



**Southwest Power Pool
REGIONAL STATE COMMITTEE ANNUAL MEETING
Shreveport, Louisiana
January 24, 2005**

• M I N U T E S • ¹

Agenda Items 1 & 2 – Administrative Items

RSC President Denise Bode (OCC) called the meeting to order at 1:10 p.m. Other members in attendance or represented by proxy were:

- Sandra Hochstetter, Arkansas Public Service Commission (APSC)
- Brian Moline, Kansas Corporation Commission (KCC)
- Mike Proctor, Proxy for Steve Gaw, Missouri Public Service Commission (MPSC)
- Julie Parsley, Texas Public Utility Commission (TPUC)

Others in attendance were:

- Commissioner Foster L. Campbell, Louisiana Public Service Commission
- Jim Eckelberger, SPP Director
- Harry Skilton, SPP Director
- Phyllis Bernard, SPP Director
- Sam Loudenslager, Arkansas Public Service Commission
- Richard House, Arkansas Public Service Commission
- Larry Holloway, Kansas Corporation Commission
- Tom DeBaun, Kansas Corporation Commission
- J. Michael Peters, Kansas Corporation Commission
- Mike Proctor, Missouri Public Service Commission
- Joyce Davidson, Oklahoma Corporation Commission
- Jess Totten, Texas Public Utility Commission
- Bridget Headrick, Texas Public Utility Commission (by telephone)
- Barbara Jones, Texas Public Utility Commission (by telephone)
- Bill Robertson, Louisiana Public Service Commission
- Walter Wolf, Stone, Pigman, Walther, Wittman, LC, outside counsel for the Louisiana Public Service Commission (by telephone)
- Tony Ingram, FERC
- John Rogers, FERC
- Bruce Rew, SPP
- Nick Brown, SPP
- Les Dillahunty, SPP

¹ These minutes were compiled from the transcript by Accurate Reporting

Lamona Lawrence, SPP
Cheryl Robertson, SPP
Carl Monroe, SPP
Tom Dunn, SPP
Stacy Duckett, SPP
Charles Yeung, SPP
Allan Robbins, Kansas Municipal Utilities
Terri Gallup, AEP
Calvin Crowder, AEP
Mel Perkins, OG&E
Mike Wise, Golden Spread Electric
Dennis Reed, Westar
Shah Hossain, Westar
Tom Stuchlik, Westar
Doug Henry, Westar
Steve Owens, Entergy
Harry Dawson, OMPA
Walt Shumate, Consultant
Bary Warren, Empire District
Dave Christiano, City of Springfield
David Brian, East Texas Electric Cooperatives
Craig Roach, Boston Pacific Company, Inc.
Kurtz Stowers, Calpine Corp.
Ron Gary, LUS
Gary Newell, Thompson Coburn LLP (counsel to LUS)
David Fleischaker, Secretary of Energy, Oklahoma
Rick Wolfinger, Constellation Energy Commodities Group
Nick Akins, AEP-SWEPCO
Raj Rana, AEP
Elizabeth Stephens, AEP-SWEPCO
Carl Huslig, Aquila
Darrell Gilliam Southwestern Power Administration
Tom Littleton, Oklahoma Municipal Power Authority
Gail Royster, EEI

A quorum was declared. President Bode asked for adoption of the January 5, 2005 meeting minutes. **Secretary Parsley moved to adopt the January 5, 2005 minutes. Vice President Hochstetter seconded the motion. Hearing no objection, the minutes were adopted.**

Agenda Item 3 – Updates

President Bode asked for updates from the RSC officers, FERC, and Southwest Power Pool. President Bode asked Tom Dunn (SPP) to report on RSC expenses in the absence of the RSC Treasurer. Mr. Dunn advised that transactions had been limited to the reimbursement of expenses incurred by the RSC and their Staff. The process of having Commissioners approve expense requests prior to SPP's review, accounting, and payment was working well. It was noted that DRA invoices for the Cost Benefit Study had not been paid due to administrative handling within the RSC and SPP, but that outstanding issues had been addressed and payments will be made soon.

President Bode asked Tony Ingram to report on FERC activities. Mr. Ingram expressed thanks to the RSC and SPP Staff for their work on the Cost Allocation Plan and the Cost Benefit Study. He reported that FERC had denied rehearing regarding the SPP/MISO Joint Operating Agreement (JOA) but had accepted the SPP JOA filing that assigned the PJM/MISO model as the default agreement. Mr. Ingram reported that action had been taken on the Attachment Z filing accepting the aggregate study proposal but delaying the funding mechanism for up to five months while awaiting the Cost Allocation Plan. The Wind RM05-4 is in the 30-60 day comment period before publication. Chairman Wood plans to hold an RTO/ISO CEO meeting in early March.

