



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE MEETING**  
**April 26, 2005**  
**Crowne Plaza Austin – Austin, TX**

**• A G E N D A •**

2:00 p.m. CDT

1. Call to Order and Administrative Items .....Nick Brown
2. Board of Directors ..... Nick Brown/Stacy Duckett
  - a. Voting/Secret Ballot
  - b. Compensation
  - c. Annual Review of Effectiveness
  - d. Term Expirations/2005
3. Future Meetings .....Nick Brown

**Southwest Power Pool  
CORPORATE GOVERNANCE COMMITTEE MEETING  
Teleconference Minutes  
April 9, 2004**

**Agenda Item 1 – Call to Order**

Nick Brown called the meeting of the Corporate Governance Committee (CGC) to order at 8:30 a.m. Other members present were Al Strecker (OG+E), Stephen Parr (KEPCo), Dave Christiano (City of Springfield), Jim Stanton (Calpine), and Michael Deihl (SPA) (CGC Roster – Attachment 1).

**Agenda Item 2 – SPP Committee Slates**

Nick Brown reviewed the purpose of the meeting as establishing slates for consideration at the Board of Directors Meeting and the Special Meeting of Members on April 27, 2004. Following considerable discussion Jim Stanton moved to approve the Members Committee slate, removing Mel Perkins from the IOU sector, adding Rick Tyler to the Coops sector, and otherwise accepting as presented (Members Committee - Attachment 2). Michael Deihl seconded the motion, which was approved unanimously. Nick then reviewed the rosters drafted for committees reporting to the Board of Directors (Committees Reporting to BOD – Attachment 3). Following discussion, Stephen Parr moved for approval of rosters as presented, correcting that Michael Desselle is the representative on the Finance Committee rather than Richard Verret. Jim Stanton seconded the motion, which passed unanimously.

**Adjournment**

Nick Brown thanked everyone for participating and adjourned the meeting at 9:15 a.m.

Respectively submitted,

Stacy Duckett

**Southwest Power Pool  
CORPORATE GOVERNANCE COMMITTEE MEETING  
January 17, 2005 Teleconference Minutes**

**Agenda Item 1 – Call to Order**

Nick Brown called the meeting of the Corporate Governance Committee (CGC) to order at 10:30 a.m. Other members present were Mel Perkins (OG+E), Steve Parr (KEPCo), Dave Christiano (City of Springfield), Jim Stanton (Calpine), and Jim Eckelberger (Director). SPP Staff included Stacy Duckett.

**Agenda Item 2 – SPP Committee Vacancies**

Stacy Duckett recommended that Grand River Dam Authority (GRDA) replace Southwestern Power Administration (SPA) as the State/Federal Power Agencies sector representative to the Members Committee and the Corporate Governance Committee. Mr. Brown also recommended that The Empire District replace SPA as a Transmission Owning sector representative on the Human Resources Committee. Steve Parr moved to accept the committee replacements as recommended. Dave Christiano seconded the motion, which passed unanimously.

**Agenda Item 3 – Compliance Committee/Independent Market Monitor**

Stacy Duckett reported that the Strategic Planning Committee (SPC) intends to recommend to the Board of Directors that the Independent Market Monitor report to the Board of Directors through the Compliance Committee. Mr. Brown recommended that the Corporate Governance Committee concur and jointly recommend this proposal to the Board of Directors. Mel Perkins moved to jointly recommend the Independent Market Monitor reporting structure to the Board. Steve Parr seconded the motion, which passed unanimously.

**Agenda Item 4 – Board of Directors**

Nick Brown provided background regarding voting by secret ballot. Following discussion of voting options, the committee decided that the Board of Directors must initiate and direct the Corporate Governance Committee to examine other voting processes prior to considering any action. Mr. Brown will discuss this issue with Jim Eckelberger for further consideration.

Mr. Brown provided background regarding current levels of director compensation. The committee determined compensation should be discussed based on results of the salary survey.

Mr. Brown provided background regarding the requirement that this committee provide an annual review of the performance of the Board of Directors. An annual review needs to be discussed and provided as required by the SPP Bylaws. Jim Eckelberger added that the Board of Directors would like to meet with the Corporate Governance Committee, preferably at the April Board of Directors meeting, to consider voting/interaction with the Members Committee. SPP Staff will schedule a joint meeting.

**Agenda Item 5 – RSC/SPP Interface**

RSC/SPP interface was discussed at the Strategic Planning Committee meeting January 13, 2005 at which all Corporate Governance Committee members were present. There was no additional discussion.

**Agenda Item 6 – Future Meetings**

The next Corporate Governance Committee meeting will be in conjunction with the April Board of Directors meeting. Date and time to be announced.

