



Southwest Power Pool, Inc.
SPECIAL BOARD OF DIRECTORS/MEMBERS COMMITTEE MEETING
Conference Call
February 12, 2018

- **Summary of Action Items** -

1. Approved CGC Recommendation

Southwest Power Pool, Inc.
SPECIAL BOARD OF DIRECTORS/MEMBERS COMMITTEE MEETING
Conference Call
February 12, 2018

MINUTES

Agenda Item 1 – Administrative Items

SPP Board of Directors Chair Mr. Jim Eckelberger called the meeting to order at 1:06 p.m. The following Board of Directors/Members Committee members were in attendance or represented by proxy:

Mr. Larry Altenbaumer, director
Mr. Jason Atwood, Northeast Texas Electric Cooperative, Inc.
Mr. Brent Baker, The Empire District Electric Company
Ms. Phyllis Bernard, director
Mr. Julian Brix, director
Mr. Nick Brown, director
Mr. Jim Eckelberger, director
Mr. Graham Edwards, director
Mr. Kelly Harrison, Westar Energy, Inc.
Mr. David Hudson, Xcel Energy
Mr. Rob Janssen, Dogwood Energy, LLC
Mr. Thomas Kent, Nebraska Public Power District
Mr. Jeff Knottek, City Utilities of Springfield, MO
Mr. Brett Leopold, ITC Great Plains
Mr. Stuart Lowry, Sunflower Electric Power Corporation
Mr. Josh Martin, director
Mr. Greg McAuley, Oklahoma Gas and Electric Company
Mr. Kevin Noblet, Kansas City Power & Light Company
Mr. Randy Elliott for Dave Osburn, Oklahoma Municipal Power Authority
Mr. Mike Risan, Basin Electric Power Cooperative
Mr. Bruce Scherr, director
Mr. Harry Skilton, director
Mr. Kevin Smith, Tenaska Power Services Company
Mr. Stuart Solomon, American Electric Power
Mr. Jody Sundsted, Western Area Power Administration – Upper Great Plains Region

Mr. Jim Eckelberger asked for a round of introductions. There were 48 people in attendance (Attendance List – Attachment 1). Mr. Brown reported the proxies (Proxies – Attachment 2).

Agenda Item 2 – Corporate Governance Committee Recommendation

Mr. Mike Riley provided a brief update and background on the Corporate Governance Recommendation (CGC) (CGC Presentation, Recommendation and Proposed Membership Agreement Changes). In the October 19 Order, FERC required SPP to incorporate a contractual commitment in the SPP Membership Agreement that obligates non-jurisdictional transmission owners to effectuate a FERC refund order. Since FERC has no jurisdiction to require non-jurisdictional utilities to comply with its refund orders, it has ordered SPP to contractually bind non-jurisdictional transmission owners and if needed, enforce the Membership Agreement in court, since FERC lacks such authority.

FERC found that when an RTO proposes to include a non-jurisdictional utility's revenue requirement in the RTO's rates, the RTO may not implement that proposal unless the non-jurisdictional utility makes a voluntary commitment to make refunds if the rate, as filed, is later found to be not just and reasonable. FERC stated that non-jurisdictional transmission owners would only be subject to refund commitments to the extent that they wish to

remain or become SPP transmission owners. The refund commitment will serve as a condition precedent for non-jurisdictional transmission owners to recover revenues through the SPP Tariff based on a choice they made to become members. FERC noted that SPP may propose a prospective effective date for any revisions to the SPP Tariff or governing documents.

Mr. Nick Brown moved to approve the proposed new Membership Agreement Section 3.0(i) and the WAPA revision to its Membership Agreement Amendment. Mr. Graham Edwards seconded the motion. The Members Committee voted in favor with five no votes (Public Service Company of Oklahoma), (Empire District Electric), (Oklahoma Gas & Electric Company), (Westar Energy), and (SPS/Xcel Energy). The Board voted; the motion passed.

