

**Southwest Power Pool  
BOARD OF DIRECTORS MEETING  
Waterford Marriott Hotel – Oklahoma City, Oklahoma  
May 12, 1998**

**- Summary of Action Items -**

1. Approved minutes of the November 11, 1997, November 12, 1997 and March 13, 1998 meetings.
2. Approved Tuesday, May 9, 2000 and Tulsa, Oklahoma as the date and location for the spring 2000 meeting.
3. Approved appointments of Darrell Hayslip, Electric Clearinghouse, Inc. to the 2000 class and Ken Wymore, Western Resources to the 1999 class of the Board of Directors.
4. Approved 1998 fundings of \$300,000 for the SPP retirement plan and \$76,194 for the retiree medical coverage of employees retiring at the Normal Retirement Date.
5. Approved changes to operating reserve sharing criteria necessary to implement control performance compliance penalties from new NERC policies effective immediately.
6. Approved replacement to capacity margin criteria adding specificity to definitions and obligation and lowering the level to 12%, to be effective October 1, 1998.
7. Approved the following three-step evolutionary ISO implementation schedule and process:
  - Step 1, May 1998 - Board of Directors consideration of many bylaws modifications identified as beneficial by the ISOTF;
  - Step 2, November 1998 - Board of Directors consideration of final tariff developed by the RPWG for complete regional transmission service in preparation for immediate subsequent filing with the FERC; and
  - Step 3, November 1998 - Board of Directors consideration of final modifications to bylaws, membership/agency agreements and planning criteria developed by the ISOTF, necessary for FERC filing to be made only upon subsequent Board of Directors concurrence.
8. Approved organizational and functional modifications to SPP's Bylaws recommended by the ISOTF as appropriate and beneficial outside of ISO formation.
9. Approved the following MAPP/SPP functional consolidation Steering Group recommendations:
  - Direct the regional managers to immediately implement plans related to exchanging security modeling data and support work to facilitate the CIM format in NERC and EPRI efforts,
  - Direct SPP participation in current efforts in MAPP to review operating reserve sharing procedures, with the intent to minimize regional differences as much as possible,
  - Execute a joint interregional agreement for continuing cooperative efforts of mutual benefit in improving services at reduced cost, and
  - Defer further functional consolidation and merger considerations until the directions of the two regions are solidified regarding ISO status.
10. Accepted SPP's financial audit for the 1997 calendar year.
11. Elected John Marschewski, President and Nicholas Brown, Corporate Secretary as officers of the corporation.
12. Acknowledged that Cajun Electric Power Cooperative terminated its membership effective June 1, 1998 and that accrued financial obligations are to be billed.
13. Authorized the Chair, Vice-chair, and President to negotiate payment of outstanding accrued financial obligation from entities that have withdrawn from SPP and, failing resolution of payment through negotiation, to take necessary legal action to obtain such payment.

**Southwest Power Pool  
BOARD OF DIRECTORS MEETING  
Waterford Marriott Hotel – Oklahoma City, Oklahoma  
Tuesday, May 12, 1998**

**Agenda Item 1 - Administrative Items**

SPP Chair Mr. Bob Zemanek called the regular meeting to order at 8:03 a.m., thanked everyone present for attending and called for a round of introductions. The following Board members were in attendance or represented by proxy:

Mr. Mike Apprill, proxy for Mr. Harvey Padewer, UtiliCorp United,  
Mr. Melvin Bowen, proxy for Mr. Steve Moore, Oklahoma Gas & Electric Co.,  
Mr. Marvin Carraway, City of Clarksdale, MS,  
Mr. David Christiano, City Utilities of Springfield, MO  
Mr. Jimmy Crosslin, Oklahoma Corporation Commission,  
Mr. Michael Deihl, Southwestern Power Administration,  
Mr. Steve Dottheim, for Ms. Dianne Drainer, MO Public Service Commission,  
Mr. David Eppler, Central Louisiana Electric Company,  
Mr. Russell Gillespie, proxy for Ms. Paula Rospot, Duke Energy Power Services,  
Mr. Tom Grennan, Engineering and Operating Committee Chair  
Mr. Henry Janhsen, proxy for Mr. David Wilks, Southwestern Public Service,  
Mr. Richard Ingersoll, ENRON Power Marketing, Inc.,  
Mr. Myron McKinney, Empire District Electric Company,  
Mr. John McNish, Kansas Corporation Commission,  
Mr. Steve Moore, Oklahoma Gas & Electric Co.,  
Mr. J. M. Shafer, Western Farmers Electric Cooperative,  
Ms. Trudy Utter, Tenaska Power Services Company,  
Mr. Gary Voigt, Arkansas Electric Cooperative, Corp.,  
Mr. Robert Zemanek, Chair, Central and South West Corp.,  
Mr. John Marschewski, Secretary, Southwest Power Pool

