates shall become effective from August 1 of such year through July 31 of the following year. Supporting data for completion of the formula rate template will be available from LES upon request. Initially, the rates calculated pursuant to the formula-based rate template and incorporated into this SPP OATT will be in place through July 31, 2009.

ATTACHMENT L
Treatment of Revenues

NEW SECTIONS

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.

VIII. Distribution of Revenues Associated With Network Service Termination Charges

If SPP receives revenues associated with Network Service Termination Charges pursuant to Section 34A of this Tariff, SPP shall distribute the revenues to the Transmission Owner(s) that have or will have an ATRR associated with the transmission facilities for which the Network Service Termination Charges were paid in proportion to their ATRR for such transmission facilities.

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 Notification to Construct will be modified

according to the accepted proposal and the Designated Transmission Owner shall construct the project in accordance with the modified Notification to Construct. 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 Notification to Construct.

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 and become the Designated Transmission Owner. The Designated Transmission Owner, if it has not already done so, shall execute the Membership Agreement as a Transmission Owner and undertake all obligations of a Transmission Owner under the SPP Membership Agreement and Tariff.

At any time, a Designated Transmission Owner may elect to arrange for another entity or another existing Transmission Owner to build and own all or part of the project in its place ("Replacement Builder") subject to the qualifications in Subsections i, ii, iii, and iv above. If the Transmission Provider agrees that the

Replacement Builder is qualified to build and own the part(s) of the project that the Designated Transmission Owner elects to have built and owned by the Replacement Builder, 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), ~~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), ~~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), ~~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), ~~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), ~~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), ~~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), ~~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), ~~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), ~~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.



Southwest Power Pool, Inc.

STAFF

Recommendation to SPP Corporate Governance Committee

October 25, 2011

SPP MEMBERSHIP AGREEMENT/APPENDIX A

Background

Appendix A of the Membership Agreement is in response to FERC's order granting SPP RTO status. In that order FERC directed SPP to revise its Membership Agreement to provide a detailed description of its proposed allocation of responsibilities between SPP and the control areas and the capabilities of each entity to perform its proposed responsibilities, and to adopt the NERC classification of service functions. See *Southwest Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004).

Analysis

SPP recommends deletion from the Membership Agreement the reference to Appendix A in section 2.1.1 and Appendix A, which includes SPP's Operational Authority Reference Document. With the advent of the Integrated Marketplace and the development of a Consolidated Balancing Authority Agreement, Appendix A no longer will be necessary. SPP will be the Balancing Authority for the entire SPP region and the Consolidated Balancing Authority Agreement will allocate the responsibilities of the former SPP Balancing Authorities and SPP. Among other things, Appendix A includes a NERC Functional Responsibility Matrix, which details each of the tasks associated with the NERC functional model and details how the responsibility for each task is handled within SPP. Appendix A, including the matrix, has become outdated and therefore no longer applicable.

Action Requested

Approve removal of Appendix A from the SPP Membership Agreement.

SPP Organizational Group Self-Evaluation/Assessment
(August 2010– July 2011)

GROUP NAME: Corporate Governance Committee

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

MEMBER ROSTER/ATTENDANCE:

Member	Company	Sector	# Present	# Absent
Brown, Nick	Chairman	SPP	4	1 (1 Proxy)
Easley, Kevin	Grand River Dam Authority	State Agencies	3	2
Eckelberger, Jim	Director	N/A	5	0
Holman, Cindy	Oklahoma Municipal Power Authority	Municipals	5	0
Janssen, Rob	Dogwood	Independent Power Producer	5	0
Parr, Steve	Kansas Electric Power Cooperative	Cooperatives	5	0
Perkins, Mel	OG&E Electric Services	Investor-Owned	1	4
Stacy Duckett	Staff Secretary	SPP	5	0

*Only on Committee for part of the assessment period.

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

Trans/Owners	Trans/Users	Director
2	3	1

Sectors							
IOU	Coop	Muni	State/Fed	IPP/Marketer	Alt Power/Public Interest	Lg Retail	Sm Retail
1	1	1	1	1			

AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS): 12

MEETINGS HELD TO DATE: Live: 4 Teleconference: 1

AVERAGE LENGTH OF MEETINGS: 3:10

NUMBER OF VOTES TAKEN: 14

***MEETING COST(S): \$15,122.90**

MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:

- 1. Development of provisions for withdrawal/impact on regional cost allocation**
- 2. Review of voting structure**

MAJOR PENDING ISSUES BEFORE THE GROUP:

1. Finalization of new provisions for withdrawal in re: regional cost allocation

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



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

Purpose

The Corporate Governance Committee (CGC) is responsible for filling and recommending individuals to fill vacancies on the Board of Directors and other organizational groups while monitoring and developing criteria governing the overall composition.

Scope of Activities

1. Seek input from the Board of Directors, the Members Committee, or the Regional Entity Trustees as to the skills needed to fill any vacancy under consideration;
2. In the event of a vacancy or the replacement of an existing director, provide candidates identified by an independent executive search firm for consideration to the Members for election to the Board of Directors;
3. In the event of a vacancy or the replacement of an existing Trustee, provide candidates for consideration to the Members for election to the Regional Entity Trustees;
4. Monitor the composition of the Board of Directors to ensure balance, independence, maintenance of qualifications under any applicable laws, avoidance of conflict of interest, and periodic review of the criteria for independence set out in the Bylaws and appropriate regulatory bodies, recommending changes, as appropriate;
5. Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee, the Members Committee, whose representatives are elected by the Members, and the Market and Operations Policy Committee, whose representatives are appointed by the Members;
6. Develop criteria governing the overall composition of the Board of Directors for recommendation to the Board of Directors;
7. Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Regional Entity Trustees;
8. Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
9. Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;



10. Recommend compensation levels for Board of Directors and Regional Entity Trustees to the Membership.
11. Develop recommendations for the Board of Directors regarding a director succession policy;
12. Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
13. Perform such other functions as the Board of Directors may delegate or direct.

Representation

To the extent that the membership allows, the Corporate Governance Committee (CGC) shall be comprised of eight members. One representative shall be the President of SPP who will serve as the Chair; the Chairman of the Board, unless his/her position is under consideration, in which case the Vice Chairman of the Board; one representative shall be representative of and selected by investor owned utilities Members; one representative shall be representative of and selected by co-operatives Members; one representative shall be representative of and selected by municipals Members; one representative shall be representative of and selected by independent power producers/marketers Members; one representative shall be representative of and selected by state/federal power agencies Members; and one representative shall be representative of and selected by retail/alternative power/public interest Members.

Reporting

The Corporate Governance Committee reports to the Board of Directors.