Agenda Item 3 – Future Meetings

RET/RSC/BOD	April 23-24	Kansas City, MO
BOD	June 11-12	Little Rock, AR
RET/RSC/BOD	July 30-31	Omaha, NE
RET/RSC/BOD	October 29-30	Little Rock, AR
BOD	December 4	Little Rock, AR

Adjournment

With no further business, Mr. Eckelberger adjourned the meeting at 1:27 p.m.

Respectfully Submitted,

Paul Suskie, Corporate Secretary



Southwest Power Pool, Inc.

SPECIAL BOARD OF DIRECTORS MEETING

February 12, 2018

Conference Call

• A G E N D A •

1:00 p.m. –1:30 p.m.

- 1. Call to Order and Administrative Items.....Jim Eckelberger
- 2. CGC Recommendation.....Nick Brown
- 3. Future Meetings

2018

RET/RSC/BOD	April 23-24	Kansas City, MO
* BOD	June 11-12	Little Rock, AR
RET/RSC/BOD	July 30-31	Omaha, NE
RET/RSC/BOD	October 29-30	Little Rock, AR
** BOD	December 4	Little Rock, AR

2019

RET/BOD	April 28-29	Austin, TX
RET/RSC/BOD	April 29-30	Tulsa, OK
* BOD	June 10-11	Little Rock, AR
RET/RSC/BOD	July 29-30	Denver, CO
RET/RSC/BOD	October 28-29	Little Rock, AR
** BOD	December 3	Little Rock, AR

Special Board of Directors/Members Committee Call - 2/12/18

First Name	Last Name	Company
Bernard	Liu	Xcel Energy
Bill	Dowling	Midwest Energy Inc
Blake	Mertens	Empire District Electric
Brent	Baker	Empire District Electric
Brett	Leopold	ITC Great Plains LLC
Brian	Rounds	AESL Consulting
Bruce	Rew	Southwest Power Pool
Bruce	Scherr	Director
Carl	Monroe	Southwest Power Pool
David	Hudson	SPS/XcelEnergy
Denise	Buffington	Kansas City Power & Light Company
Don	Frerking	Kansas City Power & Light Company
Graham	Edwards	Director
Greg	McAuley	Oklahoma Gas & Electric
Harry	Skilton	Director
Heather	Starnes	Healy Law Offices/MJMEUC
Jason	Atwood	Northeast Texas Electric Cooperative
Jason	Fortik	Lincoln Electric System
Jeff	Knottek	City Utilities of Springfield, MO
Jim	Eckelberger	Director
Jody	Sundsted	Western Area Power Administration
John	Krajewski	Nebraska Power Review Board
John	Stephens	City Utilities of Springfield
Josh	Martin	Director
Julian	Brix	Director
Kelly	Harrison	Westar Energy
Kevin	Noblet	Kansas City Power & Light
Kevin	Smith	Tenaska
Larry	Altenbaumer	Director
Marguerite	Wagner	ITC
Michael	Desselle	Southwest Power Pool
Michael	Moffet	Michael C. Moffet Consulting
Mike	Riley	SPP
Mike	Risan	Basin Electric Power Cooperative
Mike	Ross	Southwest Power Pool
Nick	Brown	Southwest Power Pool
Phyllis	Bernard	Director
Randall	Elliott	Oklahoma Municipal Power Authority
Robert	Janssen	Dogwood Energy, LLC
Robert	Safuto	Customized Energy Solutions
Ronald	Klinefelter	Western Area Power Administration
Shaun	Scott	Southwest Power Pool
Shawnee	Claiborn-Pinto	Public Utility Commission of Texas
Stuart	Lowry	Sunflower Electric Power Corporation
Stuart	Solomon	Public Service Company of Oklahoma
Thomas	Kent	Nebraska Public Power District
Tom	Dunn	Southwest Power Pool

Tom	Kleckner	RTO Insider
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From: [Osburn, David](#)
To: [Shaun Scott](#); [Randy Elliott](#)
Cc: [Officers](#)
Subject: Special Meeting 20180212_PROXY Randy Elliot for David Osburn
Date: Monday, February 05, 2018 11:32:54 AM

Randy Elliott will have my Proxy.

