

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Riverside Hilton Hotel – New Orleans, LA
November 11, 1997**

- Summary of Action Items -

1. Approved minutes of the August 28-29, 1997 and October 2, 1997 called meetings as previously distributed.
2. Approved Tuesday, November 9 and Kansas City, MO as the date and location for the fall 1999 meeting.
3. Approved a new SPP Staff compensation matrix, market adjustments and merit adjustments.
4. Approved modification of SPP Bylaws to include provision of a transmission service administration fee in the cost assessment formula.
5. Approved an initial transmission service fee for administration of the regional tariff of \$0.15/MWh.
6. Approved modification of SPP Bylaws to change the Engineering & Operating Committee quorum requirement from one-half to one-third of the members.
7. Approved a fine-tuning modification to the SPP Available Transfer Capability Criteria for consistency with FERC Order 888.
8. Approved modification to the SPP Line Loading Relief Criteria providing an incentive on complete and accurate tagging of energy transactions pursuant to NERC Policy.

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Riverside Hilton Hotel – New Orleans, LA
Tuesday, November 11, 1997**

Agenda Item 1 - Administrative Items

SPP Vice Chair Mr. Bob Zemanek called the regular meeting to order at 3:00 p.m. Mr. Zemanek stated that SPP President John Marschewski received written notice from Mr. Jim Jura resigning as chair of SPP. Mr. Zemanek then thanked board members and guests for attending this important meeting and called for a round of introductions. 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, Engineering & Operating Committee Chair
- Mr. Jimmy Crosslin, Oklahoma Corporation Commission,
- Mr. Michael Deihl, Southwestern Power Administration,
- Mr. Frank Gallaher, Entergy Corp.,
- Mr. Richard Hester, City Utilities of Springfield, MO,
- Mr. Richard Ingersoll, ENRON Power Marketing, Inc.,
- Mr. Norman Jackson, Western Resources, Inc.,
- Mr. Jim Jura, Chair, Associated Electric Coop.,
- Mr. Greg Nesbitt, Central Louisiana Electric Co.,
- Ms. Paula Rosput, Duke Energy Power Services
- Mr. Gary Voigt, Arkansas Electric Cooperative, Corp.,
- Mr. David Wilks, Southwestern Public Service Co.,
- Mr. Robert Zemanek, Central and South West Corp.,
- Mr. John Marschewski, Secretary, Southwest Power Pool and proxy for Mr. David McMillen, AES Corp.

There were 39 persons in attendance representing 36 members, 2 regulatory agencies, and 3 service organizations (Attendance List - Attachment 1). Mr. Zemanek stated that the agenda had been modified from that distributed on October 24 due to the recent member withdrawals. (Agenda - Attachment 2). Three proxy statements were received by the Secretary (Proxies - Attachment 3).

Mr. Zemanek referred to draft minutes of the August 28-29 and October 2 called meetings and asked for necessary corrections or a motion for approval. Mr. Carraway motioned and Mr. Nesbitt seconded that the minutes be approved as distributed. This motion passed unopposed.

Mr. Zemanek then referred to the meeting background material for future meeting information (Future Meetings - Attachment 4). Mr. Apprill motioned and Mr. Carraway seconded that Tuesday, November 9 and Kansas City, Missouri be the date and location for the fall 1999 meeting. This motion passed unopposed.

Agenda Item 2 – President’s Report on Membership Withdrawal

SPP President Mr. John Marschewski reported that he received written notice from Mr. Frank Gallaher on October 30 of Entergy Corporation’s decision to withdraw its five operating companies from SPP membership. Mr. Gallher explained that Entergy’s future interests are more closely aligned with the Southeastern Electric Reliability Council. Uncertainty about the financial impact of this move on remaining members caused many to tender notice of withdrawal prior to the deadline to keep options open until December 31. Members tendering notices of intent to withdraw from membership due to Entergy’s action included; Entergy Power Inc., Entergy Power Marketing Corp., Sunflower Electric, City Water & Light Jonesboro, AR, Sikeston, MO Light & Water, The Municipal Energy Agency of Mississippi, and Associated Electric Cooperatives.

Stating that their interests are more closely aligned with SPP’s neighboring region to the north, the Mid-Continent Area Power Pool (MAPP), St. Joseph Light & Power provided notice of withdrawal on September 15. Mr. Marschewski stated that in any given year, membership fluctuates somewhat due to mergers, cost/benefit of current activities, or virtual membership via mutual organizations like municipal associations or cooperatives. The 9 members withdrawing for these reasons include; KAMO Power, City of Alexandria, LA, Hoosier Energy, City of Columbia, MO, AES Shady Point, Consolidated Pumped Storage Arkansas, Delhi Energy Services, Vastar Power, and Destec Power Services. These members amounted to 2.7% of SPP’s makeup profile of peak demand, generation and transmission.

The 22 withdrawing members represented 35% of SPP’s makeup profile of peak demand, generation and transmission. Mr. Marschewski stated that the SPP Staff assessed the financial impact on remaining members if those who gave notice follow through with membership termination (Financial Assessment Letter – Attachment 5). This assessment included unbundling of costs for services some members wish to continue receiving, determining accrued obligation to current financial liabilities, and a \$1.1 million reduction in the 1998 budget being recommended to the Board of Directors by the Budget Committee. A significant portion (60%) of SPP’s expenses is to be collected through a transmission service fee related to administration of a regional tariff expected for operation in April 1998.

