

Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING

January 23, 2006

Teleconference

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Nick Brown called the meeting to order at 11:00 a.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Kevin Easley (GRDA), Mel Perkins (OG+E), and Jim Stanton (Calpine). SPP Staff included Stacy Duckett.

Mr. Brown referred to draft minutes for the September 1, 2005 meeting and asked for corrections or a motion for approval (Minutes 9/1/05– Attachment 1). Mr. Perkins moved that the minutes be approved as presented. Mr. Stanton seconded the motion, which passed unanimously.

Agenda Item 2 – Board of Directors Evaluation

Nick Brown reviewed the BOD Evaluation process and its role in assessing organizational effectiveness (BOD Evaluations – Attachment 2). Also reviewed were some actions that have been taken to address some of the items that received lower ratings. Other action items were discussed. A Board of Directors training session is planned for the June 2006 meeting including having each type of member represented through presentation of history and issues being faced. Also under consideration is how or whether to conduct sector roundtables with the Board of Directors for the purpose of enhancing communication. The group will continue to consider ways to address the Board evaluation. Mel Perkins raised the question of whether the Regional State Committee process has been integrated into the SPP organizational process. SPP has focused on this through business processes rather than governance changes.

Agenda Item 3 – Officers 360 Evaluation Results

Nick Brown reviewed how the 360 evaluations have been implemented for the officer team (BOD 360 Evaluations – Attachment 3). SPP will implement a 360 evaluation process for all managerial staff going forward. Tools are being considered to implement this. Mr. Brown will keep the committee informed of any progress.

Agenda Item 4 – Current Vacancies

Stacy Duckett reviewed vacancies and the process for filling each as well as recommended nominees (Appointment of Committee Representation – Attachment 4). Jim Eckelberger moved and Mel Perkins seconded the approval of the recommendation as presented. The motion passed unanimously.

Nick Brown then presented a recommendation that a Director be appointed as the standing liaison to the MOPC to facilitate continuity, particularly given the complexity and number of issues that the group addresses. Larry Altenbaumer is interested in serving in this role. He is currently the only Director serving on only one committee and his background and skills would be beneficial. Discussion determined that two directors should also continue to participate on a rotating basis. Jim Eckelberger will review the current schedule and adjust as needed. Mr. Brown then discussed compensation, which may need to be adjusted. Compensation will be addressed at a later date.

Agenda Item 5 – 2006 Expirations

Stacy Duckett reviewed terms expiring at the end of 2006 (Term Expirations/2006 – Attachment 5). Nick Brown noted that if we replace Directors, we must engage a search firm and allow time for that process. Mr. Brown will contact committee members and others to assess their status.

Agenda Item 7 – Members Committee/Election Process

Stacy Duckett reviewed issues raised regarding the nominations process for the Members Committee (Election Process – Attachment 6). Nick Brown reviewed the Staff role in the process: 1) maintain a list/record of those interested in serving; and 2) if no one has expressed interest, soliciting/recommending nominees. Discussion followed regarding the Corporate Governance Committee role in this process. There may be an issue of communicating the process/roles better to assure awareness. It was the consensus to retain the current structure of sector voting for the Corporate Governance Committee representatives, and then the committee working as a whole to consider the Members Committee and other groups. The Staff will focus on the communication process.

Agenda Item 6 – SWPA Request for Vote

Stacy Duckett presented the Southwestern Power Administration (SWPA) request including the Strategic Planning Committee discussion (SWPA Request – Attachment 7). Nick Brown provided additional background. The group directed Staff to follow-up with SWPA regarding changes in the status given EPAct provisions allowing federal agencies to join ISOs and RTOs. Staff will report back prior to any definitive action by the committee.

Agenda Item 8 – Other

Nick Brown discussed a memo from Harry Skilton regarding shifting valuation and financial reporting of SPP's pension and medical plan liability from the Human Resources Committee to the Finance Committee (Skilton Memo – Attachment 8). The chairs of each area are in concurrence as is Staff. Jim Eckelberger expressed disagreement. Mr. Brown will revisit the issue with the chairs and address it at a future meeting.

