

Southwest Power Pool
BOARD OF DIRECTORS TELECONFERENCE MEETING
Friday, March 13, 1998 – 10:00 a.m. CST

- Summary of Action Items -

1. Agreed to a slight modification of currently executed agency agreements between SPP and member transmission providers to allow termination in the event of an adverse final tariff - rather than initial order.
2. Agreed to motion the FERC for postponement of regional tariff implementation from April 1 to June 1 to effectuate the ordered modifications.
3. Agreed to accept FERC's modifications to the regional tariff and develop necessary process details to implement these modifications under guidance from the Regional Pricing Working Group and Security Working Group.
4. Agreed to submit a compliance filing with the FERC by April 10.

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Agenda Item 1 – Call to Order and Roll Call

SPP Chair Mr. Bob Zemanek brought the called meeting to order at 10:01 a.m. and asked for a roll call to verify attendance and quorum. The following Board members were in attendance:

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. David Eppler, Central Louisiana Electric Co.,
Mr. Richard Ingersoll, ENRON Power Marketing, Inc.,
Mr. Norman Jackson, Western Resources, Inc.,
Mr. Myron McKinney, The Empire District Electric Co.,
Ms. Paula Rosput, Duke Energy Power Services,
Mr. J. M. Shafer, Western Farmers Electric Cooperative,
Ms. Trudy Utter, Tenaska Power Services Co.,
Mr. Gary Voigt, Arkansas Electric Cooperative, Corp.,
Mr. Robert Zemanek, Central and South West Corp., and
Mr. John Marschewski, Secretary, Southwest Power Pool.

Also in attendance were: Dick Dixon, Les Morgan, Tom Grennan (WERE); Paul Quilkey (ENRON); Mel Perkins, John Gunesch (OKGE); Gene Reeves, Annette Hinshaw (SWPA); Rick Kreul, Dave Macey (MIPU); Gary Roulet, Bob Orme (WEFA), Virgil Brill, Rick McCord (EMDE); Anthony Due, Joyce Summers, Bob Long (GRDA); Frank Branca, Gerry Burrows, Jim Usedinger (KCPL); Chris Hauck, Carroll Waggoner (SUNC); Mike Engel (MIDW); and Nick Brown, Bill Phillips, Pat Bourne, Mike Small (SPP).

Mr. Marschewski reported that the quorum requirement of 9 directors was met and that action would require agreement by three-fourths of the directors present and voting.

Agenda Item 2 – Purpose and Format of Conference Call Meeting

Mr. Zemanek stated that the purpose of the called meeting was to take necessary action regarding the FERC's order on SPP's regional transmission service tariff and referred to the agenda distributed via email on March 12, 1998 (Agenda – Attachment 1). Mr. Zemanek noted that, in addition to Board members, transmission providing members were also invited to participate in this teleconference meeting.

Agenda Item 3 – Summary of FERC Order on SPP’s Regional Transmission Service Tariff

Mr. Brown referred to the FERC order that was emailed on March 11 (FERC Order – Attachment 2). The FERC accepted SPP’s region transmission service tariff subject to clarifications and modifications to become effective April 1 without hearing or technical conference. Mr. Brown reported that though SPP’s docket was on the FERC consent agenda, Commissioner Massey called the item for discussion to congratulate SPP for overcoming great difficulty in reaching agreement on a regional pricing method. Commissioner Massey went on to say that it was notable that the regional tariff represented good progress in eliminating pancaked rates and encouraged work on ISO development. Chairman Hoecker noted the significant limitation in the tariff regarding long-term firm and network services, but stated that this was not a “show-stopper.” Chairman Hoecker was also encouraged by the regional effort as a tough first step toward a more comprehensive approach to regional transmission pricing.

Agenda Item 4 – Process Steps

Mr. Brown indicated the following process steps:

- Board of Directors decision to accept or reject the modifications imposed in FERC’s order, request a rehearing of the order, or withdraw the filing;
- If the Board accepts the ordered modifications, a compliance filing must be submitted by April 10; and
- If the Board accepts the ordered modifications, the tariff must be implemented as modified by the FERC order on April 1, or request an extension of time to respond to the ordered changes.