David Osburn
OMPA



HELPING OUR MEMBERS WORK TOGETHER
TO KEEP THE LIGHTS ON... TODAY AND IN THE FUTURE.

FERC DOCKETS

EL16-91 & EL18-19

- Summary & Overview
- The Compliance Obligation in the October 19, 2017 Order
- NPPD's Proposal
- Recommendation

FERC DOCKET EL16-91: SUMMARY

- FERC-initiated examination of the SPP Tariff under Section 206 of the Federal Power Act

ISSUE IDENTIFIED BY FERC:

- There is no refund commitment in the SPP Tariff requiring non-jurisdictional transmission owners to refund revenues received associated with service provided due to their status as RTO transmission owners
- This may result in SPP's jurisdictional rates not being just and reasonable

Background & Timeline

SPP Staff Recommendation to CGC (February 2017):

- **Initiate stakeholder process to develop proposed changes to the Governing Documents**

CGC Direction:

- **February 2017: Coordinate with all SPP Transmission Owners on drafting a straw proposal to comply with FERC's direction and bring proposal back to CGC.**
- **November 2017: Work with non-jurisdictional Kansas and Nebraska Members and all Transmission Owners to formulate a compliant proposal that is responsive to Kansas and Nebraska specific issues**
- **January 5, 2018: CGC approves recommendation to Amend Membership Agreement to comply with FERC's deadline February 28th Deadline in 206 Docket.**

Status Report:

- **SPP filed Status Report on December 15, 2017**

Stakeholder Coordination

Teleconferences	Topics Covered
May 12, 2017	Docket overview; SPP strawman
June 13, 2017	Review other proposals (WFEC; NPPD; CUS; MWE)
June 28, 2017	Review SPP revised strawman based on feedback
July 27, 2017	Review Midwest Energy proposal
August 23, 2017	Review Revised Midwest Energy proposal and SPP further revised strawman
November 2, 2017	Review October 19 Compliance Order and SPP strawman
November 28, 2017	CGC Meeting
December 7, 2017	SPP Staff, NPPD, Midwest Energy, Sunflower reviewed Staff's proposal to use Bylaws 8.4
December 13, 2017	Reviewed Staff's proposal and NPPD's proposed revisions with all Transmission Owners
December 28, 2017	Reviewed NPPD's latest proposal with all Transmission Owners

Recommendation from CGC

- Motion to:

Approve the proposed new Membership Agreement Section 3.0(i) and the WAPA revision (A.1.12) to its Membership Agreement Amendment, as reflected in the CGC Recommendation Memo.



Southwest Power Pool, Inc.

CORPORATE GOVERNANCE COMMITTEE

Recommendation to the Board of Directors and Members Committee

January 5, 2018

Amendment to Membership Agreement

Background

On July 21, 2016, FERC initiated an examination of the SPP Tariff under Section 206 of the Federal Power Act (Docket No. EL16-91), because there is no refund commitment in the SPP Tariff requiring non-jurisdictional transmission owners to refund revenues received associated with service provided due to their status as RTO transmission owners, and the absence of such a refund commitment may result in SPP's jurisdictional rates not being just and reasonable. Pursuant to direction from the Corporate Governance Committee, SPP staff facilitated eight teleconferences with all SPP Transmission Owners over the past several months. On October 19, 2017, FERC issued a subsequent order requiring SPP to submit a compliance filing consistent with the direction provided in that order. In the October 19 Order, FERC: (1) held the paper hearing in abeyance pending the outcome of the SPP stakeholder process; granted in part and denied in part, SPP's request for clarification; (3) instituted another proceeding in EL18-19 to examine the SPP Membership Agreement and consolidated the two dockets; (4) required SPP to submit a status report on the stakeholder process by December 15, 2017; and, (5) ordered SPP to submit a compliance filing with a proposal to address the non-jurisdictional refund commitment by February 28, 2018, regardless of the outcome of the stakeholder process, or show cause as to why revisions are unnecessary.