Future Meetings

TBA

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 12:20 p.m.

Respectfully Submitted,

Stacy Duckett, Secretary



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE MEETING

January 23, 2006
Teleconference

• A G E N D A •

11 a.m. CST

1. Call to Order and Administrative Items Nick Brown
2. Board of Directors Evaluation Results Nick Brown
3. Officers 360 Evaluation Results Nick Brown
4. Current Vacancies Stacy Duckett
 - a. Corporate Governance Committee
 - b. Strategic Planning
 - c. Members Committee
5. 2006 Expirations Stacy Duckett
6. SPA Request for Vote Stacy Duckett
7. Members Committee/Election Process Nick Brown

Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING

September 1, 2005

Teleconference

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Nick Brown called the meeting to order at 2:01 p.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Kevin Easley (GRDA), Mel Perkins (OG+E), Jim Stanton (Calpine), Dave Christiano (City of Springfield), and Steve Parr (KEPCo). Also in attendance were: Trudy Harper (Tenaska), Harry Skilton (Director), and Michael Desselle (AEP). SPP Staff included Stacy Duckett.

Agenda Item 2 – Expiring Terms

Nick Brown discussed the Board of Directors expiring terms (Terms - Attachment 1). Mel Perkins moved to nominate Josh Martin and Larry Altenbaumer to new terms. Steve Parr seconded the motion, which passed unanimously.

Nick Brown discussed the Members Committee expiring terms. Kevin Easley moved to nominate Harry Dawson, Steve Parr, and Mike Yeager to new terms. Jim Stanton seconded the motion, which passed unanimously. OG+E has expressed interest in filling an IOU position. Kevin Easley moved to nominate Mel Perkins (OG+E) for a new term. Steve Parr seconded the motion, which passed unanimously.

Dave Christiano asked whether the group should reconsider the Markets and Operations Committee (MOPC) chair as well. Mr. Brown explained, per SPP Bylaws, consideration of the MOPC chair would occur in 2006.

Agenda Item 3 – Board of Directors Evaluation

Nick Brown discussed the process previously used to conduct the Board of Directors evaluation. The group discussed the form used for the survey (BOD Evaluation Form – Attachment 2). Trudy Harper suggested question(s) related to perceptions of bias. The Staff will provide suggestions. The plan is to distribute the evaluation after the October Board of Directors meeting, with responses due back in late November. The results will be provided at the December Board of Directors meeting as part of the organizational effectiveness review. The evaluation will be distributed to the Board of Directors, the Members Committee and the Market and Operations Committee chair (as before).

Agenda Item 4 – Role of Board and Members Committee/Feedback from July Meeting

Nick Brown led a discussion on feedback from the July Board meeting regarding the transmission definition agenda item. The issues are related to the process rather than the outcome. Mr. Brown provided an overview of comments received to date. The question is how much deference should be given to recommendations from technical working groups, while still assuring Board independence. Mr. Brown presented a suggested process. The group decided there was no need to formalize a process at this time.

Future Meetings

No future meetings are scheduled.

SPP Corporate Governance Committee Minutes
September 1, 2005

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 2:53 p.m.

Respectfully Submitted,

Stacy Duckett, Secretary



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
January 23, 2006

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 November 30, 14 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.