President Bode asked Nick Brown for an SPP report. Mr. Brown stated that the request for rehearing on the JOA had been denied with the PJM/MISO agreement filed as the default agreement. Senior Staff has not discussed the next steps. At the NERC Board of Trustee meeting on October 24, 2004, the regional managers presented a report on the future role of Regional Reliability Council functions including RTO boundaries. NERC is moving forward as if legislation passed and preparing for the independence of the compliance function. SPP is responding with functional modifications to answer the independence issue. SPP believes that the core value of reliability and economics are inseparable. President Bode stated that separation in other regions is not doing well and supports this cause.

Agenda Item 4 – Business Meeting

Cost Benefit Study: President Bode asked for a Cost Benefit Study report. Sam Loudenslager (APSC) reported that they are working with the consultant and have completed the sanity checks. The modeling process will begin next week and take approximately 30 days. Initial results will be reported in a draft report about 20 days after modeling is complete and a final report will follow that in 10-15 days. The CBTF and CAWG are continuing to work toward outlining for the RSC possible alternatives for evaluation of the cost allocation methodology in the Cost Benefit Study. The RSC can expect a report within the next 2-3 weeks. Nick Akins recommended having the cost allocation of new transmission included in the study by a third-party consultant.

Cost Allocation Working Group (CAWG): President Bode asked for a report on the transmission upgrade and expansion cost allocation for the SPP. Richard House (APSC) complemented the work of the Regional Tariff Working Group (RTWG) in committing the cost allocation policy into tariff language and the approval of the approach by the Markets and Operations Policy Committee (MOPC). President Bode stated that she is excited about the opportunities and thanked all groups involved and SPP Staff.

RSC Treasurer: President Bode stated that there is no official resignation from Treasurer David King. In the interim, RSC officers will manage this position with help from Tom Dunn.

Processes, Procedures and Interactions Between the RSC and the SPP: Nick Brown explained that in October the Board of Directors directed the RTWG to craft tariff language regarding the RSC's Cost Allocation Proposal for filing with FERC and the Strategic Planning Committee (SPC) to develop SPP's position. After some debate, the SPC decided to take no position but reserved the right to revisit this issue in the future. Mr. Brown stated that some members have concerns with dialog and interaction between RSC and SPP. Mr. Brown expressed the fact that he is very pleased with how quickly agreements have been reached but felt obligated to SPP members to have a "wash down" of the process to see if it is consistent with RSC and SPP Bylaws. After much discussion, it was decided to address how to procedurally file the Cost Allocation Plan as one issue

and to have the SPP Staff/Membership/SPP Board of Directors/RSC get together at another time to discuss the stakeholder process between RSC and SPP as a separate issue. The RSC agreed that they would recommend to the SPP Board of Directors that the filing be clean and straightforward, preferably that SPP would make a Section 205 filing as its own.

New Business

President Bode asked Carl Monroe (SPP) to present a market update and discussion of the work of the Operational Control Task Force. Mr. Monroe stated there are four activity areas of the energy market: 1) preparation of the tariff, 2) regulatory, 3) market participant readiness, and 4) SPP readiness. Mr. Monroe discussed the phased approach and future steps to consider including: 1) day ahead energy market, 2) day ahead capacity market, 3) transmission rights, 4) constraint payments, 5) ancillary requirements, and 6) the ancillary service markets. He stated that the Market Working Group will work with RSC and requested that the RSC provide input as to the steps in which they wanted to participate.

Assignments from the February 10, 2004 order were to define the operational authority of SPP in the functions of NERC as outlined in the Functional Model White Paper and to study the feasibility of consolidating control area function outlined in the white paper.

Charles Yeung (SPP) provided a summary of the Manager of Compliance change of report. The Strategic Planning Committee will distribute redlined SPP Bylaws to show that the Compliance Manager will now report to the Board of Directors and not the President. This change will be reported to the NERC Board of Trustees in two weeks.

President Bode announced the RSC had received an official application from David Fleischaker, Oklahoma Secretary of Energy, requesting to become an associate member. With no vote required, President Bode welcomed Mr. Fleischaker to the committee.

Agenda Item 5 – Future Meetings

The next scheduled meeting is tentatively a teleconference meeting on Tuesday, February 15 in conjunction with the NARUC meeting in Washington D.C. Meeting details and the agenda will be posted on the SPP RSC web page.

Adjournment

With no further business, President Bode asked for a motion to adjourn. **Secretary Parsley moved to adjourn. Vice President Hochstetter seconded the motion. With all in agreement, the meeting adjourned at 3:45 p.m.**

Respectfully submitted,

Julie Parsley, Secretary