There were 40 persons in attendance representing 22 members and 3 regulatory agencies (Attendance List - Attachment 1). Four proxy statements were received by the Secretary (Proxies - Attachment 2).

Mr. Zemanek referred to draft minutes of the November 11, 1997, November 12, 1997 and March 13, 1998 meetings and asked for necessary corrections or a motion for approval. Mr. Carraway noted a minor grammatical error on page 5 of the March 13 minutes and then motioned that all three sets of minutes be approved (as modified). Dick Ingersoll seconded this motion which passed unopposed.

Mr. Zemanek then referred to the meeting background material for future meeting information (Future Meetings - Attachment 3). Mr. Christiano motioned and Mr. Deihl seconded that Tuesday, May 9, 2000 and Tulsa, Oklahoma be the date and location for the Spring 2000 meeting. This motion passed unopposed.

**Agenda Item 2 – Election of Interim Directors**

Mr. Zemanek noted several vacancies on the Board of Directors roster and referred to a report on election of interim directors (Interim Directors Report – Attachment 4).

Mr. Zemanek recommended that the Board of Directors approve the appointments of Darrell Hayslip, VP – Marketing with Electric Clearinghouse to the 2000 class and Ken Wymore, Sr. VP – Electric Operations with Western Resources to the 1999 class of the Board of Directors. Mr. Carraway motioned and Mr. Deihl seconded that the Board of Directors approve these appointments. This motion passed unopposed.

**Agenda Item 3 – Employee Benefits Committee**

Mr. Zemanek asked Mr. Deihl for a report from the Employee Benefits Committee. Mr. Deihl referred to a report from the Employee Benefits Committee (EBC Report – Attachment 5) and then briefly discussed action from their February 25, 1998 meeting. Mr. Deihl then motioned that the Board of Directors approve the EBC recommendation of a 1998 funding of \$300,000 for the SPP retirement plan and \$76,194 for the retiree medical coverage of employees retiring at the Normal Retirement Date. Ms. Utter seconded this motion which passed unopposed.

**Agenda Item 4 - Engineering & Operating Committee Report**

Mr. Zemanek then asked Mr. Grennan to present recommendations from the Engineering & Operating Committee.

**a. Operating Reserve Criteria**

Mr. Grennan referred to a report from the Engineering & Operating Committee on proposed modifications to SPP's operating reserve sharing criteria (Operating Reserve Report – Attachment 6), and stated that the modifications were necessary to implement control performance compliance penalties from new NERC policies. Following discussion of the criteria application, Mr. Grennan stated his concern about SPP's assessment of penalties putting members at a cost of service disadvantage with entities in other regions who do not comply with NERC or their own regional criteria. Mr. Phillips stated that the NERC Operating Committee would be assessing non compliance and would be making regular reports. Mr. Larry Wells then suggested that the word "determine" be changed to "recommend" in Section 6.3 referring to the Security Working Group's review of non-compliance occurrences and penalties applied to individual control areas.

Mr. Grennan then motioned that the Board of Directors approve the Engineering & Operating Committee's changes, including the modification suggested by Mr. Wells, to SPP Criteria Section 6 to become effective immediately. Mr. Christiano seconded this motion which passed unopposed.

**b. Capacity Margin Criteria**

Mr. Grennan then referred to Engineering & Operating Committee and Capacity Margin Task Force reports on SPP's capacity margin criteria (Capacity Margin Reports – Attachment 7). Mr. Grennan stated that new criteria is being proposed to replace SPP's very limited current language, which adds more specificity as to definitions and obligation and lowers the level to 12%. Mr. Grennan also stated that the proposed criteria from the Capacity Margin Task Force included a significant penalty for non-compliance which the Engineering & Operating Committee removed for fear of putting SPP members at a disadvantage in competing against members of other regions without a penalty to serve new customers.