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

	Considerations	5 Strongly Agree	4	3	2	1 Strongly Disagree	2005 Results	2005 Average	2004 Average
1	Board has full and common understanding of the roles and responsibilities of a Board						N/A	N/A	4.22
2	Board members understand the organization's mission and its services	3 - D	2 - D 3 - M	4 - M	2 - M		4.60 D 3.10 M	3.64	3.50
3	Organization structure is clear (Board, officers, committees, executive and staff)	3 - D	2 - D 7 - M	1 - M	1 - M		4.60 D 3.67 M	4.00	4.28
4	Board has clear goals and actions resulting from relevant and realistic strategic planning	2 - D	1 - M	3 - D 7 - M	1 - M		3.80 D 3.00 M	3.29	3.39
5	Board attends to policy-related decisions which effectively guide operational activities of staff	2 - D	2 - D 5 - M	1 - D 2 - M	2 - M		4.20 D 3.33 M	3.64	3.67
6	Board receives regular reports on finances/budgets, performance and other important matters	1 - D	3 - D 7 - M	1 - D 2 - M			4.00 D 3.78 M	3.86	4.22
7	Board effectively represents the organization to the stakeholder community	3 - D	1 - D 4 - M	1 - D 2 - M	3 - M		4.40 D 3.11 M	3.57	3.28
8	Board meetings facilitate focus and progress on important organizational matters	2 - D	1 - D 4 - M	2 - D 4 - M	1 - M		4.00 D 3.33 M	3.57	3.72
9	Board regularly monitors and evaluates progress toward strategic goals and objectives	1 - D	3 - D 2 - M	1 - D 6 - M	1 - M		4.00 D 3.11 M	3.43	3.22
10	Board regularly evaluates and provides development plans for the Chief Executive	3 - D 1 - M	1 - D 5 - M	1 - D 3 - M			4.40 D 3.78 M	4.00	3.50
11	Each member of the Board is involved and interested in the Board's work	4 - D 3 - M	1 - D 3 - M	3 - M			4.80 D 4.00 M	4.29	4.22
12	All necessary skills, stakeholders and diversity are represented on the Board						N/A	N/A	3.44
13	Board considers the diverse positions of the membership in a non-discriminatory manner	5 - D	3 - M	2 - M	4 - M		5.00 D 2.89 M	3.64	N/A

Southwest Power Pool Board of Directors Evaluation
December 1, 2005

Points on which the Board of Directors should focus attention in 2006

Member Comments

- I feel strongly that the board should ensure that the by-laws are followed. If the by-laws do not meet the needs of the organization, then we should change them. It is a slippery slope to head down when we pick and choose when and which by-laws we want to follow.
- 1. Successful launch of the EIS market. 2. Making the SPP region attractive to generation and transmission investors. 3. Keep front and center the reasons for an RTO to exist, which is to mitigate discrimination by vertically integrated utilities and deliver efficient energy products to consumers. 4. Ensure the cost savings identified by the cost/benefit study are realized and/or exceeded. 5. Consult with individual members, not just staff, about their concerns and positive experiences with the SPP process.
- Board needs to reach independent decisions on matters brought to it, not just rubber stamp committee reports, particularly when there are divergent opinions. Not enough accountability for meeting budgets and schedules placed on staff. Start up of Markets is an example.
- Integrate RSC processes and initiatives into those of the SPP stakeholder groups - Ensure the expansion plan and cost allocation plan are fair to all including those that must recover costs from retail jurisdictions - Assist the state jurisdictional entities with approvals necessary to remain members of the SPP RTO
- Learn more about each of the members of SPP. Try to determine how their decisions impact end use consumers. Try to remember that not all companies are rate of return or return on investment oriented. Manage and control expenses effectively.
- Do a better job of balancing the minority opinion with the results of committee work. You are too focused on making everybody happy. Continue to work with Nick in his development as President. Continue to work with Nick and the other officers to assure that they and their staffs are up to the challenges before them.
- One area where I feel the Board should focus is getting more exposure to the Members Senior Management. Hold conferences, make visits to corporate offices, etc. This would add significantly to the organizations credibility. Another area is a better understanding of State and Federal issues and how they interrelate and impact members.
- Progress towards goal of minimizing transmission congestion in region. Progress towards actually seeing new transmission facilities constructed in the region.