**Adjournment**

Nick Brown thanked everyone for participating and adjourned the meeting at 10:55 a.m.

Respectively submitted,

Stacy Duckett

**Southwest Power Pool  
CORPORATE GOVERNANCE COMMITTEE MEETING  
March 18, 2005 Teleconference Minutes**

**Agenda Item 1 – Call to Order**

Nick Brown called the meeting of the Corporate Governance Committee (CGC) to order at 8:05 a.m. Other members present were Steve Parr (KEPCo), Dave Christiano (City of Springfield), Kevin Easley (GRDA), and Jim Eckelberger (Director). SPP Staff included Stacy Duckett.

**Agenda Item 2 – Selection of Search Firm**

Nick Brown reviewed the requirement in the Bylaws that SPP engage a search firm to fill a vacancy on the Board of Directors. Mr. Brown suggested using Russell Reynolds, a firm SPP has used in the past and that is already familiar with the needs of the company. The group concurred.

**Agenda Item 3 – Process**

Nick Brown recommended that the committee make a nomination for a replacement to the Membership at a special meeting of members rather than to the Board of Directors for election on an interim basis. The group concurred.

**Agenda Item 4 – Schedule**

A teleconference was scheduled for April 8 at 8:00 a.m. to review candidates and select those to interview. A face-to-face meeting will be scheduled on May 4, 5, or 6 in Kansas City to conduct interviews. The committee will work to have a nominee for the Membership at a special meeting of members to be held in conjunction with the July Board of Directors meeting.

**Agenda Item 5 – Fill Finance Committee Vacancy**

The committee voted that Jim Eckelberger is to fill the vacancy on the Finance Committee left by Bob Schoenberger on an interim basis.

**Adjournment**

Nick Brown thanked everyone for participating and adjourned the meeting at 8:30 a.m.

Respectively submitted,

Stacy Duckett

**Southwest Power Pool  
CORPORATE GOVERNANCE COMMITTEE MEETING**

**April 8, 2005**

**Teleconference Meeting**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

SPP Chair Nick Brown called the meeting to order at 8:04 a.m. The following members were in attendance or represented by proxy: Nick Brown (SPP); Jim Eckelberger (Director); Dave Christiano (Springfield); Kevin Easley (GRDA); Steve Parr (KEPCo); Jim Stanton (Calpine). Also in attendance: Larry Klock (Russell Reynolds Associates). Staff in attendance: Stacy Duckett.

**Agenda Item 2 – Selection of Candidates for Interview**

The Committee reviewed the resumes of candidates provided by Russell Reynolds for consideration for the current Board vacancy. Following considerable discussion, the committee selected four candidates to be interviewed.

**Agenda Item 3 – Future Meetings**

The Committee will meet May 16-17 in Kansas City to interview candidates.

Nick Brown thanked everyone for their participation and adjourned the meeting at 9:00 a.m.

Respectfully Submitted,

Stacy Duckett  
Secretary



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE**  
**April 26, 2005**

**BOARD OF DIRECTORS COMPENSATION**

**Background**

SPP engaged Towers Perrin HR Services to assess the competitiveness and structure of its compensation program for Directors. Towers Perrin surveyed other regional organizations regarding Director compensation and benefits.

**Analysis**

The results of these surveys indicate that SPP is competitive with its current fee structure for Directors. However, SPP's fees are more evenly distributed between retainer, meeting fees and committee meeting fees than the other organizations. SPP's retainer is one of the lowest, but its Board and committee meeting fees are the highest. Some organizations also provide some benefits to Directors (group travel insurance, first class air travel).

Towers Perrin suggests the following modifications to the board compensation plan to more align SPP Board compensation with other regional organizations:

1. Shift the pay mix to place more emphasis on the annual retainer.
  - a. Increase annual retainer to \$25,000 (from \$15,000)
  - b. Decrease per meeting fees to \$2,000 and \$1,500 (from \$3,000 and \$2,000)
2. Pay the chairman an annual retainer of \$5,000 – 10,000 rather than an additional per meeting fee.
3. Pay committee chairmen an annual retainer rather than an additional per meeting fee (suggests \$3,000 – 4,000).
4. Offer group travel insurance.

**Action Requested**

Discussion of the recommendations from Towers Perrin.



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE**  
**April 26, 2005**

**BOARD OF DIRECTORS EVALUATION**

**Background**

Section 6.6(f) of the Bylaws requires that the Corporate Governance Committee coordinate an annual review of the Board of Directors. A survey was provided to the members of the Board of Directors and Members Committee, and the chairman of the MOPC. This survey was developed from various sources.