Mr. Brown referred to an email message from SPP's Reliability Assessment Working Group Chair, Jim Bruggeman (411 Email – Attachment 8), indicating member capacity margins from the recently published and filed EIA-411 report. This message indicates significant problems with data accuracy reported by members and with capacity margin levels relative to SPP Criteria requirements. Mr. Brown stated that this issue begs for national resolution, but current debate in the NERC arena questions their role in adequacy issues. Following significant discussion, Mr. Zemanek stated that he would direct the Reliability Assessment Working Group and the Capacity Margin Task Force to work together in collecting accurate data from members for a credible assessment of SPP's capacity situation and provide a report to the Board of Directors within 60 days.

Mr. Grennan then motioned that the Board of Directors approve the recommended Criteria as a replacement to Section 2.0, to become effective October 1, 1998. Mr. Christiano seconded this motion which passed unopposed.

**Agenda Item 5 – Independent System Operator Task Force Report**

Mr. Zemanek then brought the Board of Directors up to date on Independent System Operator Task Force activities and referenced their report (ISOTF Report – Attachment 9). Mr. Zemanek provided a brief history of activity stating that the deliberation process has included three comprehensive public conferences leading up to the recommendations being presented for Board of Director consideration. Mr. Ingersoll then motioned that the Board of Directors approve the recommendations included in the ISOTF report, specifically;

1) The ISOTF recommends that the Board of Directors approve the following three-step evolutionary ISO implementation schedule and process:

- Step 1, May 1998 - Board of Directors consideration of many bylaws modifications identified as beneficial by the ISOTF;
- Step 2, November 1998 - Board of Directors consideration of final tariff developed by the RPWG for complete regional transmission service in

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preparation for immediate subsequent filing with the FERC; and

- Step 3, November 1998 - Board of Directors consideration of final modifications to bylaws, membership/agency agreements and planning criteria developed by the ISOTF, necessary for FERC filing to be made only upon subsequent Board of Directors concurrence.

2) The ISOTF recommends that the Board of Directors approve the following modifications to SPP's Bylaws as shown in the ISOTF draft of 4/98 (Attachment 4), which include:

- Changes shown in Section 1.1 on membership to become effective immediately;
- Changes shown in Section 7.2 on cost assessment to become effective January 1, 1999;
- Changes to Sections 2.14, 2.14.1, 2.14.2, and 2.14.3 on dispute resolution to become effective immediately;
- Changes shown in Sections 2.1, 2.2, 2.3.1, 2.3.2, 2.5, 4.0, 4.1, 4.1.4, 4.2, removal of Sections 3.6, 4.1.1, 4.1.2, 4.1.3, and addition of Section 4.5 on organizational structure to become effective immediately;
- Addition of Sections 2.17 and 4.4 on compliance monitoring to become effective January 1, 1999;
- Modification of 5.0 and removal of Sections 5.1, 5.2, and 5.3 on NERC participation to become effective immediately;
- Removal of Section 6.0 on interregional agreements to become effective immediately; and
- Removal of Section 7.6 on SWPA to become effective immediately.

Mr. Carraway seconded this motion subject to discussion and consideration of corrections and enhancements to the bylaws modifications. Mr. Ingersoll agreed to this condition on his main motion. The Board of Directors then jointly discussed and agreed to additional changes to those recommended by the ISOTF.

Mr. Deihl mentioned that the deletion of the provision for SWPA in the bylaws would require other agreement with the staff regarding their membership agreement. Mr. Brown stated that this same process was used regarding SWPA's signing of the regional transmission service tariff agency agreement. Mr. Janhsen then mentioned a proposed modification of cost assessment (SWPS Bylaw Proposal – Attachment 10). The Board of Directors reached agreement to address this issue in continued work of the ISOTF for consideration in November. Mr. Zemanek referenced a letter from the Missouri Public Service Commission (MOPUC Letter – Attachment 11) endorsing the zonal approach to transmission pricing included in the draft comprehensive tariff. Following this process, Mr. Zemanek called for a vote on the motion, which passed without opposition (Complete and Corrected Bylaws Modifications – Attachment 12).