Director Comments

- Long-term strategic planning
- Helping Management ensure that the market implementation happens on time and on budget. Receive education about the changes going on at FERC and NERC and the implications for SPP. Provide appropriate guidance to Management to help manage the significant staff increases budgeted for 2006.
- [1] continue evolution to longer term strategic vision and plans ; [2]Improvement of staff operational reporting to BOD and members ;[3] BOD training ; [4]Facilitate intra BOD interface ; [5] facilitate [BOD] to [CEO & Senior staff] exchange and discussion
- Actually getting transmission built 2. Cost efficacious way to meet reliability organizational issues 3. Making the market and not the membership key to the financial stability of the organization 4 understanding the scope of IRP which would be useful and important to members and regulators 5. Focusing on time to action within the member driven structure 6. Finding ways to combine efforts with sister orgs to share software costs
- assuring that minority and public/consumer interests are not overlooked assuring that transmission is built, not merely planned assuring there are effective means to hear all views and develop consensus without going through formal grievance, investigation or adjudicatory processes



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
January 23, 2006

SPP OFFICERS 360 EVALUATION

Background

The Human Resources Committee, at their October 2005 meeting, directed the SPP Human Resources Department to conduct 360 reviews on the SPP officers. Oklahoma Gas and Electric (OG+E) allowed SPP to use their executive 360 form to expedite this process. SPP officers selected their reviewers, both external and internal to SPP including directors, members, and SPP staff. Rating forms were distributed to the reviewers with a requested return date of November 11. All reviews remained anonymous.

Analysis

The completed review summaries were sent to OG+E's Human Resources Department for analysis. Nick Brown delivered the review results to the SPP officers.

Action Requested

Discussion of the results and format of the SPP Officers 360 Evaluation.

Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
Report to the Board of Directors
January 31, 2006

BOARD APPOINTMENT OF COMMITTEE REPRESENTATION

Organizational Roster

The following members represent the Corporate Governance Committee:

Nick Brown, Chair	Director
Jim Eckelberger	Director
Kevin Easley	Grand River Dam Authority
Steve Parr	KepCO
Mel Perkins	OG+E
Jim Stanton	Calpine

Background

Dave Christiano, City Utilities of Springfield, retired at the end of 2005. He represented the Municipals sector of the membership on the Members Committee and the Corporate Governance Committee, as well as the Transmission Using sector of the membership on the Strategic Planning Committee.

Analysis

As relates to vacancies on the Members Committee, in accordance with Section 5.1.4 *Vacancies* in the Bylaws:

"If a vacancy occurs the Corporate Governance Committee may elect an interim representative from the same sector to serve until a replacement representative from the same sector is elected and takes office. A special election shall be held at the next meeting of Members to fill the vacancy for the unexpired term."

The Corporate Governance Committee met for purposes of selecting an interim representative, that being (Name) from City Utilities of Springfield.

As relates to vacancies on the Corporate Governance Committee, in accordance with Section 6.6 *Corporate Governance Committee* in the Bylaws:

"Where a vacancy occurs with respect to a representative of a sector, the representatives from the appropriate sector will fill the vacancy."

Representatives from the Municipals sector of the Membership have selected Harry Dawson from Oklahoma Municipal Power Authority to fill the vacancy on the Corporate Governance Committee.

As relates to vacancies on the Strategic Planning Committee, in accordance with Section 6.2 *Strategic Planning Committee* in the Bylaws:

"Where a vacancy occurs the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors."

The Corporate Governance Committee selected Kevin Easley (Transmission Using member, GRDA) as the interim representative to the Strategic Planning Committee and nominates him to the Board of Directors for appointment.

Recommendation

- 1) The Corporate Governance Committee asks that the Board of Directors recognize (Name) from City Utilities of Springfield as the representative of the Municipals membership sector on the Members Committee until such time as a special meeting of members can be convened for an election.
- 2) The Corporate Governance Committee asks that the Board of Directors recognize Harry Dawson from Oklahoma Municipal Power Authority as the representative of the Municipals membership sector on the Corporate Governance Committee effective immediately.
- 3) The Corporate Governance Committee nominates Kevin Easley for appointment to the Strategic Planning Committee to fill the Transmission Using member vacancy.

Action Requested: Approve the recommendation



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
January 23, 2006

TERM EXPIRATIONS/2006

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 two-year term positions expire at the end of 2006.