**Analysis**

As of April 19, 16 surveys were returned. The attached results are a compilation of the responses received. The results are provided in total, as well as by "directors" and "members".

**Action Requested**

Discussion of the results, as well as the survey format.



**Southwest Power Pool, Inc.**  
**BOARD OF DIRECTORS EVALUATION FORM**  
**April 2005**

	<b>Considerations</b>	<b>5 Very Good</b>	<b>4 Good</b>	<b>3 Average</b>	<b>2 Fair</b>	<b>1 Poor</b>
1	Board has full and common understanding of the roles and responsibilities of a Board	1 - D 4 - M	2 - D 8 - M	1 - D		
2	Board members understand the organization's mission and its services	1 - M	1 - D 5 - M	3 - D 5 - M	1 - D	
3	Organization structure is clear (Board, officers, committees, executive and staff)	1 - D 6 - M	2 - D 3 - M	1 - D 3 - M		
4	Board has clear goals and actions resulting from relevant and realistic strategic planning		2 - D 6 - M	1 - D 5 - M	1 - D 1 - M	
5	Board attends to policy-related decisions which effectively guide operational activities of staff	1 - D 2 - M	2 - D 4 - M	1 - D 4 - M	2 - M	
6	Board receives regular reports on finances/budgets, performance and other important matters	2 - D 3 - M	2 - D 9 - M			
7	Board effectively represents the organization to the stakeholder community		3 - D 5 - M	4 - M	1 - D 3 - M	
8	Board meetings facilitate focus and progress on important organizational matters	1 - D	1 - D 10 - M	1 - D 2 - M		1 - D
9	Board regularly monitors and evaluates progress toward strategic goals and objectives		2 - D 6 - M	1 - D 5 - M	1 - M	1 - D
10	Board regularly evaluates and provides development plans for the Chief Executive	1 - D	1 - D 4 - M	2 - D 5 - M		
11	Each member of the Board is involved and interested in the Board's work	4 - D 3 - M	6 - M	3 - M		
12	All necessary skills, stakeholders and diversity are represented on the Board	1 - D 1 - M	3 - D 4 - M	3 - M	4 - M	



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**Please list three to five points on which the Board of Directors should focus its attention in the next year. Be as specific as possible in identifying these points.**

**Comments submitted by Directors:**

- 1) Officer base and incentive compensation and employee incentive compensation
- 2) Continuing education on market structure
- 3) Approval of a new strategic plan
- 4) The Board needs to give attention to governance issues, specifically separating policy issues from implementation. Staff should handle the implementation. Continuation of executive sessions for the Board is critical to advancing clarity on these roles.
- 5) Making sure that all we do is consistent with our strategic direction.
- 6) Understanding more aspects of the relationship between SPP and its constituencies as well as FERC, NERC and RSC.
- 7) More involvement (i.e. participation/understanding) at an earlier stage in policy development of market and operational committees.
- 8) Evolution of performance metrics and monitoring procedures
- 9) Increasing communication between stakeholders/staff and BOD
- 10) Education of board members e.g. thru visits to some of stakeholders operations to gain better understanding of issues and problems/opportunities facing the industry our region and our stakeholders
- 11) Development of a strategic plan with clear goals and time frame associated with it.
- 12) Clear understanding of SPP's responsibility relating to Regional Reliability and being an RTO. Should we be separating these functions as other regions have done?
- 13) Assisting management in developing a First Class Management Team, adequately compensated, with clear goals and responsibilities.
- 14) Development of a bonus program for the organization.
- 15) Strengthen the relationship between the Board, the RSC, FERC and NERC.

## **Comments submitted by Members:**

- 1) Strategic goals for organization should be clearly enunciated and formally changed as necessary.
- 2) Goals should include taking action to get needed transmission built on a timely basis.
- 3) Stay customer (stakeholder) focused.
- 4) Awareness of differences in stakeholders
- 5) Awareness of regulatory bodies regulating stakeholders
- 6) Not all stakeholders are IOU's and all have different business missions
- 7) Cost is important and others besides regulators and SPP Board approve those costs.
- 8) I would like to see the board have a better understanding of the role of SPP as it integrates with its various members. For instance, I would like for the entire board to better understand the role that SPP plays in clearing the market and in allocating transmission service. These issues have profound implications for the individual members and I think that the board's vision today of these issues is mostly from an administrative perspective.
- 9) I would like to see the board challenge the transmission owners and control areas as well as the non-transmission owners to defend the need for continued inequities between control areas and non-control areas.
- 10) I would like to see the board challenge SPP to find a way for load to participate in the wholesale market as an alternative to strictly supply-based resources.
- 11) Represent interest of members inspite of opposition by RSC
- 12) Work to assure that members and RSC are mutually satisfied in decisions made
- 13) Assure that CEO has good relationship with all Members Cmte members
- 14) Interplay of reliability with RTO markets
- 15) Value that SPP can bring to consumers of electric energy, both economic and reliability.
- 16) Continuity of design features between PJM, MISO and SPP
- 17) Need more of the , "don't tell me why you can't, tell me how you are going to..." type of leadership.