Agenda Item 5 – Summary of Clarifications

Mr. Brown then noted the following clarifications contained in FERC’s order:

- Treatment of multiple generation sources within a control area as a single point of receipt;
- Deposits must be refunded for denied service;
- Return on equity is subject to any refund mandated in the individual transmission provider tariffs;
- Additional rate detail for hourly, daily and weekly rates for firm and non-firm service must be made available; and
- SPP’s administrative fee may not include non-tariff costs.

Mr. Brown stated that all of these clarifications were within the intent of the original tariff filing and presented no policy or administrative problems.

Agenda Items 6 & 7 – Summary of Modifications & Administrative Ability to Implement

Mr. Brown stated that all of the modifications in FERC's order were inconsistent with the intent of the original tariff filing and that each presents certain policy and administrative challenges. From a policy standpoint, Mr. Brown noted that all of the modifications were consistent with current FERC policy and as such, presented no incremental burdens on transmission providers with open access tariffs. From an administrative implementation standpoint, Mr. Brown noted that certain changes in the tariff could not be implemented by April 1, and that details should be developed under the guidance of the Regional Pricing Working Group and Security Working Group prior to software development for implementation. Mr. Brown then specifically discussed each change and noted policy and/or administrative implications in addition to the general issues mentioned above.

- Subordination of service to native load must be removed, or service under individual provider tariffs must be allowed to provide parity with native load. *Policy* - The subordination clause was added at the last hour of negotiation in an attempt to appease Associated Electric Cooperatives, who is no longer a member of SPP. Removal of the clause should not present a problem to remaining members. *Administrative* – Deleting the clause will have no impact on implementation. As discussed by the Regional Pricing Working Group last year, allowing parallel service under individual provider tariffs would create huge implementation problems and overheads.
- Redispatch costs must be capped by total costs under individual provider tariffs. Nothing in addition to general issues mentioned above.
- Reciprocity language directed at MAPP must be removed. *Policy* – This clause was added to encourage MAPP to provide service to SPP members, since SPP's tariff was open to non-member use. Removing the language is not a problem in that it accomplished its mission. The FERC order clarified that MAPP must provide service to non-members. *Administrative* – Communication with MAPP control areas must be established for scheduling purposes.
- Self-provision of losses must be allowed. *Policy and Administrative* – The method for self-provision of losses used by MAPP is probably the best approach to use, but this decision should be made with member input and software must be developed.
- Negative loss impacts must be credited/paid without restriction. *Administrative* – The modification actually simplifies ongoing administrative processes of operation.

Mr. Brown then stated that the Staff could not effectuate FERC's ordered modifications and be ready to implement until May 1, 1998.

Agenda Item 8 – Actions

Following general discussion of these issues, Mr. Voigt motioned that the Board of Directors approve 1) motioning the FERC for postponement of implementation from April 1 to May 1, 2) accepting FERC's modifications to the regional tariff and develop necessary process details to implement these modifications under guidance from the Regional Pricing Working Group and Security Working Group, and 3) Staff submitting a compliance filing by April 10. Mr. Christiano seconded this motion and Mr. Zemanek called for discussion. Several people questioned the ability to implement the changes by May 1 and, following discussion, Mr. Carraway motioned to modify the main motion by changing the implementation date from May 1 to June 1. Messrs. Voigt and Christiano accepted this modification to their main motion.

Mr. Dixon expressed concern on application of the termination clause in the transmission provider agency agreement with respect to modification of the original tariff. Mr. Zemanek then tabled Mr. Voigt's motion, and entertained a motion from Mr. Jackson to modify the executed agency agreements by deleting the phrase "from its original form" from Section 8 (a). This motion was seconded and approved by the Board without objection.

Mr. Zemanek then asked if there was need for further discussion on the tabled motion. Mr. Ingersoll asked if deleting the clause providing subordination of regional service to native load troubled any of the transmission providers. Hearing no objection, Mr. Zemanek called the question on the motion and asked for a roll call vote. The motion passed with 12 votes for and 2 votes against (Messrs. Shafer and Bowen).

Mr. Zemanek asked the Staff to follow up on the actions items in an expeditious way.

Agenda Item 9 – Next Meeting

No future meetings were scheduled.

Agenda item 10 – Adjournment

With no further business, Mr. Zemanek received a motion and second and adjourned the meeting at 11:15 a.m.

John Marschewski, President
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