Analysis

In the October 19 Order, FERC requires SPP to incorporate a contractual commitment in the SPP Membership Agreement that contractually obligates non-jurisdictional utilities to effectuate a FERC refund order. Since FERC has no jurisdiction to require non-jurisdictional utilities to comply with its refund orders, it has ordered SPP to contractually bind non-jurisdictional utility members and if needed, enforce the Membership Agreement in court, since FERC lacks such authority.

FERC found that when an RTO proposes to include a non-jurisdictional utility's revenue requirement in the RTO's rates, the RTO may not implement that proposal unless the non-jurisdictional utility makes a voluntary commitment to make refunds if the rate, as filed, is later found to be not just and reasonable. FERC stated that non-jurisdictional utilities would only be subject to refund commitments to the extent that they wish to remain or become SPP transmission owners. The refund commitment will serve as a condition precedent for non-jurisdictional utility transmission owning members to recover revenues through the SPP Tariff based on a choice they made to become members. FERC noted that SPP may propose a prospective effective date for any revisions to the SPP Tariff or governing documents.

Recommendation:

Approve the proposed new Membership Agreement Section 3.0(i) and the WAPA revision to its Membership Agreement Amendment, as reflected in the attached.

Approved: Corporate Governance Committee

January 5, 2018

Action Requested: Approve recommendation

PROPOSED Section 3.0(i)

(i) Subject to the provisions of this Agreement, prior Amendments to this Agreement and/or the Tariff, and without waiving, limiting or altering Member's non-jurisdictional status, a non-jurisdictional Member agrees to refund any amount collected by SPP on behalf of and distributed to such non-jurisdictional Member, (1) resulting from any overcharge caused by any billing or computation error as agreed by SPP and a non-jurisdictional Member; (2) resulting from a refund order issued by the FERC relating to any overcharges caused by inclusion by a non-jurisdictional Member of costs of facilities that are not Transmission Facilities as allowed by Attachment A1 of the Tariff; or (3) in excess of the rate ultimately determined in any other order issued by the FERC to be just and reasonable, provided, however, that if a non-jurisdictional Member cannot issue refunds required by such other order described under (3) because, (i) its rates are subject to a state regulatory authority authorized by state statute to set transmission rates that are subject to judicial review and (ii) the refund order issued by the FERC is inconsistent with applicable state law, regulation or regulatory determination, SPP will provide to the FERC any difference identified by the non-jurisdictional member between the FERC-ordered refund and the state-law, regulation or regulatory determination as uncollectible and not otherwise owed by SPP. Determinations of inconsistency with applicable state law shall be made pursuant to the process and rights in accordance with Sections 3.11 and 3.12 of this Agreement and prior Amendments to this Agreement. Any such refund shall include interest calculated in accordance with the FERC refund order. Nothing in this paragraph shall be deemed to amend or supersede the applicability of any provision of this Agreement, prior Amendments to this Agreement and/or the Tariff.

PROPOSED AMENDMENTS TO SPP MEMBERSHIP AGREEMENT FOR THE WESTERN AREA POWER ADMINISTRATION-UPPER GREAT PLAINS REGION

A1.12. Western-UGP's Agreement to Pay Refunds

In the event FERC issues an order under section 205 or 206 of the Federal Power Act directing SPP to pay refunds, and SPP seeks a portion of those refunds from Western-UGP, Western-UGP agrees to pay such portion upon request from SPP. However, Western-UGP's agreement to pay any such refund is limited by the following:

- a) Western-UGP does so without waiving, limiting or altering its non-jurisdictional status or its rate review described in Sections 3.10 and 3.11 of the Agreement;
- (b) Western-UGP's obligation to pay a refund shall only be prospective from the date of an initial FERC order establishing the date of any refund;
- (c) Western-UGP shall only make a refund if such refund is not otherwise covered by Western-UGP's statutory and regulatory requirements for refunds described in Section 3.10 of the Agreement; and,
- (d) Any disputes under this contract provision between Western-UGP and SPP shall be resolved in accordance with Federal contract law, and Western-UGP's potential interest due on the refund shall be capped at the Prompt Payment Act interest rates as published by the Secretary of Treasury and published by the Bureau of Fiscal Service semi-annually in the Federal Register, and the forum for any disputes shall be the applicable Federal court.