18) The Board does not have enough members with an understanding of the business SPP is in. Recent loss of Bob Shoenberger (by FERC action) is an example of the difficulty. (12)

19) Too much deference to the “collaborative process” which all too often is dominated by a segment of the stakeholders, and is not truly representative of all the members needs. (7)

20) All too often the board is presented with policy recommendation in which minority, or consumer interests are not represented. There are no policy options presented, just a single recommendation with a “due pass” report. This really limits the ability of the board to make meaningful policy decisions. (5)

21) A specific example of item # 5 is the recent issue surrounding the Imbalance Market. At literally the last minute (early April, for a proposed trial date of May 9<sup>th</sup>), it is being delayed because of a difference of opinion between the working groups. “The ORWG is concerned that the scope of the SPP EIS market is broader than that envisioned by many or the SPP members.” (Intro in memo to CAWG, 4/6/05.) This type of delay is costly in two areas, first in SPP resources, and secondly in the members, some of which will face (and others will benefit from) additional months of purchase of imbalance energy from the tariff at a minimum of \$100/mwh, not the true cost, as the market would have been.

22) With regard to item #9, I see mixed results. On the plus side, the Board made an independent decision to file the RSC CAWG plan in December 2004, in the face of opposition of a significant segment of the members. However, it did not happen, for a number of reasons, but there were no repercussions with staff that were visible. The failure of the TO’s to move to NITS is another example of failure of the organization to achieve strategic goals.

23) Increased understanding of the RSC issues vs. those of the members of SPP.

24) Increase industry knowledge.

25) Work on understanding the divergent issues facing the different segments of membership.

26) Integrate RSC initiatives into the SPP committee & working group processes

Ensure RSC initiatives and authority are within the scope articulated in SPP Bylaws

27) Ensure and implementation of the Entergy ICT within the SPP is managed appropriately

Energy must pay embedded and incremental costs for this service

No costs for this service should be borne by the SPP members

Implementation of this service should not adversely affect SPP members of staff

28) Ensure board strategy fully recognizes obligations as a NERC RRC

29) Ensure the proper implementation of the Energy Imbalance Market

System reliability is paramount

Participation in the market beyond energy imbalance requirements is voluntary

30) Assist Transmission Owners with their obligations to state jurisdictions

The loss of any one TO jeopardizes the viability of SPP

- 31) The Board needs to become educated about the state regulatory compacts for its retail jurisdictional members, especially as those compacts will be impacted by decisions the Board makes regarding new transmission facility cost allocations and future market designs.
- 32) The Board should focus its attention to resolving the fractious relationship between the stakeholders and the RSC.
- 33) The Board should insist that the stakeholder process continues to work effectively in the future and that the SPP values are not diluted by unilateral action of the RSC.
- 34) The Board should continue to manage and contain the overall cost of the organization.
- 35) The Board, in conjunction with the Strategic Planning Committee, should adopt written and reasonably measurable goals each year.
- 36) The Board should focus on making sure that the RTO is cost effective for the Members. If not, then we will not likely be able to convince the regulators that we should be Members.
- 40) Get systems and process in place that will actually allow new transmission facilities to be financed and built.



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

**April 26, 2005**

**TERM EXPIRATIONS/2005**

**Background**

Representatives on the Board of Directors and Members Committee serve 3-year terms. To achieve the initial staggering of terms, seats were assigned one, two and three-year terms. The one-year term positions expire at the end of 2005.

**Analysis**

The Corporate Governance Committee is responsible for nominating candidates for the Board of Directors and the Members Committee to the Membership for consideration and election at the Annual Meeting of Members in October. In each case, the committee is to commence the process to nominate candidates at least three months prior to the October meeting, notifying the President of the specific candidates at least one month prior to the October meeting.

The following positions expire at the end of 2005:

Board of Directors: Josh Martin  
Current vacant position

Members Committee (sector): Harry Dawson (municipals)  
Mike Palmer (IOU)  
Steve Parr (Cooperatives)  
Walt Yeager (IPP/Marketer)  
Current vacant position (Large retail customer)  
Current vacant position (Public interest/alternative power)

**Action Requested**

Discussion of the process and schedule for presenting nominations at the October 2005 Board of Directors/Members Committee meeting and Annual Meeting of Members.