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 2006:

Board of Directors: Jim Eckelberger
 Harry Skilton

Members Committee (sector): Richard Spring (IOU)
 Gary Roulet (Cooperatives)
 Rick Tyler (Cooperatives)
 Trudy Harper (IPP/Marketer)
 Kevin Easley (State/Federal Agencies)
 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 2006 Board of Directors/Members Committee meeting and Annual Meeting of Members.

SPP BOARD OF DIRECTORS

	TERM EXPIRES
Phyllis Bernard	2007
Nick Brown	N/A
Jim Eckelberger	2006
Quentin Jackson	2007
Josh Martin	2008
Larry Altenbaumer	2008
Harry Skilton	2006

Class of 2006

Jim Eckelberger
Harry Skilton

Class of 2007

Phyllis Bernard
Quentin Jackson

Class of 2008

Josh Martin
Larry Altenbaumer

SPP MEMBERS COMMITTEE

SECTOR		COMPANY	TERM EXPIRES
Investor Owned Utilities	Doug Henry	Westar	2007
	Mel Perkins	OG+E	2008
	Richard Spring	KCPL	2006
	Michael Desselle	AEP	2007
Cooperatives	Steve Parr	KEPCo	2008
	Gary Roulet	WFEC	2006
	Gary Voigt	AECC	2007
	Rick Tyler	NTEC	2006
Municipals	vacant		2007
	Harry Dawson	OMPA	2008
IPPs/Marketers	Trudy Harper	Tenaska	2006
	Jim Stanton	Calpine	2007
	Walt Yeager	Cinergy	2008
State/Federal Agencies	Kevin Easley	GRDA	2006
Large Retail Customer	vacant		2008
Small Retail Customer	vacant		2007
Public Interest/ Alternative Power	vacant		2008
	vacant		2006

Class of 2006

Richard Spring
 Gary Roulet
 Rick Tyler
 Trudy Harper
 Kevin Easley
 Publ Int/Alt Pwr (vacant)

Class of 2007

Doug Henry
 Michael Desselle
 Gary Voigt
 Municipal (vacant)
 Jim Stanton
 Sm. Retail (vacant)

Class of 2008

Mel Perkins
 Steve Parr
 Harry Dawson
 Walt Yeager
 Lg. Retail (vacant)
 Publ Int/Alt Pwr (vacant)

SPP Members

Investor-Owned

American Electric Power #
Public Service Company of Oklahoma
Southwestern Electric Power Company
Aquila, Inc.
Missouri Public Service #
*St. Joseph Light & Power **
WestPlains Energy #
Cleco Power LLC #
Entergy Services, Inc. *
Exelon Power Team *
Kansas City Power & Light Company #
OG&E Electric Services #
Southwestern Public Service Company #
The Empire District Electric Company #
Westar Energy, Inc. #
Kansas Gas and Electric Company

Cooperatives

Arkansas Electric Cooperative Corporation *
East Texas Electric Cooperative, Inc. *
Kansas Electric Power Cooperative
Midwest Energy, Inc. *
Northeast Texas Electric Cooperative *
Sunflower Electric Power Corporation # *
Tex-La Cooperative of Texas, Inc. *
Western Farmers Electric Cooperative #

Municipals

City of Clarksdale, Mississippi *
City of Lafayette, Louisiana # *
City Power & Light, Independence, Missouri # *
City Utilities, Springfield, Missouri *
Oklahoma Municipal Power Authority
Public Service Comm. of Yazoo City, Mississippi *
The Board of Public Utilities, Kansas City, Kansas # *

State Agencies

Grand River Dam Authority #
Louisiana Energy & Power Authority #

Independent Power Producer

Calpine Energy Services, L.P. *
Redbud Energy, L.P. *
Tenaska Power Services Company *

Marketers

Aquila Power - Aquila, Inc. *
Cargill Power Markets, LLC *
Cinergy Corporation *
Constellation Energy Commodities Group, Inc. *
Coral Power LLC *
Dynergy Marketing & Trade *
Duke Energy Trading & Marketing *
Edison Mission Marketing & Trading, Inc. *
El Paso Merchant Energy, L.P. *
NRG Power Marketing, Inc. *
TXU Energy Trading Company
Williams Power Company, Inc. *