**Agenda Item 6 – MAPP/SPP Consolidation**

Mr. Marschewski reported on activity related to investigating consolidation of functions between the MAPP and SPP organizations and referenced a report from the Steering Group that managed the investigation (MAPP/SPP Report – Attachment 13). Mr. Carraway motioned and Mr. Voigt seconded that the following Steering Group recommendations be approved by the Board of Directors;

The Steering Group specifically recommends that each region's governing body:

- Direct the regional managers to immediately implement plans related to exchanging security modeling data and support work to facilitate the CIM format in NERC and EPRI efforts,
- Direct SPP participation in current efforts in MAPP to review operating reserve sharing procedures, with the intent to minimize regional differences as much as possible,
- Execute a joint interregional agreement for continuing cooperative efforts of mutual benefit in improving services at reduced cost, and
- Defer further functional consolidation and merger considerations until the directions of the two regions are solidified regarding ISO status.

Mr. Hauck expressed his disappointment that more beneficial consolidation of staff support and functionality was not recommended and that he would be carrying this message to MAPP meetings as well. Mr. Marschewski assured the Board of Directors that every effort would continue to be made by the SPP Staff to limit regional differences and pursue joint efficiencies. Mr. Zemanek stated that he had initial discussions with MAIN Chairman Jose Delgado on a possible similar investigation. With no more discussion, the Board of Directors approved the motion to approve the Steering Group recommendations without opposition.

**Agenda Item 7 – NERC Board of Trustees**

Mr. Zemanek then asked SPP Vice Chair Mr. Voigt to report on North American Electric Reliability Council Activities. Mr. Voigt noted items contained in highlight reports from NERC Board of Trustees meetings (NERC BOT Meeting Highlights – Attachment 14).

**Agenda Item 8 – President's Report**

Mr. Zemanek asked Mr. Marschewski for a president's report.

**a. Financial Report**

Mr. Marschewski reported on SPP expenses for 1997 (97 Actual vs. Budgeted Expenses – Attachment 15) and 1998 (98 P& L Budget Comparison – Attachment 16). Mr. Marschewski noted the largest concerns for 1998 expenses as 1) NERC assessments with a high probability of an additional SPP allocation of \$50,000, 2) non-payment of accrued obligation by departing members of approximately \$1,000,000 which may be litigated, and 3) reduced revenue from tariff administration due to

delayed implementation and initially slow transactions due to grandfathered agreements.

**b. Audit Acceptance**

Mr. Marschewski then reported on SPP's annual audit that was performed on an accrued basis for the 1997 calendar year (SPP Audit – Attachment 17). Mr. Voigt motioned and Mr. Deihl seconded that the Board of Directors accept the financial audit prepared by Deloitte & Touche. This motion passed unopposed.

**Agenda Item 9 – Regional Transmission Service Tariff Update**

Mr. Nick Brown then provided a brief update on SPP's regional tariff to be implemented on June 1, 1998 and noted several public training sessions that have been held. Ms. Utter asked that the Regional Pricing Working Group devote some time at their May 14, 1998 meeting to discuss any last minute implementation issues. Ms. Utter also noted troublesome data in the loss matrix and asked Mr. Brown to check into this.

**Agenda Item 10 – Coordination Center Update**

Mr. Bill Phillips then provided an update on SPP's coordination center (Coordination Center Slides – Attachment 18). Mr. Phillips expressed concern on the number of members who are not yet able to provide operational data to SPP in ICCP format and distributed a status report on this issue (ICCP Data Status Report – Attachment 19). Mr. Phillips noted that the quality of SPP's job as a security coordinator and tariff administrator is dependent on operational data from members.

**Executive Session**

There being no further regular business, Mr. Carraway motioned and Mr. McKinney seconded that the meeting convene in executive session. This motion passed without opposition.

In executive session, the Board of Directors took the following actions:

- In accordance with SPP's Articles of Incorporation and the SPP Bylaws, the Board elected as officers of the corporation, John Marschewski, President and Nicholas Brown, Corporate Secretary.
- In accordance with Section 7.2 of SPP's Bylaws, the Board of Directors acknowledged that Cajun Electric Power Cooperative has terminated its membership effective June 1, 1998 and that accrued financial obligations are to be billed.
- The Board of Directors authorized the Chair, Vice-chair, and President to negotiate payment of outstanding accrued financial obligation from entities that have

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withdrawn from SPP and, failing resolution of payment through negotiation, to take necessary legal action to obtain such payment.

**Agenda Item 11 – Adjournment**

The meeting was adjourned at 11:52 a.m.

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John Marschewski, President  
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