Agenda Item 3 - Employee Benefits Committee Report

Mr. Zemanek then gave a report as chair of the Employee Benefits Committee. Mr. Zemanek reported that the committee contracted with Hewitt Associates for market analysis of staff positions, a compensation structure, and recommended salary adjustments due to increased staff responsibilities (EBC Background - Attachment 6). Mr. Zemanek stated that the EBC recommends that the Board of Directors approve 1) the eight-level salary structure for staff positions, 2) the President be authorized to adjust the overall 1997 salary levels 5% for present market conditions, and 3) a 4% merit increase for 1998. Following this report, Mr. Deihl motioned and Mr. Wilks seconded that the EBC recommendations be approved. This motion passed without opposition.

Agenda Item 4 - Bylaws Modifications

Mr. Zemanek asked Mr. Marschewski to review with the Board of Directors proposed modifications to the SPP Bylaws. Mr. Marschewski stated that pursuant to administering regional transmission service under the tariff approved by the Board for filing with the FERC, Staff reviewed SPP's bylaws for necessary changes to collect 60% of administrative costs through a transmission service fee (Proposed Assessment Modification - Attachment 7). Mr. Marschewski recommended modification of the cost assessment formula to make this change and also recommended that the tariff administration fee be initially set at \$0.15/MWh.

Following discussion, Mr. Zemanek asked for a motion on this modification. Mr. Carraway asked for joint discussion of other bylaws modifications being recommended on the quorum requirements of the Engineering & Operating Committee (EOC). Mr. David Christiano reported that the EOC experienced difficulty in transacting business at their October 16 regular meeting due to insufficient quorum, though nearly 80% of the voting strength was present. Due to SPP's large number of small members who do not regularly attend meetings, he recommended modification of section 2.9 of SPP's bylaws to change the EOC quorum requirement from one-half to one-third of the members (Proposed Quorum Modification – Attachment 8). Mr. Christiano then motioned that the Board of Directors approve both modifications to SPP's bylaws and the tariff administration fee. Mr. Carraway seconded this motion which passed unopposed.

Agenda Item 5 - Engineering & Operating Committee Report

Mr. Jura then asked Mr. Christiano, EOC Chair to present recommendations from his committee.

b. ATC Criteria Modifications

Mr. Christiano referred to background information on proposed modifications to SPP's Available Transfer Capability Criteria (ATC Criteria Report - Attachment 9). Mr. Christiano stated that the Transmission Assessment Working Group and the Security Working Group recommended removal of a sentence made inapplicable by FERC Order 888. Mr. Christiano motioned that the Board of Directors approve this modification to the ATC Criteria. Mr. Deihl seconded this motion which passed unopposed.

c. Line Loading Relief Criteria Modifications

Mr. Christiano stated that the EOC directed SPP's Staff to develop a proposal to provide incentives for more complete and accurate implementation of NERC's transaction tagging policy (LLR Report – Attachment 10). The approach recommended by Staff and approved by the Operating Subcommittee and EOC places transactions that are not tagged into the lowest priority category when line loading relief procedures are implemented. Mr. Ingersoll asked if staff received legal review of the need to file the criteria with the FERC and stated his opposition to the approach. Mr. Bill Phillips, SPP's Director of Coordinated Operations stated that legal review had been received and SPP's General Counsel gave the opinion that the Criteria should be filed with the FERC. However, Mr. Phillips stated that Staff does not recommend filing, but rather waiting for FERC action (if any) on the cease and desist motion before the FERC related to NERC tagging procedures. Mr. Dick Dixon stated his opinion that the criteria modification conflicted with Western Resources' transmission tariff. Mr. Phillips stated that other members have taken the position that no conflict exists in that approved regional criteria is considered by the FERC as "Good Utility Practice." Mr. Christiano motioned that the Board of Directors approve the proposed modification to SPP's line loading relief criteria on tagging incentives. Mr. Hester seconded this motion which passed with Mr. Ingersoll being the only vote in opposition.

d. & e. Operator Training and Certification Program Enhancements

Mr. Christiano reported on recommendations from the Operator Training Working Group on enhancements to SPP's operator training and certification programs (Program Enhancement Background Info. – Attachment 11), (Operating Training Program Report – Attachment 12), (Operator Certification Program Report – Attachment 13). Mr. Christiano reported that the EOC did not approve the operator training program enhancement recommendations in its mail vote. Therefore, no Board action on this item was necessary. Mr. Christiano stated that the operator certification program enhancements were approved by the EOC, however, the Staff has targeted financial support for these enhancements as necessary reductions to minimize cost

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impact on members due to Entergy's withdrawal from membership. Therefore, no Board action on this item was necessary.

Mr. Christiano finished his report by stating that a Generation Redispatch Task Force had been formed to develop a method to more efficiently deal with line loading relief implementation. This group is working very quickly on this approach and will be seeking Board approval as soon as possible.

Adjournment

In closing the meeting, Mr. Zemanek stated that Messrs. Gallaher and Jura wished to share departing comments. Mr. Gallaher stated that Entergy had enjoyed a good relationship with SPP over many years and that their leaving SPP was not necessarily related to the direction that the region was heading; SERC simply provided a better "business fit" for Entergy. Mr. Jura stated that Associated Electric Cooperatives had the same position as Entergy but added that the pace of implementing regional efforts was also a consideration.

There being no further business, Mr. Nesbitt motioned and Mr. Jackson seconded that the meeting be adjourned. This motion passed without opposition and the regular meeting was adjourned at 4:01 p.m.

John Marschewski, President
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