SPP Contract Participants

Southwestern Power Administration

Statistics

13	Investor-Owned
8	Cooperatives
7	Municipals
2	State Agencies
3	Independent Power Producer
12	Marketers
<hr/>	
45	Members as of 03/01/2005

* Transmission Dependent Member
Denotes Control Areas within SPP



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
January 23, 2006

ELECTION PROCESS

Background

Some SPP Members have requested that the nomination/election process for the Members Committee be reviewed and possibly revised.

Analysis

The SPP Bylaws provide that the representatives of the Corporate Governance Committee are selected by all members in their respective sectors (Bylaws Section 6.6). Members Committee representatives are nominated by the Corporate Governance Committee and elected by the Membership in its entirety (Bylaws Section 5.12). Some Members have suggested that Members Committee representatives – like Corporate Governance Committee representatives – be nominated by sector. In the alternative, the Corporate Governance Committee could be required to solicit a straw vote of each sector prior to nominating a candidate.

Recommendation

Discussion of the Members Committee election process.



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
January 23, 2006

SOUTHWESTERN POWER ADMINISTRATION

Background

Southwestern Power Administration (SWPA) was previously a member of SPP. With SPP's approval as an RTO, SWPA withdrew from membership to avoid potential violation of certain federal laws/regulations. SPP currently provides certain services to SWPA under contract. SWPA representatives remain active in SPP activities.

Analysis

Pursuant to their contract, SWPA submits this request to hold limited voting rights related to certain matters. Specifically, SWPA seeks:

- To be nominated to committees, working groups, and task forces
- To hold a seat on any full representation committees (MOPC)
- To vote on items dealing with reliability and the treatment of its facilities under the SPP Tariff (excluding the Energy Imbalance Service Market)
- To abstain from any votes of SPP finances or Energy Imbalance Service Market

SPP's Bylaws do not provide for voting seats for non-members.

Action Requested: Discussion of the request. This was also discussed at the Strategic Planning Committee on January 19, 2006.

To: Nick Brown
Chairman
Corporate Governance Committee
Southwest Power Pool

December 20, 2005

Fr: Harry Skilton
Chairman
Finance Committee
Southwest Power Pool

Dear Nick,

At our last Finance Committee meeting we discussed our Charter and performance. It was the sense of the committee that our Charter be amended to include the responsibility to oversee the Valuation and Financial reporting of SPP's Pension and Medical plan liability. This function, as you know, is currently done by the Human Resources Committee in addition to their responsibility for Personnel Benefits Policy.

The committee asked that the matter be presented to the Corporate Governance Committee for their consideration.

As reported by our outside auditors, there are significant changes forthcoming in the accounting and the valuation methodology of Benefit programs. These changes, in turn, may have significant impacts on our financial policy as well as on our financial reporting [e.g. calculation of the "withdrawal obligations"]. Given these trends, the Committee needs to be more intimately involved in the valuation and reporting methodology and options. Therefore, we believe that it would be appropriate and efficient to have the Benefit plan valuation and reporting responsibilities placed within the purview of the Finance Committee.

While there is no standard industry practice, in the opinion of the members, the most prevalent methodology is to have the Benefit policy function separated from its accounting and financial policy implications. The financial reporting and valuation functions [including the interface with the independent actuaries] are more often overseen by the Finance/Audit Committee of the BOD. Moving to this approach would not only increase the Finance Committee's effectiveness but would also serve to introduce some further "checks and balances" into our corporate governance structure.

For the reasons mentioned above, we would recommend that the Finance Committee be assigned the responsibility for the financial /actuarial valuation and accounting of our benefit programs.

I am available to discuss the proposal at your convenience. I have advised Quentin Jackson that this recommendation was forthcoming and Jim Eckelberger was present at the meeting when the issue was raised. I have copied them both.

Regards, Harry

Cc: Quentin Jackson; Jim Eckelberger